

**REPORT ARCHIVE COPY**

**JSC BANK FREEDOM  
FINANCE KAZAKHSTAN**

Separate Financial Statements and  
Independent Auditor's Report  
For the Year Ended 31 December 2022

# JSC “Bank Freedom Finance Kazakhstan”

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# JSC Bank Freedom Finance Kazakhstan

## Statement of Management's Responsibilities for the Preparation and Approval of the Separate Financial Statements for the Year Ended 31 December 2022

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Management is responsible for the preparation of the separate financial statements that present fairly the financial position of the Joint Stock Company Bank Freedom Finance Kazakhstan (the "Bank") as at 31 December 2022, the related separate statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the separate financial statements (the "separate financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's separate financial position and financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the separate financial position of the Bank, and which enable them to ensure that the separate financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.

The separate financial statements of the Bank for the year ended 31 December 2022 were authorized for issue by the Management Board of the Bank on 28 April 2023 and are subject for subsequent approval by the Board of Directors and the Sole Shareholder in accordance with the requirements of the legislation of the Republic of Kazakhstan.

On behalf of the Management Board:



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**Akhmetova G.A.**  
**Chairman of the Management Board**

28 April 2023  
Almaty, Kazakhstan

A handwritten signature in blue ink, appearing to read "D.K. Kubeyeva".

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**Kubeyeva D.K.**  
**Chief Accountant**

28 April 2023  
Almaty, Kazakhstan

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Board of Directors of JSC Bank Freedom Finance Kazakhstan

### Opinion

We have audited the separate financial statements of JSC Bank Freedom Finance Kazakhstan (the "Bank"), which comprise the separate statement of financial position as at 31 December 2022, the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at 31 December 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Zaina Yegembeldieva  
Auditor  
Qualification certificate  
No. MF-0000717  
dated 10 January 2019



Zhangir Zhilysbayev  
General Director  
Deloitte LLP

State Audit License of the  
Republic of Kazakhstan No.0000015,  
type MFU-2, issued by the  
Ministry of Finance of the  
Republic of Kazakhstan  
dated 13 September 2006

28 April 2023  
Almaty, Kazakhstan

# JSC “Bank Freedom Finance Kazakhstan”

## Separate Statement of Financial Position as at 31 December 2022 (in thousands of tenge)

	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and cash equivalents	5	245,153,452	42,799,179
Amounts due from financial institutions	6	46,860,696	2,247,442
Financial assets at fair value through profit or loss		88,145	–
Investment securities	8	655,723,864	325,984,528
Loans to customers	7	295,343,815	15,789,745
Property and equipment	9	9,653,523	4,894,130
Intangible assets	10	2,163,748	1,246,608
Investments in a subsidiary	1	18,000	3,000
Current corporate income tax assets	12	729,028	920,094
Other assets	11	3,669,601	1,402,316
<b>Total assets</b>		<b>1,259,403,872</b>	<b>395,287,042</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss		–	8,650
Amounts due to financial institutions	13	21,997,127	3,828,429
Amounts due to customers	14	623,869,137	101,727,860
Liabilities under repurchase agreements	15	392,647,708	238,739,451
Deferred corporate income tax liabilities	12	304,124	231,385
Subordinated loan	16	1,040,000	1,040,000
Lease liabilities	17	1,186,058	128,854
Liabilities from continuing participation	18	147,906,554	–
Other liabilities	19	1,922,173	761,051
<b>Total liabilities</b>		<b>1,190,872,881</b>	<b>346,465,680</b>
<b>Equity</b>			
Share capital	20	32,356,139	32,356,139
Additional paid-in capital	16	2,400,340	2,400,340
Revaluation reserve for property and equipment	20	901,344	335,668
Retained earnings		32,873,168	13,729,215
<b>Total equity</b>		<b>68,530,991</b>	<b>48,821,362</b>
<b>Total equity and liabilities</b>		<b>1,259,403,872</b>	<b>395,287,042</b>

On behalf of the Management Board:

Akhmetova G.A.  
Chairman of the Management Board

28 April 2023  
Almaty, Kazakhstan

Kubeeva D.K.  
Chief Accountant

28 April 2023  
Almaty, Kazakhstan

The notes on pages 9-64 form an integral part of these separate financial statements.

# JSC “Bank Freedom Finance Kazakhstan”

## Separate Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2022 (in thousands of tenge)

	Notes	Year ended 31 December 2022	Year ended 31 December 2021
Interest income calculated using effective interest rate	21	53,932,546	17,144,260
Interest expense	21	(46,883,010)	(13,824,156)
<b>Net interest income</b>	21	<b>7,049,536</b>	<b>3,320,104</b>
Credit loss expense	5, 6, 7, 11	(4,937,515)	(274,134)
<b>Net interest income after credit loss expense</b>		<b>2,112,021</b>	<b>3,045,970</b>
Net fee and commission income	22	866,271	147,285
Net income on transactions with financial instruments at fair value through profit or loss	23	14,947,475	6,920,056
Net gains/(losses) from foreign currencies:			
- dealing		15,748,327	1,508,045
- translation differences		(1,240,724)	(136,079)
Other income		367,844	88,134
<b>Non-interest income</b>		<b>30,689,193</b>	<b>8,527,441</b>
Personnel expenses	24	(7,414,061)	(3,338,504)
Administrative and other operating expenses	24	(6,142,482)	(2,335,433)
Loss on revaluation of property and equipment		(150,585)	–
Other expense		(18,668)	(50,643)
<b>Non-interest expense</b>		<b>(13,725,796)</b>	<b>(5,724,580)</b>
<b>Profit before corporate income tax expense</b>		<b>19,075,418</b>	<b>5,848,831</b>
Corporate income tax benefit	12	63,883	343,538
<b>Profit for the year</b>		<b>19,139,301</b>	<b>6,192,369</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of property and equipment		712,910	–
Corporate income tax relating to components of comprehensive income	12	(142,582)	–
<b>Other comprehensive income for the year, net of corporate income tax</b>		<b>570,328</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>19,709,629</b>	<b>6,192,369</b>
<b>Basic and diluted earnings per share (in tenge)</b>	25	<b>939.76</b>	<b>547.18</b>

On behalf of the Management Board:

Akhmetova G.A.  
Chairman of the Management Board

28 April 2023  
Almaty, Kazakhstan



Kubeeva D.K.  
Chief Accountant

28 April 2023  
Almaty, Kazakhstan

The notes on pages 9-64 form an integral part of these separate financial statements.



# JSC “Bank Freedom Finance Kazakhstan”

## Separate Statement of Changes in Equity as at 31 December 2022 (in thousands of tenge)

	Notes	Share capital	Additional paid-in capital	Revaluation reserve for property and equipment	Retained earnings	Total equity
<b>At 31 December 2020</b>		<b>9,356,140</b>	–	<b>340,075</b>	<b>7,532,439</b>	<b>17,228,654</b>
Profit for the year		–	–	–	6,192,369	6,192,369
Other comprehensive income for the year		–	–	–	–	–
<b>Total comprehensive income for the year</b>		–	–	–	<b>6,192,369</b>	<b>6,192,369</b>
Issue of share capital	20	22,999,999	–	–	–	22,999,999
Redemption of subordinated loan	16	–	2,400,340	–	–	2,400,340
Amortization of property and equipment revaluation reserve		–	–	(4,407)	4,407	–
<b>At 31 December 2021</b>		<b>32,356,139</b>	<b>2,400,340</b>	<b>335,668</b>	<b>13,729,215</b>	<b>48,821,362</b>
Profit for the year		–	–	–	19,139,301	19,139,301
Other comprehensive income for the year		–	–	570,328	–	570,328
<b>Total comprehensive income for the year</b>		–	–	<b>570,328</b>	<b>19,139,301</b>	<b>19,709,629</b>
Amortization of property and equipment revaluation reserve		–	–	(4,652)	4,652	–
<b>At 31 December 2022</b>		<b>32,356,139</b>	<b>2,400,340</b>	<b>901,344</b>	<b>32,873,168</b>	<b>68,530,991</b>

On behalf of the Management Board:

**Akhmetova G.A.**  
Chairman of the Management Board

28 April 2023  
Almaty, Kazakhstan



**Kubeeva D.K.**  
Chief Accountant

28 April 2023  
Almaty, Kazakhstan

The notes on pages 9-64 form an integral part of these separate financial statements.

# JSC "Bank Freedom Finance Kazakhstan"

## Separate Statement of Cash Flow as at 31 December 2022 (in thousands of tenge)

Notes	Year ended 31 December 2022	Year ended 31 December 2021
<b>Cash flows from operating activities</b>		
Interest received	50,776,566	17,577,119
Interest paid	(45,277,327)	(13,808,723)
Fees and commissions received	12,612,696	2,124,723
Fees and commissions paid	(11,694,162)	(1,882,716)
Net realized income on transactions with financial instruments at fair value through profit or loss	15,044,369	6,928,706
Net gain from foreign currency, dealing	15,748,327	1,508,045
Other income received	367,844	87,709
Personnel expenses paid	(7,107,054)	(3,253,420)
Administrative and other operating expenses paid	(4,673,727)	(1,816,376)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>25,797,532</b>	<b>7,465,067</b>
<i>Net changes in operating assets and liabilities</i>		
Amounts due from financial institutions	(44,301,976)	(1,368,663)
Financial assets at fair value through profit or loss	(149,972)	-
Investment securities measured at fair value through profit or loss	(327,784,545)	(299,021,240)
Loans to customers	(279,110,972)	(15,641,298)
Other assets	(4,388,705)	(435,348)
Financial liabilities at fair value through profit or loss	-	276
Amounts due to financial institutions	19,106,369	1,453,821
Amounts due to customers	529,072,159	50,640,393
Liabilities under repurchase agreements	153,908,257	230,798,898
Liabilities from continuing participation	147,906,554	-
Other liabilities	463,021	258,345
<b>Net cash flows from / (used in) operating activities before corporate income tax</b>	<b>220,517,722</b>	<b>(25,849,749)</b>
Corporate income tax paid	(132,345)	(794,069)
<b>Net cash from / (used in) operating activities</b>	<b>220,385,377</b>	<b>(26,643,818)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(4,721,583)	(919,907)
Purchase of intangible assets	(1,676,644)	(183,853)
Contributions to the charter capital of the subsidiary	1 (15,000)	-
Proceeds from sale of property and equipment	-	4,144
<b>Net cash used in investing activities</b>	<b>(6,413,227)</b>	<b>(1,099,616)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of share capital	20 -	22,999,999
Repayment of lease liabilities	17 (132,224)	(62,995)
<b>Net cash flows (used in) / from financing activities</b>	<b>(132,224)</b>	<b>22,937,004</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>213,839,926</b>	<b>(4,806,430)</b>
Effect of exchange rate changes on cash and cash equivalents	(11,181,524)	(177,204)
Effect of expected credit losses on cash and cash equivalents	(304,129)	598
<b>Cash and cash equivalents, beginning of the year</b>	<b>5 42,799,179</b>	<b>47,782,215</b>
<b>Cash and cash equivalents, ending of the year</b>	<b>5 245,153,452</b>	<b>42,799,179</b>
<b>Non-cash transactions</b>		
Redemption of subordinated loan	16, 30 -	2,400,340

On behalf of the Management Board:

Akhmetova G.A.  
Chairman of the Management Board

28 April 2023  
Almaty, Kazakhstan



Kubeeva D.K.  
Chief Accountant

28 April 2023  
Almaty, Kazakhstan

The notes on pages 9-64 form an integral part of these separate financial statements.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements  
For the year ended 31 December 2022  
(in thousand tenge)

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## 1. Principal activities

These separate financial statements comprise the financial statements of JSC “Bank Freedom Finance Kazakhstan” (the “Bank”).

