Agrarian Credit Corporation Joint Stock Company

Consolidated Financial Statements

for 2022

CONTENTS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position 10
Consolidated Statement of Profit or Loss 11
Consolidated Statement of Comprehensive Income 12
Consolidated Statement of Changes in Equity 13
Consolidated Statement of Cash Flows 14
Explanatory Notes to the Consolidated Financial Statements 15-72

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Independent Auditors' Report

To the Shareholder and the Board of Directors of Agrarian Credit Corporation Joint Stock Company

Qualified Opinion

We have audited the unconsolidated financial statements of Agrarian Credit Corporation Joint Stock Company (the "Company"), which comprise the unconsolidated statement of financial position as at 31 December 2022, the unconsolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in *the Basis for Qualified Opinion* section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS).

Basis for Qualified Opinion

As described in Note 9 to the unconsolidated financial statements, as at 31 December 2021, with regard to loans issued to corporate customers, classified in Stage 3 of credit risk, with the gross carrying amount of KZT 304,221,793 thousand, the Company recognised an allowance for expected credit losses in the amount of KZT 62,564,653 thousand, respectively. IFRS 9 *Financial Instruments* requires entities to use reasonable and supportable information on which assumptions and expectations are based when measuring expected credit losses. We disagree with certain assumptions used to estimate the expected cash flows from the collateral realisation for credit-impaired loans to corporate customers and believe that the allowance for expected credit losses is significantly understated as at 31 December 2021. During 2022, the Company reassessed the fair value of collateral for loans issued to corporate customers and recalculated the corresponding allowance for expected credit losses as at 31 December 2022, having recognised a part of the impairment losses on loans to customers directly in the Company's equity in 2022. The effects of this departure from IFRS on the allowances for expected credit losses in the unconsolidated statement of financial position as at 31 December 2021 and other related elements making up the unconsolidated statements of profit or loss, comprehensive income and changes in equity for the years ended 31 December 2022 and 31 December 2021 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)* together with the ethical requirements that are relevant to our audit of the unconsolidated 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Expected credit losses (ECL) for loans to customers

Please refer to the Notes 3, 4, 9, 22 and 26 in the unconsolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
Loans to customers represent assets of assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Company uses ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: — timely identification of significant increase in credit risk and default events (allocation between stages 1, 2 and 3 in accordance with the IFRS 9 *Financial Instruments*); — assessment of probability of default (PD) and loss given default (LGD); — assessment of add-on adjustment to account for different scenarios and forward-looking information; — assessment of expected cash flows forecast for loans to customers which are classified as credit-impaired. Due to the significant volume of loans to customers and related estimation uncertainty of expected credit losses thereon, this area is a key audit matter.	We analysed the key aspects of the Company's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, including involvement of our own specialists in financial risk management. We tested the principle of operation of the respective models used by the Company. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, our audit procedures included the following: — We tested design and operating effectiveness of controls over timely reflection of delinquency events related to loans to customers. — For a sample of loans to customers, for which the potential changes in ECL estimate may have a significant impact on the unconsolidated financial statements, we tested whether stages are correctly assigned by the Company by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Company. — For a sample of loans to customers we tested the correctness of data inputs for PD and LGD calculations by agreeing to underlying documents as well as by verifying the assessment of value of collateral and

	expected timing of its realisation used to estimate ECL. — We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation. — We also assessed whether the unconsolidated financial statements disclosures appropriately reflect the Company's exposure to credit risk.

Loans received at below market rates

Please refer to the Notes 3 (Government grants), 13, 15, 17 and 20 in the unconsolidated financial statements.

The key audit matter	*How the matter was addressed in our audit*
During 2022 the Company obtained financing from the Government via receipts of loans from the Ministry of Finance and local executive bodies in the amount of KZT 170,928,726 thousand bearing an interest rate of 0.01% p.a. and in the amount KZT 500,000 thousand bearing a nominal interest rate of 1.00% p.a., in addition the loans in the amount of 8,300,000 thousand bearing a nominal interest rate of 0.28% p.a. were received from the parent company as part of the Government Programme for funding the agro-industrial complex. At initial recognition these loans received were recognised at fair values measured by applying relevant market interest rates to discount the contractual future cash flows. The difference of KZT 44,496,654 thousand between the fair value and the nominal value of loans received was recognised as a government grant, which is subsequently recognised in profit or loss upon fulfilment of conditions attached to respective financing. The estimate of the fair value of the loans received requires management to exercise significant professional judgement. Accounting judgements are also required in determining the presentation and classification of the difference between the nominal value and fair value of loans received.	Our audit procedures included assessing of management's judgment whether the difference between the fair value and the nominal value of loans received represents a government grant or the difference should be recognised in equity. We compared assumptions used by management to determine market rates applied to calculate fair values of the loans received to available market information. We assessed the appropriateness of methods used to calculate income from government grants. We also assessed whether the unconsolidated financial statement disclosures appropriately reflect the information in relation to government grants recognised in the unconsolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year 2022 but does not include the unconsolidated financial statements and our auditors' report thereon. The Annual Report for the year 2022 is expected to be made available to us after the date of this auditors' report.