The Bank was registered on 31 July 2009 under the laws of the Republic of Kazakhstan. The Bank operates under a general banking license No. 1.1.260 issued by the Agency for Regulation and Supervision of Financial Markets and Financial Organizations of the Republic of Kazakhstan (the “Agency”) on 10 June 2011. On 22 October 2022, the Bank received a license to conduct banking and other operations provided for by the banking legislation of the Republic of Kazakhstan and to carry out activities in the securities market, issued by the Agency. The Bank’s activities are regulated by the Agency.

The Bank accepts deposits from the public and extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

As at 31 December 2022, the Bank’s branch network comprises 10 branches located in the Republic of Kazakhstan (31 December 2021: 9 branches). Registered address of the Bank’s head office: Republic of Kazakhstan, Almaty, Kurmangazy, 61A.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (“KDIF”). The primary goal of the KDIF is to protect the interests of depositors in the event of forcible liquidation of a member-bank. As at 31 December 2022, depositors can receive limited insurance coverage for deposits up to a maximum of KZT 20 million per deposit, depending on the amount of the deposit and currency (as at 31 December 2021: KZT 15 million).

Starting from November 2015, the Bank is a member of Kazakhstan Stock Exchange foreign exchange market (“KASE”).

On 31 May 2018, the Bank established a subsidiary OUSA Nova Limited Liability Partnership (“OUSA Nova LLP”) in accordance with the NBRK permission to establish a subsidiary by the Bank No. 17 dated 2 May 2018. The principal activities of OUSA Nova LLP are the acquisition of doubtful and bad assets of the parent bank, and the sublease of real estate taken onto the books of the Bank.

On 7 November 2022, the Bank made a cash contribution to the charter capital of OUSA Nova LLP in the amount of KZT 15,000 thousand.

As at 31 December 2022 and 2021, the sole shareholder of the Bank, which owns 100% of outstanding shares is JSC Freedom Finance (the “Parent”).

The Bank is under the effective control of Mr. T.R. Turlov, who is the ultimate controlling party and has the power to direct the Bank’s activities at its sole discretion and on its own account.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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### 2. Basis of preparation

#### General provisions

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The separate financial statements have been prepared under the cost convention except as disclosed in the accounting policies below. For example, land, buildings within property and equipment, securities at fair value through profit or loss were measured at fair value.

The Bank’s management has no intention or need to liquidate or significantly reduce the volume of its activities.

These separate financial statements are presented in thousands of Kazakhstan tenge (“tenge” or “KZT”), unless otherwise is stated.

### 3. Summary of significant accounting policies

The accounting policies adopted in the preparation of the annual separate financial statements for the year ended 31 December 2022 are consistent with the accounting policies applied in the previous reporting year, except for the new editions of the standards adopted below, which entered into force on 1 January 2022. The Bank has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

#### New and amended IFRSs effective for the current year

In the current year, Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

- *Amendments to IFRS 3 Reference to the Conceptual Framework*
- *Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use*
- *Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets- Onerous Contracts – Cost of Fulfilling a Contract*
- *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle*

The above standards and interpretations were reviewed by the Bank’s management, but did not have a significant effect on the separate financial statements of the Bank.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

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### **New and revised IFRS Standards in issue but not yet effective**

At the date of authorisation of these financial statements, the Bank has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

#### **New or revised standard or interpretation**

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- *Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”*
- *Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”*
- *Amendments to IAS 1 and IFRS Practice Statement 2 “Disclosure of Accounting Policies”*
- *Amendments to IAS 8 “Definition of Accounting Estimates”*
- *Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”*

The management does not expect that the adoption of the standards listed above will have a material impact on the separate financial statements of the Bank in future periods.

### **Fair value measurement**

The Bank measures financial instruments carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI) and non-financial assets such as investment property, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Financial assets and liabilities

#### *Initial recognition*

##### *Date of recognition*

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e., the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (“FVTPL”), transaction costs are added to, or subtracted from, this amount.

##### *Measurement categories of financial assets and liabilities*

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortized cost
- Fair value through other comprehensive income (“FVTOCI”)
- FVTPL

The Bank classifies and measures its derivative and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading, are derivative instruments or the fair value designation is applied.

##### *Amounts due from banks and other financial institutions, loans to customers, investments securities at amortized cost*

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI)

## JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
(in thousand tenge)

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The details of these conditions are outlined below.

### *Business model assessment*

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

### *The SPPI test*

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than ‘de minimis’ exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

### *Financial guarantees, letters of credit and undrawn loan commitments*

The Bank issues financial guarantees, letters of credit and loan commitments.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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Financial guarantees are initially recognized in the separate financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the separate statement of profit or loss and other comprehensive income, and a provision for expected credit losses (“ECL”).

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The Bank occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognized at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

### *Performance guarantees*

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

### **Reclassification of financial assets and liabilities**

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified.

### **Investments in subsidiaries**

A subsidiary is an entity an unincorporate entity such as partnership that is controlled by the Bank. The Bank designates its investments in subsidiaries at fair value through other comprehensive income in these separate financial statements. Changes in the fair value of investments in subsidiaries are recognized directly in equity through the statement of other comprehensive income and are not reclassified through profit or loss on derecognition.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, amounts due from the NBRK and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual obligations.

### **Repurchase and reverse repurchase agreements and securities lending**

Sale and repurchase agreements (“repo”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the separate statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts



# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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due to credit institutions or customers. Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest revenue and accrued over the life of repo agreements using the effective interest method.

### Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the separate statement of profit or loss and other comprehensive income as net gains/(losses) from financial instruments at fair value through profit or loss or net gains/(losses) from foreign currencies, depending on the nature of the instrument.

Financial assets are classified based on the business model and SPPI assessments.

### Borrowings

Borrowings are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the NBRK, amounts due to banks and other financial institutions, amounts due to customers, other borrowed funds and subordinated loans. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the borrowings are derecognized as well as through the amortization process.

### Lease

#### *i. Bank as a lessee*

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### *Right-of-use assets*

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

## JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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### *Lease liabilities*

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating a lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

### *Short-term leases and leases of low-value assets*

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### **ii. Operating – Bank as a lessor**

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the separate statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### **iii. Finance – Bank as a lessor**

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recorded within the initial amount of lease receivables.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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#### Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the separate statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the separate statement of financial position.

#### Restructured loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate (EIR), the Bank records a modification gain or loss that is presented in a separate line item in the separate statement of profit or loss and other comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings and constructions	25-65
Furniture and office equipment	5-25
Computer hardware	5-10
Vehicles	10
Leasehold improvements	2-3

The asset’s residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

### **Intangible assets**

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 1 to 25 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

### **Provisions**

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

### **Retirement and other employee benefit obligations**

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-employment benefits.

### **Share capital**

#### *Share capital*

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
(in thousand tenge)

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## *Additional paid-in capital*

Transactions with common shares (the difference between the placement price of shares and their nominal value), or in the form of a difference between the price of the repurchase of outstanding shares and the price of subsequent sale, in the form of amounts of excess of contributions (property contributions) over the value of the contribution (property contribution), determined in constituent documents, as well as arising from transactions with the parent organization and other transactions provided for by the legislation of the Republic of Kazakhstan, are reflected in additionally paid-in capital.

## *Dividends*

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

## **Contingencies**

Contingent liabilities are not recognized in the separate statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the separate statement of financial position but disclosed when an inflow of economic benefits is probable.

## **Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### **Revenue and expense recognition**

#### ***Interest and similar revenue and expense***

The Bank calculates interest revenue on debt financial assets measured at amortized cost or at FVTOCI by applying the effective interest rate (“EIR”) to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts.

The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Bank calculates interest revenue by applying the effective interest rate to the net amortized cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest revenue on a gross basis.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest revenue by calculating the credit-adjusted EIR and applying that rate to the amortized cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

Interest revenue on all financial assets at FVTPL is recognized using the contractual interest rate in “Other interest revenue” in the separate statement of profit or loss and other comprehensive income.

#### ***Fee and commission income***

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

##### *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period as respective performance obligations are satisfied. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

##### *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Bank’s performance obligation is the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognized after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

#### **Foreign currency translation**

The separate financial statements are presented in thousands of tenge, which is the Bank’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the separate statement of profit or loss and other comprehensive income as net gains/(losses) from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBRK exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official NBRK exchange rates at 31 December 2022 and 2021, were 462.65 tenge and 431.80 tenge to 1 US dollar, respectively.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
(in thousand tenge)

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## 4. Significant accounting judgments and estimates

### Estimation uncertainty

In the process of applying the Bank’s accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the separate financial statements. The most significant use of judgments and estimates are as follows:

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the separate statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 28.

#### *Expected credit losses*

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The deterioration in credit quality of loan portfolios, but also, e.g., of trade receivables (among other things), as a result of the COVID-19 pandemic may have a significant impact on ECL measurement. The Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank’s internal credit grading model, which assigns PDs to the individual grades;
- The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

See also Note 27 for more details.

#### *Restructured and modified loans*

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCL.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

### **Taxation**

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or nonexistent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Assessment of recoverability of deferred corporate income tax assets requires to use subjective judgments by the Bank’s management around the likely timing and the level of future taxable profit together with the tax planning strategy.

The management believes that deferred corporate income tax assets as at 31 December 2022 are recorded to the extent that it is probable that future taxable profits will be available to cover temporary differences, unused tax losses and unused tax benefits, and deferred corporate income tax assets are reduced to the extent that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

## **5. Cash and cash equivalents**

Cash and cash equivalents comprised the following:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Cash on hand	9,481,882	3,086,571
Current accounts with the NBRK	108,290,853	5,058,210
Current accounts with other banks	25,991,949	20,513,029
Current accounts with stock exchanges	6,419,720	–
Current accounts with brokers	195,935	–
Loans under reverse repurchase agreements	41,573,982	5,919,022
Time deposits with the NBRK with contractual maturity of 90 days or less	53,733,419	8,252,005
<b>Cash and cash equivalents before ECL allowance</b>	<b>245,687,740</b>	<b>42,828,837</b>
ECL allowance	(534,288)	(29,658)
<b>Total cash and cash equivalents</b>	<b>245,153,452</b>	<b>42,799,179</b>

All balances of cash and cash equivalents are allocated to Stage 1 for ECL measurement purposes.

As at 31 December 2022 and 2021, the Bank entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are the government bonds with the total



# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

fair value of KZT 41,560,718 thousand as at 31 December 2021 (31 December 2021: KZT 5,939,786 thousand).

As at 31 December 2022, current accounts with stock exchanges are represented by funds on the Moscow Stock Exchange (MOEX).

### Minimum reserve requirements

In accordance with regulations issued by the NBRK, minimum reserve requirements are calculated as a percent of specified banks liabilities. Banks are required to comply with these requirements by maintaining average reserve assets (national currency cash and amounts on current accounts with the NBRK) equal or in excess of the average minimum requirements. As at 31 December 2022, minimum reserve requirements of the Bank comprised KZT 12,048,895 thousand (31 December 2021: KZT 1,985,499 thousand).

## 6. Amounts due from financial institutions

Amounts due from financial institutions comprise the following:

	31 December 2022	31 December 2021
Funds provided as collateral	45,929,377	1,270,909
Term deposits	986,291	978,689
<b>Amounts due from financial institutions before ECL allowance</b>	<b>46,915,668</b>	<b>2,249,598</b>
ECL allowance	(54,972)	(2,156)
<b>Total amounts due from financial institutions</b>	<b>46,860,696</b>	<b>2,247,442</b>

As at 31 December 2022, funds provided as collateral included a security deposit of a participant of MasterCard system in the amount of KZT 2,326,035 thousand (as at 31 December 2021: KZT 306,782 thousand), a security deposit of a participant of Visa International system in the amount of KZT 3,003,287 thousand (31 December 2021: KZT 149,127 thousand), deposit placed in a second-tier bank as collateral for settlements with MasterCard and Visa International systems in the amount of KZT 693,975 thousand (31 December 2021: KZT nil), deposit placed as collateral of the Bank's liabilities to the KASE in the amount of KZT 39,841,780 thousand (as at 31 December 2021: KZT 815,000 thousand), and deposit placed as collateral of the Bank's liabilities to the Moscow Exchange (MOEX) in the amount of KZT 64,300 thousand (31 December 2021: KZT nil).

As at 31 December 2022 and 2022 и 2021, term deposits include euro-denominated deposits with a foreign bank with a contract term of 90 days at an interest rate of 1.0%.

All balances with financial institutions are allocated to Stage 1 for ECL measurement purposes.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 7. Loans to customers

As at 31 December 2022 and 2021, loans to customers comprised the following:

	31 December 2022	31 December 2021
Loans to customers	299,293,178	16,105,040
Credit cards	77,653	32,929
<b>Loans to customers before ECL allowance</b>	<b>299,370,831</b>	<b>16,137,969</b>
Stage 1	298,448,384	16,089,740
Stage 2	207,969	15,960
Stage 3	714,478	32,269
	<b>299,370,831</b>	<b>16,137,969</b>
ECL allowance	(4,027,016)	(348,224)
<b>Total loans to customers</b>	<b>295,343,815</b>	<b>15,789,745</b>

The table below provides an analysis of the carrying value of loans to customers by collateral received, rather than the fair value of the collateral itself:

	31 December 2022	31 December 2021
Loans secured by real estate	229,678,675	8,757,995
Unsecured loans*	46,541,089	7,368,905
Loans secured by movable property	17,217,709	–
Loans secured by cash and deposits	5,845,178	8,536
Loans secured by guarantees and sureties	88,180	2,533
	<b>299,370,831</b>	<b>16,137,969</b>
ECL allowance	(4,027,016)	(348,224)
<b>Total loans to customers</b>	<b>295,343,815</b>	<b>15,789,745</b>

\* Unsecured loans mainly comprised loans acquired under a right of claims assignment agreement.

### Concentration of loans to customers

As at 31 December 2022, the Bank had ten major borrowers, apart from loans acquired under a right of claims assignment agreement, which accounted for 2% (31 December 2021: 3%) of the total loan portfolio before ECL. As at 31 December 2022, the aggregate amount of these loans was KZT 6,153,734 thousand (31 December 2021: KZT 526,510 thousand). As at 31 December 2022, allowance of KZT 586 thousand was recognized against these loans (31 December 2021: KZT 779 thousand).

Below is the structure of the loan portfolio by product type:

	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Mortgages	229,678,675	76.7%	8,765,072	54.3%
Consumer loans	46,465,155	15.5%	7,339,968	45.5%
Car loans	17,217,709	5.8%	–	–
Replenishment of working capital	5,931,639	2.0%	–	–
Credit cards	77,653	0.0%	32,929	0.2%
<b>Total loans to customers</b>	<b>299,370,831</b>	<b>100.0%</b>	<b>16,137,969</b>	<b>100.0%</b>

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

#### An analysis of changes in gross carrying value and corresponding ECL allowance

Analysis of movements in gross carrying amount and ECL allowance of loans for the year ended 31 December 2022 are as follows:

					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying value as at 1 January 2022</b>	<b>16,089,740</b>	<b>15,960</b>	<b>32,269</b>	–	<b>16,137,969</b>
Transfers to Stage 1	120,954	(56,036)	(64,918)	–	–
Transfers to Stage 2	(529,937)	530,456	(519)	–	–
Transfers to Stage 3	(755,904)	(56,240)	812,144	–	–
New assets originated or purchased	328,408,569	–	–	–	328,408,569
Assets derecognized or repaid (excluding write-offs)	(44,863,589)	(226,171)	(56,532)	–	(45,146,292)
Amounts written off	–	–	(7,966)	–	(7,966)
Effect from changes in exchange rates	(21,449)	–	–	–	(21,449)
<b>At 31 December 2022</b>	<b>298,448,384</b>	<b>207,969</b>	<b>714,478</b>	–	<b>299,370,831</b>

					2022
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>ECL at 1 January 2022</b>	<b>(327,276)</b>	<b>(4,078)</b>	<b>(16,870)</b>	–	<b>(348,224)</b>
Transfers to Stage 1	(29,914)	12,584	17,330	–	–
Transfers to Stage 2	82,785	(83,304)	519	–	–
Transfers to Stage 3	50,032	11,783	(61,815)	–	–
New assets originated or purchased	(4,634,415)	–	–	–	(4,634,415)
Assets derecognized or repaid (excluding write-offs)	1,147,288	216,248	7,428	–	1,370,964
Changes in risk parameters	(113,511)	(170,567)	(139,229)	–	(423,307)
Amounts written off	–	–	7,966	–	7,966
Effect from changes in exchange rates	–	–	–	–	–
<b>ECL at 31 December 2022</b>	<b>(3,825,011)</b>	<b>(17,334)</b>	<b>(184,671)</b>	–	<b>(4,027,016)</b>

Analysis of movements in gross carrying amount and ECL allowance of loans for the year ended 31 December 2021 are as follows:

					2021
	Stage 1	Stage 2	Stage 3	POCI	Total
<b>Gross carrying value as at 1 January 2021</b>	<b>437,816</b>	<b>3,378</b>	<b>54,924</b>	–	<b>496,118</b>
Transfers to Stage 2	(15,741)	16,221	(480)	–	–
Transfers to Stage 3	(29,744)	(3,247)	32,991	–	–
New assets originated or purchased	19,024,530	–	–	–	19,024,530
Assets derecognized or repaid (excluding write-offs)	(3,327,152)	(392)	(14,229)	–	(3,341,773)
Amounts written off	–	–	(40,942)	–	(40,942)
Effect from changes in exchange rates	31	–	5	–	36
<b>At 31 December 2021</b>	<b>16,089,740</b>	<b>15,960</b>	<b>32,269</b>	–	<b>16,137,969</b>

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

	Stage 1	Stage 2	Stage 3	POCI	2021 Total
<b>ECL at 1 January 2021</b>	<b>(28,356)</b>	<b>(1,669)</b>	<b>(54,649)</b>	–	<b>(84,674)</b>
Transfers to Stage 2	158	(638)	480	–	–
Transfers to Stage 3	1,907	1,617	(3,524)	–	–
New assets originated or purchased	(326,566)	–	–	–	(326,566)
Assets derecognized or repaid (excluding write-offs)	17,902	52	8,741	–	26,695
Changes in risk parameters	7,679	(3,440)	(8,855)	–	(4,616)
Amounts written off	–	–	40,942	–	40,942
Effect from changes in exchange rates	–	–	(5)	–	(5)
<b>ECL at 31 December 2021</b>	<b>(327,276)</b>	<b>(4,078)</b>	<b>(16,870)</b>	–	<b>(348,224)</b>

### Microfinance organization loans

In May 2021, the Bank entered into an agreement with the “Microfinance Organization Freedom Finance Credit” LLP (hereinafter referred to as the “MFO”), which is a related party of the Bank, an agreement on the assignment of claims on unsecured loans issued on the basis of microloan agreements concluded with borrowers, under which the MFO transfers to the Bank the rights of claim on microloans. On initial recognition, the Bank records claims on microloans at market value determined by an independent appraisal company. As at 31 December 2022, the limit on the total value of claims under microloans was not more than KZT 158,000,000 thousand (31 December 2021: KZT 14,000,000 thousand).

The Bank has the right for reverse sale of microloans to the MFO that at the time of sale have overdue debts for more than 20 (twenty) days. During 2022, the Bank purchased rights of claim in the amount of KZT 89,265,520 thousand (31 December 2021: KZT 12,398,888 thousand) and resold in the amount of KZT 19,013,408 thousand (31 December 2021: KZT 2,928,026 thousand). As at 31 December 2022, microloans purchased from the MFO with the right for reverse sale amounted to KZT 46,465,155 thousand (31 December 2021: KZT 7,339,968 thousand).

## 8. Investment securities

Investment securities comprised the following:

	31 December 2022	31 December 2021
<b>Debt securities at fair value through profit or loss</b>		
Bonds of Kazakhstani corporations	374,026,030	174,187,218
Government bonds of the Republic of Kazakhstan	260,987,588	149,095,088
Government bonds of foreign countries	12,413,353	666,017
Bonds of the foreign organizations	2,754,152	2,036,205
<b>Investment securities measured at fair value through profit or loss</b>	<b>650,181,123</b>	<b>325,984,528</b>
<b>Equity securities at fair value through profit or loss</b>		
Equity securities of Kazakhstani corporations	5,542,741	–
<b>Investment securities measured at amortized cost</b>	<b>5,542,741</b>	–
<b>Total investment securities</b>	<b>655,723,864</b>	<b>325,984,528</b>

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

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As at 31 December 2022, the fair value of investment securities which are collateral under reverse repurchase agreements is KZT 41,573,982 thousand (31 December 2021: KZT 5,919,022 thousand) and under direct repurchase agreements is KZT 393,900,580 thousand (31 December 2021: KZT 239,368,657 thousand). As at 31 December 2022 and 2021, the carrying amount of repo transactions on the above assets is KZT 392,647,708 thousand and KZT 238,739,451 thousand, respectively (Note 15).

## 9. Property and equipment

Movement in property and equipment is presented as follows:

	Land	Buildings and constructions	Furniture and office equipment	Computer equipment	Vehicles	Leasehold improvements	Right-of-use assets	Total
<b>Revalued amount/cost:</b>								
<b>At 31 December 2020</b>	<b>386,861</b>	<b>3,230,953</b>	<b>943,282</b>	<b>751,994</b>	<b>25,533</b>	<b>14,996</b>	<b>243,584</b>	<b>5,597,203</b>
Additions	–	229,855	157,360	343,855	16,757	2,932	126,975	877,734
Disposals	–	(386)	(25,038)	(13,276)	(4,136)	(14,996)	(174,700)	(232,532)
Modification	–	–	–	–	–	–	(68,884)	(68,884)
Effect of revaluation	–	–	–	–	–	–	–	–
<b>At 31 December 2021</b>	<b>386,861</b>	<b>3,460,422</b>	<b>1,075,604</b>	<b>1,082,573</b>	<b>38,154</b>	<b>2,932</b>	<b>126,975</b>	<b>6,173,521</b>
Additions	–	201,919	1,179,794	1,628,169	–	603,904	1,140,787	4,754,573
Disposals	–	–	(86,413)	(17,501)	–	–	(3,501)	(107,415)
Modification	–	–	–	–	–	–	(24,770)	(24,770)
Transfers	–	–	(110)	110	–	–	–	–
Effect of revaluation	73,143	381,445	–	–	–	–	–	454,588
<b>At 31 December 2022</b>	<b>460,004</b>	<b>4,043,786</b>	<b>2,168,875</b>	<b>2,693,351</b>	<b>38,154</b>	<b>606,836</b>	<b>1,239,491</b>	<b>11,250,497</b>
<b>Accumulated depreciation:</b>								
<b>At 31 December 2020</b>	<b>–</b>	<b>–</b>	<b>(607,010)</b>	<b>(480,751)</b>	<b>(7,448)</b>	<b>(7,121)</b>	<b>(125,630)</b>	<b>(1,227,960)</b>
Charge	–	(50,920)	(86,729)	(73,314)	(2,903)	(5,622)	(53,326)	(272,814)
Disposals	–	32	20,059	13,274	1,552	11,766	174,700	221,383
<b>At 31 December 2021</b>	<b>–</b>	<b>(50,888)</b>	<b>(673,680)</b>	<b>(540,791)</b>	<b>(8,799)</b>	<b>(977)</b>	<b>(4,256)</b>	<b>(1,279,391)</b>
Charge	–	(56,850)	(132,360)	(152,180)	(3,816)	(22,246)	(155,388)	(522,840)
Disposals	–	–	76,588	17,430	–	–	3,501	97,519
Effect of revaluation	–	107,738	–	–	–	–	–	107,738
<b>At 31 December 2022</b>	<b>–</b>	<b>–</b>	<b>(729,452)</b>	<b>(675,541)</b>	<b>(12,615)</b>	<b>(23,223)</b>	<b>(156,143)</b>	<b>(1,596,974)</b>
<b>Net book value:</b>								
<b>At 31 December 2021</b>	<b>386,861</b>	<b>3,409,534</b>	<b>401,924</b>	<b>541,782</b>	<b>29,355</b>	<b>1,955</b>	<b>122,719</b>	<b>4,894,130</b>
<b>At 31 December 2022</b>	<b>460,004</b>	<b>4,043,786</b>	<b>1,439,423</b>	<b>2,017,810</b>	<b>25,539</b>	<b>583,613</b>	<b>1,083,348</b>	<b>9,653,523</b>

In December 2022, the Bank involved an independent appraiser to determine the fair value of land, buildings and constructions owned by the Bank. The fair value was determined using the market and income approaches. More details about the fair value of land, buildings and constructions are disclosed in Note 28.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

If the land, buildings and constructions were accounted for at historical cost, their net book value at 31 December would be:

	31 December 2022	31 December 2021
Cost	4,137,927	4,137,927
Accumulated depreciation	(667,731)	(608,531)
<b>Net book value</b>	<b>3,470,196</b>	<b>3,529,396</b>

The cost of fully depreciated assets in use by the Bank as at 31 December 2022 is KZT 526,673 thousand (31 December 2021: KZT 414,882 thousand).