Our opinion on the unconsolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

In preparing the unconsolidated financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 unconsolidated financial statements.

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

— Identify and assess the risks of material misstatement of the unconsolidated 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No. МФ-0000096 of 27 August 2012

KPMG Audit LLC

State License to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of its Charter

23 May 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

'000 KZT

	Note	*31 December 2022*	*31 December 2021*
Assets			
Cash and cash equivalents	7	172,484,306	102,853,173
Loans to banks	8	10,518,187	12,708,512
Loans to customers	9	715,304,700	665,016,227
Finance lease receivables	10	403,869,553	9,626,642
Assets classified as held for sale		1,024,785	1,601,806
Investment securities		–	839,325
Investment property		2,899,093	3,128,638
Property, plant and equipment		2,317,727	1,425,804
Intangible assets		978,317	624,683
VAT and other taxes recoverable	11	8,523,586	1,080,701
Current corporate income tax assets	19	1,950,809	1,785,126
Other assets	12	10,016,322	5,794,341
Total assets		**1,329,887,385**	**806,484,978**
Liabilities			
Amounts due to the Shareholder	13	101,001,736	94,260,422
Amounts due to the Government	14	60,747,873	–
Amounts due to state and budget organisations	15	182,850,442	166,814,395
Amounts due to credit institutions	16	79,522,517	–
Debt securities issued	17	384,728,108	196,654,238
Current estimated liabilities		1,403,575	1,205,120
Deferred corporate income tax liabilities	19	12,348,397	6,614,451
Deferred VAT liabilities	20	10,917,373	–
Government grants	21	64,823,093	40,515,010
Other liabilities	18	16,573,686	29,731,901
Total liabilities		**914,916,800**	**535,795,537**
Equity			
Share capital	22	401,836,884	254,366,870
Reserve capital	22	13,846,278	11,237,766
(Accumulated losses)/retained earnings		(712,577)	5,084,805
Total equity		**414,970,585**	**270,689,441**
Total liabilities and equity		**1,329,887,385**	**806,484,978**
Carrying value of one ordinary share (KZT)	22	**1,033.40**	**1,066.85**

Signed and authorised for issue on behalf of the Management Board of the Group:

Sapulatov Kairat Kaertaevich — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolaevna — Chief Accountant

23 May 2023

The selected explanatory notes set out on pages 15 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

'000 KZT

	Note	2022	2021
Interest income calculated using effective interest method			
Cash and cash equivalents		12,296,784	5,374,199
Loans to banks		4,618,907	3,925,001
Loans to customers		105,075,892	68,920,438
Investment securities		33,548	65,042
		122,025,131	**78,284,680**
Other interest income			
Finance lease receivables		27,767,320	45,684
Other receivables (cession)		88,095	–
		149,880,546	**78,330,364**
Interest expense			
Amounts due to the Shareholder		(8,670,490)	(10,513,105)
Amounts due to the Government of the Republic of Kazakhstan		(12,087,824)	(5,717,712)
Amounts due to state and budget organisations		(18,939,624)	(5,183,328)
Amounts due to credit institutions		(3,444,953)	–
Debt securities issued		(33,074,486)	(18,619,070)
Other liabilities		(8,195)	(27,145)
		(76,225,572)	**(40,060,360)**
Net interest income		**73,654,974**	**38,270,004**
Expenses on credit losses	23	(37,525,038)	(77,530)
Net interest income net of expenses on credit losses		**36,129,936**	**38,192,474**
Net foreign exchange (loss)/gain		(43,728)	9,089
Personnel expenses	24	(9,180,036)	(4,373,762)
Other administrative expenses	24	(4,823,143)	(2,635,235)
Net losses from modification of financial assets measured at amortised cost		(902,348)	(62,913)
Other income/(expenses), net	25	1,184,963	(20,232,159)
Non-interest expense		**(13,764,292)**	**(27,294,980)**
Profit before income tax		**22,365,644**	**10,897,494**
Corporate income tax expense	19	(2,830,316)	(2,202,454)
Profit for the year		**19,535,328**	**8,695,040**

Signed and authorised for issue on behalf of the Management Board of the Group:

Sapulatov Kairat Kairatovich — Deputy Chairperson of the Management Board, member of the Management Board

Zamulayeva Irina Nikolayevna — Chief Accountant

23 May 2023

The selected explanatory notes set out on pages 15 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

'000 KZT

	Note	*2022*	*2021*
Profit for the year		19,535,328	8,695,040
Other comprehensive income for the year		–	–
Total comprehensive income for the year		19,535,328	8,695,040

Signed and authorised for issue on behalf of the Management Board of the Group:

Sapulatov Kanat Kuertarovich — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

23 May 2023

The selected explanatory notes set out on pages 15 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