## 10. Intangible assets

The movements in intangible assets were as follows:

	Computer software	Computer software in development	Licenses	Total
<b>Cost:</b>				
<b>At 31 December 2020</b>	<b>1,840,732</b>	–	<b>208</b>	<b>1,840,940</b>
Additions	57,563	126,278	–	183,841
<b>At 31 December 2021</b>	<b>1,898,295</b>	<b>126,278</b>	<b>208</b>	<b>2,024,781</b>
Additions	450,616	575,818	–	1,026,434
Disposals	(903)	–	–	(903)
Transfer	500,362	(500,362)	–	–
<b>At 31 December 2022</b>	<b>2,848,370</b>	<b>201,734</b>	<b>208</b>	<b>3,050,312</b>
<b>Accumulated amortization:</b>				
<b>At 31 December 2020</b>	<b>(678,780)</b>	–	<b>(208)</b>	<b>(678,988)</b>
Charge	(99,185)	–	–	(99,185)
<b>At 31 December 2021</b>	<b>(777,965)</b>	–	<b>(208)</b>	<b>(778,173)</b>
Charge	(109,294)	–	–	(109,294)
Disposals	903	–	–	903
<b>At 31 December 2022</b>	<b>(886,356)</b>	–	<b>(208)</b>	<b>(886,564)</b>
<b>Net book value:</b>				
<b>At 31 December 2021</b>	<b>1,120,330</b>	<b>126,278</b>	–	<b>1,246,608</b>
<b>At 31 December 2022</b>	<b>1,962,014</b>	<b>201,734</b>	–	<b>2,163,748</b>

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 11. Other assets

Other assets comprised the following:

	31 December 2022	31 December 2021
Receivables on securities	633,064	466,150
Receivables from banking activities	597,354	–
Receivables on sale of collateral in installments	172,503	368,582
Other receivables	290,929	10,677
	<b>1,693,850</b>	<b>845,409</b>
ECL allowance	(686,080)	(56,452)
<b>Total other financial assets net of ECL allowance</b>	<b>1,007,770</b>	<b>788,957</b>
Prepayment for property and equipment and intangible assets	1,930,155	168,931
Prepaid expenses	556,943	267,976
Inventories	147,406	95,384
Taxes prepaid other than corporate income tax	26,889	34,330
Other	438	46,738
<b>Total other non-financial assets</b>	<b>2,661,831</b>	<b>613,359</b>
<b>Total other assets</b>	<b>3,669,601</b>	<b>1,402,316</b>

As at 31 December 2022, the Bank had an accrued coupon on securities in the amount of KZT 633,064 thousand. On 10 January 2023, the payment of the accumulated coupon was received by the Bank in full.

On 13 December 2021, a deal was concluded to acquire debt securities of Gaz Finance plc. As a result of a technical error, the nominal value of these securities was incorrectly reflected on KASE, which led to incomplete crediting of these securities to the Bank’s brokerage account. As a result, as at 31 December 2021, receivables on securities in the amount of KZT 466,150 thousand were outstanding. On 14 February 2022, KASE credited these securities to the Bank’s account.

An analysis of changes in the ECLs for other financial assets for the year ended 31 December 2022 and 2021 is as follows:

	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 1 January 2022</b>	<b>(4,832)</b>	<b>(575)</b>	<b>(51,045)</b>	<b>(56,452)</b>
Net change in allowance *	(18,085)	(40,151)	(591,574)	(649,810)
Write-offs	2,202	–	–	2,202
Foreign exchange adjustments	602	979	16,399	17,980
<b>ECL allowance as at 31 December 2022</b>	<b>(20,113)</b>	<b>(39,747)</b>	<b>(626,220)</b>	<b>(686,080)</b>
	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at 1 January 2021</b>	<b>(22)</b>	<b>(21)</b>	<b>(11,564)</b>	<b>(11,607)</b>
Net change in allowance *	(5,192)	(554)	(55,612)	(61,358)
Write-offs	–	–	16,131	16,131
Foreign exchange adjustments	382	–	–	382
<b>ECL allowance as at 31 December 2021</b>	<b>(4,832)</b>	<b>(575)</b>	<b>(51,045)</b>	<b>(56,452)</b>

\* Net change in allowance is included in “Credit loss expense” in the separate statement of profit or loss and other comprehensive income.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

### 12. Taxation

The corporate income tax expenses comprise:

	2022	2021
Correction of prior years for current corporate income tax	5,960	–
Deferred corporate income tax benefit — origination and reversal of temporary differences	(69,843)	(343,538)
<b>Corporate income tax benefit</b>	<b>(63,883)</b>	<b>(343,538)</b>

The Republic of Kazakhstan was only one tax jurisdiction in which the Bank’s income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2022 and 2021.

The reconciliation between the corporate income tax expense in the accompanying separate financial statements and profit before corporate income tax multiplied by the statutory tax rate for the periods ended 31 December is as follows:

	2022	2021
<b>Profit before corporate income tax expense</b>	<b>19,073,501</b>	<b>5,847,415</b>
Statutory tax rate	20%	20%
<b>Theoretical corporate income tax expense at the statutory rate</b>	<b>3,814,700</b>	<b>1,169,483</b>
Interest income on investment securities, non-taxable	(4,565,331)	(1,578,620)
Interest expenses on preferred shares, non-deductible	16,000	16,000
Administrative and other operating expenses, non-deductible	320,732	24,831
Credit loss expense, non-deductible	213,107	–
Other	136,909	24,768
<b>Corporate income tax benefit</b>	<b>(63,883)</b>	<b>(343,538)</b>

In accordance with the tax code of the Republic of Kazakhstan, losses arising from the sale of securities are reimbursed from capital gains received from the sale of other securities, with the exception of capital gains from the sale of securities on exchanges operating in the territory of the Republic of Kazakhstan. Income received from the sale of securities by the method of open trading on stock exchanges operating in the territory of the Republic of Kazakhstan is not taxed. Where these losses cannot be offset in the period in which they are incurred, they may be carried forward to the next ten years, inclusive, and offset by capital gains from proceeds from the sale of other securities. During the years ended 31 December 2022 and 2021, the Bank did not incur any losses that can be carried forward to subsequent years.

As at 31 December 2022 and 2021, current corporate income tax assets are KZT 729,028 thousand and 920,094 thousand, respectively.



## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

Deferred corporate income tax assets and liabilities, and their movement for respective years comprised the following as at 31 December:

	2020	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehensive income	2021	Origination and reversal of temporary differences within profit or loss	Origination and reversal of temporary differences within other comprehensive income	2022
<b>Tax effect of deductible temporary differences</b>							
Loans to customers	–	177,534	–	177,534	531,580	–	709,114
Other assets	24,263	(11,746)	–	12,517	(6,740)	–	5,777
Lease liabilities	25,624	147	–	25,771	211,441	–	237,212
Other liabilities	5,093	17,016	–	22,109	61,402	–	83,511
<b>Deferred tax asset</b>	<b>54,980</b>	<b>182,951</b>	<b>–</b>	<b>237,931</b>	<b>797,683</b>	<b>–</b>	<b>1,035,614</b>
<b>Tax effect of taxable temporary differences</b>							
Loans to customers	(1,078)	1,078	–	–	–	–	–
Property and equipment and intangible assets	(265,571)	(179,202)	–	(444,773)	(535,714)	(142,582)	(1,123,069)
Right-of-use assets	(23,591)	(952)	–	(24,543)	(192,126)	–	(216,669)
Subordinated loan	(339,663)	339,663	–	–	–	–	–
<b>Deferred tax liability</b>	<b>(629,903)</b>	<b>160,587</b>	<b>–</b>	<b>(469,316)</b>	<b>(727,840)</b>	<b>(142,582)</b>	<b>(1,339,738)</b>
<b>Deferred corporate income tax liabilities</b>	<b>(574,923)</b>	<b>343,538</b>	<b>–</b>	<b>(231,385)</b>	<b>69,843</b>	<b>(142,582)</b>	<b>(304,124)</b>

### 13. Amounts due to financial institutions

Amounts due to financial institutions comprise:

	31 December 2022	31 December 2021
Correspondent accounts	17,487,588	–
Deposits from government organizations	4,509,539	3,828,429
<b>Total amounts due to financial institutions</b>	<b>21,997,127</b>	<b>3,828,429</b>

As at 31 December 2022, correspondent accounts in the amount of KZT 17,487,588 thousand were held by three foreign banks.

As at 31 December 2022, deposits from government organizations are represented by deposits in the amount of KZT 4,509,539 thousand received from Kazakhstan Sustainability Fund JSC under the state program for refinancing mortgage loans to customers (31 December 2021: KZT 3,828,429 thousand), with a maturity during 2036 - 2050 and interest rates ranging from 0.1% to 2.99%.

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Notes to separate financial statements (continued)  
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## 14. Amounts due to customers

Amounts due to customers include the following:

	31 December 2022	31 December 2021
<b>Current accounts and demand deposits</b>		
- Corporate customers	256,776,335	42,132,390
- Retail customers	35,147,063	3,897,014
<b>Term deposits</b>		
- Retail customers	280,620,416	32,414,413
- Corporate customers	43,875,780	22,223,978
<b>Guarantee deposits</b>		
- Retail customers	7,066,590	94,986
- Corporate customers	382,953	965,079
<b>Total amounts due to customers</b>	<b>623,869,137</b>	<b>101,727,860</b>
Held as security against loans to customers	6,196,575	102,916
Held as security against guarantees (Note 26)	1,252,970	957,149

Below is the breakdown of due to customers by industry sectors:

	31 December 2022		31 December 2021	
	Amount	%	Amount	%
Individuals	322,834,069	51.7%	36,406,413	35.8%
Professional services	186,012,305	29.8%	26,012,425	25.6%
Financial services	42,495,264	6.8%	8,695,444	8.5%
Trade	20,584,620	3.3%	4,980,956	4.9%
Production	11,496,648	1.8%	4,290,247	4.2%
Construction	9,610,252	1.5%	3,797,226	3.7%
Activity of holding companies	8,406,356	1.3%	453,074	0.4%
Communication and information	7,668,023	1.2%	3,584,908	3.5%
Lease	2,861,695	0.5%	5,059,296	5.0%
Education	1,600,451	0.3%	520,279	0.5%
Real estate	1,152,367	0.2%	2,468	0.0%
Transportation	856,219	0.1%	720,772	0.7%
Electrical power	609,029	0.1%	103,435	0.1%
Mining industry	596,379	0.1%	100,010	0.1%
Agriculture	400,016	0.1%	244,453	0.2%
Asset management	229,220	0.0%	47,113	0.0%
Insurance	141,689	0.0%	124,333	0.1%
Medical services	121,661	0.0%	553,964	0.5%
Non-commercial entities	15,061	0.0%	3,714	0.0%
Other	6,177,813	1.2%	6,027,330	6.2%
<b>Total amounts due to customers</b>	<b>623,869,137</b>	<b>100.0%</b>	<b>101,727,860</b>	<b>100.0%</b>

As at 31 December 2022, the Bank had ten major clients, which accounted for 34% of the total balance of current accounts and deposits of clients (as at 31 December 2021: 37%). The total aggregate amount due to such customers as at 31 December 2022 was KZT 213,504,922 thousand (31 December 2021: KZT 37,744,197 thousand).

In accordance with the Kazakh Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. According to the current conditions for accepting deposits, in cases where the term deposit is returned to the depositor upon request before the expiration of the term, the deposit interest is paid for the actual period of placing the deposit.

## JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
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### 15. Liabilities under repurchase agreements

As at 31 December 2022 and 2021, the Bank entered into repurchase agreements on the Kazakhstan Stock Exchange. The fair value of assets pledged as collateral and the carrying amount of liabilities under repurchase agreements is presented below:

	31 December 2022	
	Carrying value	Fair value
Government bonds of the Republic of Kazakhstan	222,378,175	222,907,471
Bonds of Kazakhstani corporations	153,622,027	154,366,866
Coupon bonds of the Sovereign Welfare Fund Samruk-Kazyna Joint Stock Company	12,381,729	12,360,291
Government bonds of the foreign countries	4,265,777	4,265,952
<b>Total liabilities under repurchase agreements</b>	<b>392,647,708</b>	<b>393,900,580</b>

  

	31 December 2021	
	Carrying value	Fair value
Government bonds of the Republic of Kazakhstan	122,249,624	122,787,326
Bonds of Kazakhstani corporations	110,290,852	110,378,704
Coupon bonds of the Sovereign Welfare Fund Samruk-Kazyna Joint Stock Company	6,198,975	6,202,627
<b>Total liabilities under repurchase agreements</b>	<b>238,739,451</b>	<b>239,368,657</b>

As at 31 December 2022 and 2021, liabilities under repurchase agreements included accrued interest in the amount of KZT 868,253 thousand and KZT 92,457 thousand maturing in January 2023 and 2022, respectively.

### 16. Subordinated loan

In December 2010, the Bank placed 1,000,000 preferred shares at the placement value of 1,000 KZT per share. These preferred shares do not have any voting rights unless payment of preferred dividends has been delayed for three months and carry a cumulative dividend of a minimum of 8% per annum, but not less than dividends on ordinary shares.

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the obligation to distribute dividends is shown as a liability and the balance of the issue proceeds as equity. In 2022 and 2021, the dividend expense on preferred shares amounted to KZT 80,000 thousand and was classified as interest expense in accordance with IAS 32, out of which KZT 40,000 thousand were repaid. The fair value of modified loans at initial recognition was determined by the Bank using market interest rates of 10.77% per annum for the loan in US dollars and 14.28% for loans denominated in tenge.

In 2021, the Bank and Freedom Holding Corp. signed the agreements to terminate subordinated debt agreements, according to which Freedom Holding Corp. made a full forgiveness of the subordinated debt, which was reflected in the additional paid-in capital of the Bank in the amount of KZT 2,400,340 thousand.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 17. Lease liabilities

Lease liabilities are presented as following:

	31 December 2022	31 December 2021
<b>Maturity analysis:</b>		
Year 1	375,437	32,835
Year 2	360,109	32,400
Year 3	336,601	32,400
Year 4	264,220	32,400
Year 5	74,988	26,565
Less unearned interest	(225,297)	(27,746)
<b>Total lease liabilities</b>	<b>1,186,058</b>	<b>128,854</b>
<b>Analysed as:</b>		
Current	280,417	23,055
Non-current	905,641	105,799
<b>Total lease liabilities</b>	<b>1,186,058</b>	<b>128,854</b>
<b>Lease liabilities</b>	<b>2022</b>	<b>2021</b>
<b>As at 1 January</b>	<b>128,854</b>	<b>128,118</b>
Additions	1,140,787	126,975
Payments	(132,224)	(62,995)
Other changes *	48,641	(63,244)
<b>As at 31 December</b>	<b>1,186,058</b>	<b>128,854</b>

\* Other changes include non-cash changes such as disposals, interest expense and the effect of modifications to lease liabilities.

## 18. Liabilities from continuing participation

Liability arising from continuing involvement represents obligations to JSC Kazakhstan Sustainability Fund (“Operator”) related to the state mortgage program “7-20-25” (“program”). In accordance with the conditions of this program, the Bank provides mortgage loans to borrowers and transfers rights of claim on loans to the Program Operator. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans. The Bank is obliged to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest has an overdue of 90 days. Reverse repurchase is performed at the loan nominal value.

The Bank has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Bank has determined that it retains control over the assets transferred and continues recognizing to the extent of continuing involvement in the assets transferred. The extent of the Bank’s continuing involvement is limited to maximum amount of the consideration received, that the Bank has to return as the Bank’s continuing involvement takes a form of the guarantee on the asset transferred. As the Bank continues to recognize the asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes the associated liability. As at 31 December 2022 and 2021, principal amount of these loans were KZT 147,906,554 million and KZT nil, respectively.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 19. Other liabilities

Other liabilities comprised the following:

	31 December 2022	31 December 2021
Payables to suppliers	821,675	438,092
Accrued obligatory contributions to KDIF	278,188	22,673
Accrued commission expenses	137,137	82,922
Other financial liabilities	216,307	38,830
<b>Other financial liabilities</b>	<b>1,453,307</b>	<b>582,517</b>
Accrued expenses for unused vacations	287,554	96,047
Accrued expenses on bonuses	130,000	14,500
Accrued provisions (Note 26)	47,000	47,000
Other non-financial liabilities	4,312	20,987
<b>Other non-financial liabilities</b>	<b>468,866</b>	<b>178,534</b>
<b>Total other liabilities</b>	<b>1,922,173</b>	<b>761,051</b>

## 20. Equity

As at 31 December 2022 and 2021, the Bank has 53,500,000 authorized ordinary shares.

On 27 October 2021, JSC Freedom Finance acquired 11,010,052 common shares of the Bank at a book value of 2,089 KZT per share.

As at 31 December 2022 and 2021, 20,366,192 common shares issued were fully paid by the shareholder at the placement price of 1 thousand KZT per ordinary share.

As at 31 December 2022 and 2021, share capital comprised KZT 32,356,139 thousand.

There were no dividends declared or paid on common shares during 2022 and 2021.

The carrying amount of one ordinary share calculated in accordance with the methodology indicated in the Listing Rules of Kazakhstan Stock Exchange as at 31 December 2022 and 2021 is presented below:

Type of shares	31 December 2022			31 December 2021		
	Number of outstanding shares	Net assets (thousands of tenge)	Book value per share (tenge)	Number of outstanding shares	Net assets (thousands of tenge)	Book value per share (tenge)
Common	20,366,192	66,367,243	3,258.70	20,366,192	47,574,754	2,335.97

### Revaluation reserve for property and equipment

The revaluation reserve for property and equipment is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

As at 31 December 2022, the Bank's property and equipment revaluation reserve is KZT 901,344 thousand (as at 31 December 2021: KZT 335,668 thousand).

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 21. Net interest income

Net interest income comprised the following:

	2022	2021
<b>Interest income calculated using effective interest rate</b>		
Cash and cash equivalents	1,649,192	223,205
Amounts due from financial institutions	46,161	1,864
Loans to customers	12,319,835	639,665
Investment securities:		
- measured at FVTPL	39,877,774	16,217,155
Other assets	39,584	62,371
<b>Total interest income</b>	<b>53,932,546</b>	<b>17,144,260</b>
<b>Interest expense</b>		
Amounts due to customers	(6,924,332)	(2,776,945)
Amounts due to financial institutions	(1,095,081)	(295,218)
Liabilities under repurchase agreements	(38,694,349)	(10,437,164)
Subordinated loan	(80,000)	(307,589)
Lease liabilities	(73,411)	(5,640)
Other interest expense	(15,837)	(1,600)
<b>Total interest expense</b>	<b>(46,883,010)</b>	<b>(13,824,156)</b>
<b>Net interest income</b>	<b>7,049,536</b>	<b>3,320,104</b>

In 2022, interest income on loans to customer comprises a loss from modification that does not result in derecognition in the amount of KZT 8,516 thousand (in 2021: KZT 209,215 thousand).

## 22. Net commission income

Net commission income comprised the following:

	2022	2021
Payment cards	10,358,036	1,119,405
Settlements operations	1,062,056	366,140
Cash operations	708,665	248,943
Foreign currency transactions	252,226	124,517
Opening and maintenance of customer accounts	91,577	111,692
Guarantees issued	88,790	118,951
Other	53,298	20,684
<b>Total fee and commission income</b>	<b>12,614,648</b>	<b>2,110,332</b>
Transactions on customers card accounts	(10,034,862)	(1,302,136)
Securities operations	(1,061,899)	(573,478)
Settlements operations	(508,909)	(87,433)
Foreign currency transactions	(142,707)	-
<b>Total fee and commission expense</b>	<b>(11,748,377)</b>	<b>(1,963,047)</b>
<b>Net commission income</b>	<b>866,271</b>	<b>147,285</b>

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## 23. Net income on transactions with financial instruments at fair value through profit or loss

Net income on transactions with financial instruments at fair value through profit or loss comprised the following:

	2022	2021
Net unrealized gain on trading securities	23,607,635	4,796,754
Net unrealized gain on derivative financial instruments	88,245	–
Net realized gain on trading securities	1,098,242	2,555,650
Net realized loss on derivative financial instruments	(9,846,647)	(432,348)
<b>Total net income on transactions with financial instruments at fair value through profit or loss</b>	<b>14,947,475</b>	<b>6,920,056</b>

## 24. Personnel and administrative and other operating expenses

Personnel and administrative and other operating expenses comprised the following:

	2022	2021
Salaries and bonuses	6,775,991	3,072,553
Social security contributions	638,070	265,951
<b>Total personnel expenses</b>	<b>7,414,061</b>	<b>3,338,504</b>
Communication and information services	1,130,462	129,930
Advertising and marketing services	1,082,945	162,636
Depreciation and amortization	632,134	371,999
Membership fees	630,333	143,935
Taxes other than corporate income tax	550,585	267,489
Technical support and software	506,797	346,744
Professional services	251,723	162,383
Plastic cards issuance	244,616	239,712
Postal and courier services	162,871	29,887
Repair and maintenance	156,388	155,586
Rent	120,634	52,415
Security	103,508	57,937
Business trips	85,615	33,549
Utilities	78,024	53,767
Fines and penalties	33,833	613
Office supplies	31,894	12,835
Representation services	21,283	15,692
Transportation	16,462	9,234
Loss on disposal of property and equipment	9,964	7,647
Other	292,411	81,443
<b>Total administrative and other operating expenses</b>	<b>6,142,482</b>	<b>2,335,433</b>

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

### 25. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of participating shares outstanding during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2022	2021
Net profit for the year attributable to the shareholder of the Bank	19,139,301	6,192,369
Weighted average number of ordinary shares for basic and diluted earnings per share computation	20,366,192	11,316,834
Basic earnings per share (in tenge)	939.76	547.18

As at 31 December 2022 and 2021, the Bank did not have any financial instruments diluting earnings per share.

### 26. Commitments and contingencies

#### Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Also, the government expenses on major infrastructure projects and various socio-economic development programs have a significant impact on the country's economy.

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises.

In 2022, the average price for Brent crude oil was 101.8 USD per barrel (2021: 68.63 USD per barrel). According to preliminary estimates, the Kazakhstan's gross domestic product (“GDP”) grew by 3.1% in 2022. The Inflation in Kazakhstan accelerated in 2022 to 20.3% per annum (in 2021, inflation was 8.4% per annum).

In 2022, the National Bank of the Republic of Kazakhstan raised the base rate from 10.25% to 16.75% per annum with a corridor of +/- 1.0 percentage points to reduce the negative impact of the external factors on the Kazakhstan's economy, and also, in the first half of 2022, the interventions were made in the foreign exchange market in order to support the tenge exchange rate against foreign currencies. However, the uncertainty exists related to future development of the geopolitical risks and their impact on the economy of the Republic of Kazakhstan.



## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

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Management of the Bank is monitoring developments in the economic, political, and geopolitical situation and taking measures it considers necessary to support the sustainability and development of the Bank’s business for the foreseeable future. However, the consequences of these events and related future changes may have a significant impact on the Bank’s operations.

#### Legal

The Bank is subject to various potential legal proceedings related to business operations. The Bank believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or results of operations of the Bank.

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its separate financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these separate financial statements for any of the above described contingent liabilities.

#### Taxation

The tax environment in the Republic of Kazakhstan is subject to change and inconsistent application and interpretations. Discrepancies in the interpretation of Kazakhstan laws and regulations of the Bank and Kazakhstan authorized bodies may result in additional charge of taxes, fines and penalties.

Kazakhstan legislation and tax practices are continually evolving and are therefore subject to varying interpretations and frequent changes that may be retroactive. In certain cases, in order to determine the tax base, tax legislation refers to the provisions of IFRS, whereas the interpretation of the respective provisions of IFRS by the Kazakh tax authorities may differ from accounting policies, judgments and estimates applied by the management in preparation of these separate financial statements, which may result in additional tax liabilities for the Bank. The tax authorities may perform a retrospective tax audit during five years after the ending of the tax year.

The Bank’s management believes that its interpretations of the relevant legislation are acceptable and the Bank’s tax position is justified.

As at 31 December 2021, the State Revenue Department for Almaty completed the documentary tax audit of the Bank for 2016. As a result of the tax audit, the State Revenue Department of Almaty ordered the Bank to pay KZT 296,637 thousand. The Bank received clarifications on controversial issues from the authorized bodies and on 14 March 2022 sent a complaint to the Appeals Department of the Ministry of Finance of the Republic of Kazakhstan. Appeal procedures are currently underway to challenge the results of the tax audit for 2016. According to the Bank’s sale and purchase agreement, in 2020, when a shareholder is changed, the risks of additional taxes associated with taxation for the period 2016-2020 are fully retained by the seller. Also, according to the Bank’s assessment, there is sufficient probability that the outcome of the issue will be in favor of the Bank. As a result, the Bank recognized an estimated tax liability in the amount of KZT 47,000 thousand (Note 19). According to the tax audit of the Bank for 2017, the limitation period has expired. As at 31 December 2022, the State Revenue Department for Almaty continues the tax audit of the Bank for 2018-2020.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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## Commitments and contingencies

The Bank’s commitments and contingencies comprised the following:

	31 December 2022	31 December 2021
<b>Credit related commitments</b>		
Guarantees issued	2,255,041	2,256,977
Undrawn credit lines	8,715,337	4,375,422
	10,970,378	6,632,399
Capital expenditure commitments	–	48,811
<b>Commitments and contingencies before deducting collateral</b>	<b>10,970,378</b>	<b>6,681,210</b>
Less amounts due to customers held as security against guarantees (Note 14)	(1,252,970)	(908,503)
<b>Commitments and contingencies</b>	<b>9,717,408</b>	<b>5,772,707</b>

The total amount of contractual commitments on undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavorable to the Bank arise, including deterioration of the borrower’s financial condition.

## 27. Risk management

### Introduction

Risk management is inherent in the bank activities and is an essential element of the Bank’s operations. The major risks faced by the Bank are those related to market risk, credit risk, liquidity risk and operational risks.

The Bank’s risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor continuously risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, bank products and services offered and emerging best practice.

### Risk management structure

*Board of Directors and Risk Committee under the Board of Directors*

The Board of Directors is responsible for the proper functioning of the risk management control system, for managing key risks and approving risk management policies and procedures, as well as for approving major transactions.

## JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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### *Management Board*

The Management Board is responsible for monitoring and implementing risk mitigation measures and ensuring that the Bank operates within the established risk limits. The responsibilities of the Head of Risk Management include overall risk management, as well as overseeing the application of general principles and methods for detecting, assessing, managing and reporting on both financial and non-financial risks. He reports directly to the Chairman of the Management Board and indirectly to the Board of Directors.

### *Risk Committees*

Credit, market and liquidity risks, both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (“ALCO”). For improving the efficiency of decision-making process, the Bank has established a hierarchy of credit committees depending on the type and amount of risk exposure.

### *Credit risk division*

The division is responsible for credit risk management, ensures decision-making on loan applications, participates in the process of coordinating lending products and internal regulatory documents on lending activities, provides authorized bodies with measures to minimize credit risk, control limits, monitor credit risks, the level of risk appetite for credit risk. The division also provides management reporting, assesses the quality of the loan portfolio and calculates ECL for the loan portfolio.

### *Bank Treasury*

Bank Treasury is responsible for managing the Bank’s assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

### *Internal audit*

Risk management processes throughout the Bank are audited annually by the internal audit Bank that examines both the adequacy of the procedures and the Bank’s compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors.

### *Risk measurement and reporting systems*

The Bank’s risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

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Information compiled from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committees, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Management of market and operational risk, liquidity, monitoring of established limits and quality of the loan portfolio is carried out on a daily basis in accordance with the approved internal process for assessing capital adequacy and liquidity, including by communicating information to members of the Management Board.

#### *Risk mitigation*

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in foreign currencies, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risk.

#### *Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank’s performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank’s policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

#### **Credit risk**

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

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### *Credit-related commitments risks*

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the separate statement of financial position, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, their carrying amounts represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 7.

### *Impairment assessment*

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
Exposure at default (EAD)	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
Loss-given default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

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The Bank has a policy in place to assess at the end of each reporting period whether there has been a significant increase in the credit risk of a financial instrument since initial recognition by taking into account changes in the risk of a default occurring over the remaining life of the financial instrument. Based on the process described above, the Bank aggregates its loans into the following groups:

Stage 1:	When loans are first recognized, the Bank recognizes an allowance based on 12mECL.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognized based on a credit-adjusted EIR. ECL are only recognized or released to the extent that there is a subsequent change in the lifetime expected credit losses.

### *Definition of default and cure*

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 60 days past due on its contractual payments. As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- death of the borrower (co-borrower);
- the debtor (or a legal entity within the debtor's group) filed for bankruptcy, was declared bankrupt by a court decision, or declared itself bankrupt;
- the debt was restructured due to the deterioration of the financial condition of the borrower one or more times in the last 12 months, taking into account the criteria for restoring credit quality;
- decision of the authorized body to assign a default status to a financial asset.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present at the reporting date subject to a reduction of the debt on this financial instrument as a result of the repayment of its portion, as well as in the case of restructuring, the borrower made at least three consequent contractual payments as appropriate. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on whether this indicates there has been a significant increase in credit risk compared to initial recognition.

### *Treasury and interbank relationships*

The Bank's treasury and interbank relationships include relationships with counterparties such as financial services providers, banks, broker-dealers, exchanges, custodial activities and clearing houses. To assess these relationships, the Bank's risk management team uses publicly available information, such as external ratings from international rating agencies, on which ECL calculations are based.

## JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
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### *Retail lending*

Retail lending includes unsecured loans to individuals, credit cards, overdrafts and loans secured by cash, real estate and movable property. The evaluation of unsecured products is carried out using an automated scoring system based on qualitative and quantitative indicators. The main indicators used in the models are the following: length of service at the last place of work, credit history, frequency of pension contributions, education, marital status, gender and age, as well as the ratio of the installment amount on the proposed loan to the average monthly income of the client. Evaluation of products issued on the security of real estate and movable property is carried out by determining the level of solvency and the ratio of the loan to the collateral value of the security.

### *Exposure at default*

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

The Bank determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Bank’s models.

The Bank offers its SME and retail clients various overdraft facilities, which the Bank has the right to withdraw and/or reduce the limits on. The Bank does not limit exposure to credit loss risk by the contractual notice period and instead calculates ECL over a period that reflects the Bank's expectations of customer behavior, the likelihood of default and the Bank's future credit risk mitigation measures, which may include the reduction or closure of credit lines. The interest rate used to discount credit card ECLs is based on the average effective interest rate that is expected to apply over the expected exposure period.

### *Loss given default*

For lending to small and medium-sized businesses. LGD values are assessed at least monthly by account managers and reviewed and approved by the Risk Management Bank.

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realized from any collateral held.

The Bank groups its retail lending products into homogeneous groups based on key characteristics that are relevant to estimating future cash flows. This uses historical loss information and considers a wide range of transaction-specific characteristics (e.g. product type, types of collateral) as well as characteristics of the borrower.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in, collateral values including property prices for mortgages, payment status or other factors that are indicative of losses in the group.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries.

#### *Significant increase in credit risk*

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

If contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

#### *Grouping financial assets measured on a collective basis*

Dependent on the factors below, the Bank calculates ECLs either on a collective or on an individual basis.

Asset classes where the Bank calculates ECL on an individual basis include:

- the treasury and interbank relationships (such as amounts due from banks, cash equivalents and debt investment securities at amortized cost and FVTOCI)
- exposures that have been classified as POCI when the original loan was derecognized and a new loan was recognized as a result of a credit driven debt restructuring
- financial assets whose gross carrying value at the reporting date exceeds 0.2% of the Bank’s equity, but not less than KZT 50 million.

Asset classes where the Bank calculates ECL on a collective basis include:

- financial assets that are not subject to individual assessment.

The Bank groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example internal grade, overdue bucket, product type, loan-to-value ratios, or borrower’s industry.

#### *Forward-looking information and multiple economic scenarios*

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- volume of production of oil and gas condensate;
- base rates of the NBRK;
- oil price;
- index of real wages;
- unemployment rate;
- inflation rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the separate financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.



# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

The Bank obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK, Bureau of National Statistics, Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, international financial institutions). Experts of the Bank’s Risk Management Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Key factors	2023		
	Basic	Optimistic	Pessimistic
Price of Brent crude oil (Brent ICE), USD	92	111	73
GDP index, %	103.6	104.2	101.6
Inflation rate, %	11.50	9.5	13.5
USD/KZT exchange rate	500.37	455.82	544.92
Index of real wages	102.8	107.6	93.4
Unemployment rate	5.0	4.90	5.2

### Maximum credit risk exposure

The Bank’s maximum exposure to credit risk may vary significantly depending on the individual risks inherent in individual assets and the overall market risk.

The following table sets out the maximum exposure to credit risk for financial assets. For balance sheet financial assets, the maximum exposure to credit risk is equal to the carrying amount of those assets, excluding offsets of assets and liabilities and collateral.

	Maximum exposure to credit exposure and net exposure to credit exposure after offset	Collateral	Net credit exposure after offsetting and accounting for collateral
<b>31 December 2022</b>			
Cash and cash equivalents	245,153,452	41,573,982	203,579,470
Amounts due from financial institutions	46,860,696	–	46,860,696
Loans to customers	295,343,815	252,291,274	43,052,541
Investment securities measured at FVTPL	655,723,864	–	655,723,864
Other financial assets	1,007,770	172,503	835,267
<b>31 December 2021</b>			
Cash and cash equivalents	42,799,179	5,919,022	36,880,157
Amounts due from financial institutions	2,247,442	–	2,247,442
Loans to customers	15,789,745	8,727,906	7,061,839
Investment securities measured at FVTPL	325,984,528	–	325,984,528
Other financial assets	788,957	368,582	420,375

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

Financial assets are classified according to current credit ratings assigned by international rating agencies such as Fitch, Standard & Poor’s and Moody’s. The highest possible rating is AAA. The investment grade financial assets correspond to ratings from AAA to BBB. Below is the classification of the Bank’s financial assets by credit ratings:

	31 December 2022			
	>BBB*	<BBB	Credit rating not assigned	Total
Cash and cash equivalents	170,055	229,172,590	15,810,807	245,153,452
Amounts due from financial institutions	680,522	5,326,561	40,853,613	46,860,696
Loans to customers	–	–	295,343,815	295,343,815
Investment securities measured at FVTPL	616,873,960	36,240,987	2,608,917	655,723,864
Other financial assets	633,064	–	374,706	1,007,770

  

	31 December 2021			
	>BBB*	<BBB	Credit rating not assigned	Total
Cash and cash equivalents	1,420,339	38,221,246	3,157,594	42,799,179
Amounts due from financial institutions	455,642	978,689	813,111	2,247,442
Loans to customers	–	–	15,789,745	15,789,745
Investment securities measured at FVTPL	112,686,430	212,807,536	490,562	325,984,528
Other financial assets	–	466,150	322,807	788,957

\* This category includes financial instruments with a credit rating of BBB or higher.

Institutions in the financial sector are generally exposed to credit risk arising from financial assets and contingent liabilities. The degree of credit risk is constantly monitored to ensure compliance with credit limits and creditworthiness in accordance with the Bank’s approved risk management policy.

#### Geographic concentration

The ALCO controls the risk associated with changes in legislation and evaluates its impact on the Bank’s operations. This approach allows the Bank to minimize possible losses from changes in the investment climate in the Republic of Kazakhstan.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

Information on the geographical concentration of financial assets and liabilities as at 31 December 2022 and 2021 is presented below:

<b>31 December 2022</b>	<b>Republic of Kazakhstan</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	213,077,256	136,927	31,939,269	245,153,452
Amounts due from financial institutions	40,519,559	5,326,561	1,014,576	46,860,696
Loans to customers	295,343,815	–	–	295,343,815
Investment securities measured at FVTPL	640,556,359	13,124,418	2,043,087	655,723,864
Other financial assets	961,645	60	46,065	1,007,770
<b>Total financial assets</b>	<b>1,190,458,634</b>	<b>18,587,966</b>	<b>35,042,997</b>	<b>1,244,089,597</b>
<b>Financial liabilities</b>				
Amounts due to financial institutions	4,509,539	–	17,487,588	21,997,127
Amounts due to customers	323,887,030	13,746,790	286,235,317	623,869,137
Liabilities under repurchase agreements	386,338,762	4,265,777	2,043,169	392,647,708
Subordinated loan	1,040,000	–	–	1,040,000
Lease liabilities	1,186,058	–	–	1,186,058
Liabilities from continuing participation	147,906,554	–	–	147,906,554
Other financial liabilities	1,018,239	279,098	155,970	1,453,307
<b>Total financial liabilities</b>	<b>865,886,182</b>	<b>18,291,665</b>	<b>305,922,044</b>	<b>1,190,099,891</b>
Position on foreign currencies dealing	264,852,320	–	–	264,852,320
<b>Net position</b>	<b>589,424,772</b>	<b>296,301</b>	<b>(270,879,047)</b>	<b>318,842,026</b>
<b>31 December 2021</b>	<b>Republic of Kazakhstan</b>	<b>OECD countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	39,074,348	579,153	3,145,678	42,799,179
Amounts due from financial institutions	813,110	455,643	978,689	2,247,442
Loans to customers	15,789,745	–	–	15,789,745
Investment securities measured at FVTPL	323,282,307	2,702,221	–	325,984,528
Other financial assets	321,845	466,270	842	788,957
<b>Total financial assets</b>	<b>379,281,355</b>	<b>4,203,287</b>	<b>4,125,209</b>	<b>387,609,851</b>
<b>Financial liabilities</b>				
Amounts due to financial institutions	3,828,429	–	–	3,828,429
Amounts due to customers	88,359,337	7,843,544	5,524,979	101,727,860
Liabilities under repurchase agreements	238,739,451	–	–	238,739,451
Subordinated loan	1,040,000	–	–	1,040,000
Other financial liabilities	348,193	218,002	16,322	582,517
<b>Total financial liabilities</b>	<b>332,315,410</b>	<b>8,061,546</b>	<b>5,541,301</b>	<b>345,918,257</b>
Position on foreign currencies dealing	6,908,800	–	–	6,908,800
<b>Net position</b>	<b>53,874,745</b>	<b>(3,858,259)</b>	<b>(1,416,092)</b>	<b>48,600,394</b>

### Interest rate risk

To manage interest rate risk, the Bank uses periodic assessment of potential losses that may be incurred as a result of negative changes in market conditions. Management of the Bank monitors the Bank's interest margin and believes that the Bank does not bear significant interest rate risk and related cash flow risk due to the absence of floating rate financial instruments.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks comprise currency risk, profit rate risk and other price risk. Market risk arises from open positions in profit rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO. Market risk limits are approved by the ALCO based on recommendations of the Risk Management Department’s Market Risk Management Division and subsequently agreed by the Board of Directors.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board and Board of Directors of the Bank.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

### *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market profit rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

### *Analysis of the timing of the revision of interest rates*

Interest rate risk is primarily managed by monitoring changes in interest rates. Since most financial instruments have a fixed interest rate, the repricing analysis is similar to the maturity analysis.

### *Price risk*

Price risk is the risk of loss (direct loss or lost profit) as a result of unfavorable changes in market prices. In order to limit price risk, the Bank sets limits on maximum losses from changes in the price of securities (stop-loss).

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

Price risk assessment is based on the VaR method, which is carried out taking into account the following parameters:

- method of historical modeling;
- relevant interval – 255 days;
- confidence interval – 99.5%.

Price risk limits are set by the Board of Directors of the Bank.

### Currency risk

The Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Despite the fact that the Bank hedges its exposure to currency risk, such transactions do not qualify as hedging relationships in accordance with IFRS.

The currency position of the Bank as at 31 December 2022 and 2021 is presented below:

31 December 2022	Tenge	US dollar	Other currencies	Total
<b>Financial assets</b>				
Cash and cash equivalents	62,312,527	99,772,291	83,068,634	245,153,452
Amounts due from financial institutions	39,839,037	6,007,083	1,014,576	46,860,696
Financial instruments at fair value through profit or loss	–	88,145	–	88,145
Investment securities	626,995,964	26,873,176	1,854,724	655,723,864
Loans to customers	295,246,006	–	97,809	295,343,815
Other financial assets	940,375	65,279	2,116	1,007,770
<b>Total financial assets</b>	<b>1,025,333,909</b>	<b>132,805,974</b>	<b>86,037,859</b>	<b>1,244,177,742</b>
<b>Financial liabilities</b>				
Amounts due to financial institutions	4,630,515	17,014,707	351,905	21,997,127
Amounts due to customers	162,422,841	379,987,420	81,458,876	623,869,137
Liabilities under repurchase agreements	388,381,931	4,265,777	–	392,647,708
Subordinated loan	1,040,000	–	–	1,040,000
Lease liabilities	1,186,058	–	–	1,186,058
Liabilities from continuing participation	147,906,554	–	–	147,906,554
Other financial liabilities	1,426,292	26,880	135	1,453,307
<b>Total financial liabilities</b>	<b>706,994,191</b>	<b>401,294,784</b>	<b>81,810,916</b>	<b>1,190,099,891</b>
Position on foreign currencies dealing	–	264,852,320	–	264,852,320
<b>Net position</b>	<b>318,339,718</b>	<b>(3,636,490)</b>	<b>4,226,943</b>	<b>318,930,171</b>

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

31 December 2021	Tenge	US dollar	Other currencies	Total
<b>Financial assets</b>				
Cash and cash equivalents	9,493,501	27,298,236	6,007,442	42,799,179
Amounts due from financial institutions	813,110	455,643	978,689	2,247,442
Loans to customers	15,789,745	–	–	15,789,745
Investment securities	316,033,891	9,183,196	767,441	325,984,528
Other financial assets	343,079	422,980	22,898	788,957
<b>Total financial assets</b>	<b>342,473,326</b>	<b>37,360,055</b>	<b>7,776,470</b>	<b>387,609,851</b>
<b>Financial liabilities</b>				
Amounts due to financial institutions	3,828,429	–	–	3,828,429
Amounts due to customers	54,956,744	40,134,266	6,636,850	101,727,860
Liabilities under repurchase agreements	237,037,663	1,701,788	–	238,739,451
Subordinated loan	1,040,000	–	–	1,040,000
Other financial liabilities	582,517	–	–	582,517
<b>Total financial liabilities</b>	<b>297,445,353</b>	<b>41,836,054</b>	<b>6,636,850</b>	<b>345,918,257</b>
<b>Position on foreign currencies dealing</b>	<b>–</b>	<b>6,908,800</b>	<b>–</b>	<b>6,908,800</b>
<b>Net position</b>	<b>45,027,973</b>	<b>2,432,801</b>	<b>1,139,620</b>	<b>48,600,394</b>

The following table sets out the currencies in which the Bank has significant positions as at 31 December in non-trading monetary assets and liabilities and projected cash flows. This analysis is pre-tax and is based on changes in foreign exchange rates that, in the opinion of the Bank, are reasonably possible as of the end of the reporting period. The analysis assumes that all other variables, especially interest rates, remain constant. Negative amounts in the table reflect a potential net decrease in profit or equity, while a positive amount reflects a potential net increase. These sensitivity levels represent the Bank’s management’s assessment of possible changes in foreign exchange rates due to the uncertainty about the future changes in geopolitical risks and their impact on the economy of Kazakhstan.

Currency	2022		2021	
	Increase in exchange rate in %	Effect on profit before tax	Increase in exchange rate in %	Effect on profit before tax
US dollar	30.00%	(1,090,947)	30.00%	729,840

  

Currency	2022		2021	
	Decrease in exchange rate in %	Effect on profit before tax	Decrease in exchange rate in %	Effect on profit before tax
US dollar	(30.00%)	1,090,947	(30.00%)	(729,840)

### Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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#### Liquidity risk

Liquidity risk is the risk that the Bank may encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and / or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity risk management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. Liquidity risk management policy is reviewed and approved by the Board of Directors.

The Bank seeks to actively support a diversified and stable funding base comprising issued debt securities, long-term and short-term loans from other banks, deposits of the main corporate customers and individuals as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. Liquidity risk management policy includes:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Bank Treasury receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more unfavorable market conditions is performed by the Treasury. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a monthly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury.





## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

Liabilities that are redeemable on demand are treated in the table above as if redemption had been made. However, the Bank expects that many customers will not request repayment at the earliest date on which the Bank would be required to make the respective payment. Moreover, the Bank believes that, if necessary, it will be able to sell investment securities at fair value through profit or loss within a short period of time, as these securities are actively traded in the market, and, accordingly, the table does not reflect expected cash flows calculated by the Bank on the basis of information on the demand for customer funds for previous periods.

#### *Analysis of financial liabilities by remaining contractual maturities*

The table below summarizes the maturity profile of the Bank’s financial liabilities at 31 December 2022 and 2021, based on contractual undiscounted payments. Repayments, which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank’s deposit retention history.

Financial liabilities	31 December 2022					Total
	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	
Amounts due to financial institutions	17,487,588	96,478	310,494	1,646,454	8,569,415	28,110,429
Amounts due to customers	279,562,950	17,446,386	99,613,172	239,652,375	911,367	637,186,250
Liabilities under repurchase agreements	392,647,708	1,834,784	–	–	–	394,482,492
Subordinated loan	–	–	80,000	320,000	1,040,000	1,440,000
Lease liabilities	10,271	71,765	259,011	1,045,114	–	1,386,161
Liabilities from continuing participation	14,660	–	–	521,341	147,529,449	148,065,450
Other financial liabilities	6,132	625,500	821,675	–	–	1,453,307
<b>Total undiscounted financial liabilities</b>	<b>689,729,309</b>	<b>20,074,913</b>	<b>101,084,352</b>	<b>243,185,284</b>	<b>158,050,231</b>	<b>1,212,124,089</b>

Financial liabilities	31 December 2021					Total
	On demand	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	
Amounts due to financial institutions	–	87,809	265,467	1,414,070	9,464,251	11,231,597
Amounts due to customers	49,798,806	8,414,597	28,426,333	17,591,184	1,331,641	105,562,561
Liabilities under repurchase agreements	238,739,451	80,218	–	–	–	238,819,669
Subordinated loan	–	–	80,000	320,000	1,040,000	1,440,000
Other financial liabilities	361	176,449	405,707	–	–	582,517
<b>Total undiscounted financial liabilities</b>	<b>288,538,618</b>	<b>8,759,073</b>	<b>29,177,507</b>	<b>19,325,254</b>	<b>11,835,892</b>	<b>357,636,344</b>

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest income. The Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. Accordingly, in the above table, deposits of individuals are presented in accordance with contractual terms with consideration of this assumption.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

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Management expects that the repayment of liabilities and disposal of assets may be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows on these financial assets and liabilities may differ from contractual terms.

## 28. Fair value measurement

### Fair value measurement procedures

For the purpose of significant assets evaluation, such as real estate, external appraisers are engaged. The Bank’s Managing Board decides is external appraisers should be engaged. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Appraisers are normally rotated every three years.

At each reporting date, the Bank analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank’s accounting policies. For this analysis, the Bank verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Bank, in conjunction with the Bank’s external appraisers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On a periodic basis, the Bank and the Bank’s external appraisers present the valuation results to the Audit Committee. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
(in thousand tenge)

## Fair value hierarchy

31 December 2022	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	
<b>Assets measured at fair value</b>				
Investment securities measured at FVTPL	636,259,462	19,345,724	118,678	655,723,864
Property and equipment – land and buildings	–	–	4,503,790	4,503,790
<b>Assets for which fair value is disclosed</b>				
Cash and cash equivalents	9,481,882	235,671,570	–	245,153,452
Amounts due from financial institutions	–	46,860,696	–	46,860,696
Loans to customers	–	–	152,384,218	152,384,218
Other financial assets	633,064	–	374,706	1,007,770
<b>Liabilities whose fair value is disclosed:</b>				
Amounts due to banks and other financial institutions	–	–	21,303,140	21,303,140
Amounts due to customers	–	611,608,795	–	611,608,795
Liabilities under repurchase agreements	368,916,563	5,229,243	–	374,145,806
Subordinated loan	–	1,040,000	–	1,040,000
Lease liabilities	–	1,186,058	–	1,186,058
Liabilities from continuing participation	–	60,351,247	–	60,351,247
Other financial liabilities	–	–	1,453,307	1,453,307
31 December 2021	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	
<b>Assets measured at fair value</b>				
Investment securities measured at FVTPL	314,205,670	11,288,296	490,562	325,984,528
Property and equipment – land and buildings	–	–	3,617,814	3,617,814
<b>Assets for which fair value is disclosed</b>				
Cash and cash equivalents	3,086,571	39,712,608	–	42,799,179
Amounts due from financial institutions	–	2,247,442	–	2,247,442
Loans to customers	–	–	14,322,312	14,322,312
Other financial assets	–	–	788,957	788,957
<b>Liabilities whose fair value is disclosed:</b>				
Amounts due to banks and other financial institutions	–	–	3,501,317	3,501,317
Amounts due to customers	–	99,029,187	–	99,029,187
Liabilities under repurchase agreements	–	235,952,115	–	235,952,115
Subordinated loan	–	1,040,000	–	1,040,000
Lease liabilities	–	128,854	–	128,854
Other financial liabilities	–	–	582,517	582,517

During 2022 and 2021, there was no movement between levels of the hierarchy model of the fair value for financial assets and liabilities shown at fair value.

# JSC “Bank Freedom Finance Kazakhstan”

Notes to separate financial statements (continued)  
For the year ended 31 December 2022  
(in thousand tenge)

## Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank’s financial instruments that are not carried at fair value in the separate statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Cash and cash equivalents	245,153,452	245,153,452	42,799,179	42,799,179
Amounts due from financial institutions	46,860,696	46,860,696	2,247,442	2,247,442
Loans to customers	295,343,815	152,384,218	15,789,745	14,322,312
Other financial assets	1,007,770	1,007,770	788,957	788,957
<b>Financial liabilities</b>				
Amounts due to financial institutions	21,997,127	21,303,140	3,828,429	3,501,317
Amounts due to customers	623,869,137	611,608,795	101,727,860	99,029,187
Liabilities under repurchase agreements	392,647,708	374,145,806	238,739,451	235,952,115
Subordinated loan	1,040,000	1,040,000	1,040,000	1,040,000
Lease liabilities	1,186,058	1,186,058	128,854	128,854
Liabilities from continuing participation	147,906,554	60,351,247	–	–
Other financial liabilities	1,453,307	1,453,307	582,517	582,517

## Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the separate financial statements and those items that are not measured at fair value in the separate statement of financial position, but whose fair value is disclosed.

### *Assets for which fair value approximates carrying value*

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

### *Financial assets and financial liabilities carried at amortized cost*

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer funds, amounts due from other banks and other financial institutions, amounts due to banks and other financial institutions, subordinated loans, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

### *Property and equipment – land and buildings*

The fair value of land and buildings owned by the Bank is based on valuations performed by an accredited independent appraiser. The fair value of the Bank's land and buildings was determined by using market comparable and income approaches.

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

### Description of significant unobservable inputs for the assessment:

Significant unobservable inputs used to estimate the fair value of property and equipment classified in Level 3 of the fair value hierarchy, together with the quantitative sensitivity analysis as at 31 December 2022, are as follows:

<b>Significant non-observable inputs</b>	<b>Range (weighted average value)</b>
Average rental rate (adjusted for banking strengthening)	3.500 – 8.431 (5.966) tenge/sq.m
Weighing approach	50/50 %

## 29. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Bank’s related parties comprise counterparties that are the Bank’s shareholders, and members of the Board of Directors and Managing Board. Other related parties comprise: companies with which the Bank has significant shareholders in common; companies in which a substantial interest in the voting power is owned, directly or indirectly, by shareholders of the Bank or by individuals which have significant influence over the Bank, or anyone expected to influence, or be influenced by, that person in their dealings with the Bank.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

Balance of related party transactions as at 31 December 2022 and 2021 is presented below:

	31 December 2022		
	Parent	Key management personnel	Other related parties
<b>Assets</b>			
Cash and cash equivalents	129,856	–	2,065,491
ECL on cash and cash equivalents	–	–	(61,072)
Loans to customers	–	–	63,522
ECL on loans to customers	–	–	(121)
Other assets	–	–	674
<b>Liabilities</b>			
Amounts due to credit institutions	–	–	12,067,736
Amounts due to customers	1,281,906	32,799	186,096,190
Subordinated loan	1,040,000	–	–
Other liabilities	136,312	10	416

# JSC “Bank Freedom Finance Kazakhstan”

## Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

	31 December 2021		
	Parent	Key management personnel	Other related parties
<b>Assets</b>			
Other assets	2,146	2	1,730
<b>Liabilities</b>			
Amounts due to customers	4,736,137	95,048	22,328,789
Subordinated loan	1,040,000	–	–
Other liabilities	82,922	39	–

As at 31 December 2022, the Bank purchased microloans from “Microfinance Organization Freedom Finance Credit” LLP, a related party of the Bank, in the amount of KZT 46,465,155 thousand (31 December 2021: KZT 7,339,968 thousand) (Note 7).

The income and expense items on transactions with related parties for the years ended 31 December 2022 and 2021 were as follows:

	31 December 2022			31 December 2021		
	Parent	Key management personnel	Other related parties	Parent	Key management personnel	Other related parties
Interest income on loans to customers	–	–	6,114	–	–	–
Credit loss expense	–	–	(872)	–	–	–
Interest expense on amounts due to customers	(64)	(5,351)	(103,696)	6,131	449	4,837
Interest expense on subordinated debt	(80,000)	–	–	(80,000)	–	(227,589)
Net fee and commission (expense)/income	(1,014,172)	2,421	288,434	(569,341)	241	67,065
Net gains from transactions in foreign currencies	61,770	686	2,417,634	49,107	84	87,690
Other operating expense	(10)	(5,595)	(16,960)	–	(2,965)	(39,985)

As at 31 December 2022 and 2021, interest rates and maturity dates on transactions with related parties are as follows:

	31 December 2022			31 December 2021		
	Parent	Key management personnel	Other related parties	Parent	Key management personnel	Other related parties
<b>Loans to customers</b>						
Maturity	–	–	2037	–	–	–
Annual interest rate in tenge	–	–	12.5%	–	–	–
<b>Amounts due to customers</b>						
Maturity	No term	–	2023-2026	2022	2022	2022-2026
Annual interest rate in tenge	–	8.8%-14.5%	6.0%-14.5%	9,0%	8.6%-14.0%	6.0%-9.5%
Annual interest rate in USD /EUR	–	1.00%	0.3%-1.0%	–	0.8%-1.0%	0.3%-0.4%
<b>Subordinated loan</b>						
Maturity	No term	–	–	No term	–	–
Annual interest rate in tenge	8.00%	–	–	8.00%	–	–

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued) For the year ended 31 December 2022 (in thousand tenge)

Below is information on compensation to 5 members of key management personnel as at 31 December 2022 (31 December 2021: 7 members of key management personnel):

	2022	2021
Salaries and other short-term benefits	152,051	144,771
Social security contributions	14,144	13,202
<b>Total</b>	<b>166,195</b>	<b>157,973</b>

### 30. Changes in liabilities arising from financing activities

Subordinated loan	2022	2021
Carrying amount at 1 January	1,040,000	3,392,737
Payments	(80,000)	(80,000)
Forgiveness of subordinated loan	–	(2,400,340)
Foreign exchange adjustments	–	6,950
Other*	80,000	120,653
<b>Carrying amount as at 31 December</b>	<b>1,040,000</b>	<b>1,040,000</b>

“Other” represents the effect of accrued, but not yet paid interest. The Bank classifies interest paid as cash flows from operating activities.

### 31. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank’s capital is monitored using, among other measures, the norms established by the NBRK in supervising the Bank.

The primary objectives of the Bank’s capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders’ value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities.

Under the current capital requirements set by the NBRK banks have to maintain:

- a ratio of basic capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k1.1);
- a ratio of tier 1 capital less investments to the sum of credit risk-weighted assets and contingent liabilities, market risk and a quantitative measure of operational risk weighted assets, contingent assets and liabilities (k1.2);
- a ratio of statutory capital to the sum of credit risk weighted assets and contingent liabilities, market risk and a quantitative measure of operating risk weighted assets and contingent liabilities and (k2).

Investments for the purposes of calculation of the above ratios represent investments into share capital (interest in the share capital) of a legal entity and subordinated debt of a legal entity if their total exceeds 10% of the total of tier 1 and tier 2 capital of the Bank.

## JSC “Bank Freedom Finance Kazakhstan”

### Notes to separate financial statements (continued)

For the year ended 31 December 2022

(in thousand tenge)

As at 31 December 2022 and 2021, the Bank’s capital adequacy ratio, calculated in accordance with the requirements of the NBRK was as follows:

	31 December 2022	31 December 2021
Tier 1 capital	66,499,135	47,691,800
Tier 2 capital	–	–
Deduction of the positive difference with regulatory reserves	–	–
<b>Total statutory capital</b>	<b>66,499,135</b>	<b>47,691,800</b>
<b>Risk-weighted statutory assets, contingent liabilities, operational and market risk</b>	<b>379,421,369</b>	<b>104,130,223</b>
Capital adequacy ratio k1-1 (at least 7.5%)	17.5%	45.8%
Capital adequacy ratio k1-2 (at least 8.5%)	17.5%	45.8%
Capital adequacy ratio k2 (at least 10.0%)	17.5%	45.8%