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	Note	*Share capital*	*Reserve capital*	*Retained earnings/ (accumulated losses)*	*Total*
At 1 January 2021		**167,809,534**	**5,339,751**	**(13,411,636)**	**159,737,649**
Total comprehensive income for the year		–	–	8,695,040	8,695,040
Increase in share capital	22	6,186,092	–	–	6,186,092
Contributions to capital (issue of shares) due to business combinations	6,22	80,371,244	–	311,872	80,683,116
Income from initial recognition of loans received from the Shareholder at fair value, net of tax	15	–	–	33,375,744	33,375,744
Increase in reserve capital	22	–	5,898,015	(5,898,015)	–
Distribution to the Shareholder, net of tax	17	–	–	(4,744,781)	(4,744,781)
Dividends paid	22	–	–	(13,762,035)	(13,762,035)
Other		–	–	518,616	518,616
At 31 December 2021		**254,366,870**	**11,237,766**	**5,084,805**	**270,689,441**
At 1 January 2022		**254,366,870**	**11,237,766**	**5,084,805**	**270,689,441**
Total comprehensive income for the year		–	–	19,535,328	19,535,328
Increase in share capital	22	147,470,014	–	–	147,470,014
Increase in reserve capital	22	–	2,608,512	(2,608,512)	–
Dividends paid	22	–	–	(6,086,528)	(6,086,528)
Impairment losses on loans to customers incurred in prior reporting periods	9,27	–	–	(19,228,881)	(19,228,881)
Other changes		–	–	2,591,211	2,591,211
At 31 December 2022		**401,836,884**	**13,846,278**	**(712,577)**	**414,970,585**

Signed and authorised for issue on behalf of the Management Board of the Group:

Sapydalov [illegible]   Deputy Chairperson of the Management Board, member of the Management Board

Zaitul[illegible]vna   Chief Accountant

23 May 2023

The selected explanatory notes set out on pages 15 to 72 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

'000 KZT

	2022	2021
Cash flows from operating activities		
Interest received	96,330,454	44,613,371
Interest paid	(36,313,613)	(23,231,439)
Personnel expenses paid	(8,662,714)	(3,860,103)
Other operating expense, net	(751,163)	(2,150,611)
Cash flows from operating activities before changes in operating assets and liabilities	**50,602,964**	**15,371,218**
Net (increase)/ decrease in operating assets		
Loans to banks	(8,165,818)	3,355,671
Loans to customers	(93,176,940)	(58,986,754)
Finance lease	(71,701,810)	–
Other assets	(274,123)	674,039
Net increase/ (decrease) in operating liabilities		
Government grants	(3,672,642)	6,217,014
Other liabilities	2,212,539	(2,537,985)
Net cash used in operating activities before corporate income tax paid	**(124,175,830)**	**(35,906,797)**
Corporate income tax paid	(4,106,408)	(5,920,766)
Net cash used in operating activities	**(128,282,238)**	**(41,827,563)**
Cash flows from investing activities		
Acquisition of property, plant and equipment, intangible assets	(462,485)	(33,726)
Proceeds from sale of property, plant and equipment, intangible assets	12,761	(59,572)
Proceeds from repayment of investment securities	233,393	–
Proceeds from business combination *(Note 6)*	43,934,757	46,644,824
Net cash from investing activities	**43,718,426**	**46,551,526**
Cash flows from financing activities		
Proceeds from loans from the Government of the Republic of Kazakhstan *(Notes 14, 28)*	140,000,000	70,000,000
Repayment of loans from the Government of the Republic of Kazakhstan *(Note 28)*	(70,000,000)	(70,000,000)
Proceeds from loans from banks *(Notes 16, 28)*	78,277,000	–
Repayment of loans from credit institutions *(Note 28)*	(6,898,950)	–
Proceeds from loans from the Shareholder *(Notes 13, 28)*	8,300,000	18,591,199
Repayment of loans from the Shareholder *(Note 28)*	(14,569,037)	(52,182,190)
Debt securities issued *(Notes 17, 28)*	50,230,366	83,951,457
Repayment of debt securities issued *(Note 28)*	(40,330,000)	(38,988,549)
Proceeds from loans from state and budget organisations *(Notes 15, 28)*	31,428,726	35,029,196
Repayment of loans from state and budget organisations *(Note 28)*	(16,021,061)	(10,152,235)
Dividends paid *(Note 22)*	(6,086,528)	(13,762,035)
Net cash from financing activities	**154,330,516**	**22,487,043**
Effect of expected credit losses on cash and cash equivalents	(2,042)	(938)
Effect of movements in exchange rates on cash and cash equivalents	(133,529)	–
Net change in cash and cash equivalents	**69,631,133**	**27,210,068**
Cash and cash equivalents at the beginning of the year	102,853,173	75,643,105
Cash and cash equivalents at the end of year *(Note 7)*	**172,484,306**	**102,853,173**

Signed and authorised for issue on behalf of the Management Board of the Group:

Sapularov Kairat Kanatovich — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

23 May 2023

The selected explanatory notes set out on pages 15 to 72 form an integral part of these consolidated financial statements.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

1. Reporting entity

These consolidated financial statements comprise the financial statements of Agrarian Credit Corporation Joint Stock Company (the "Company") and financial statements of its subsidiary (the "Group").

The Company was established by the Decree of the Government of the Republic of Kazakhstan No.137 dated 25 January 2001 "*On the Issues of the Agricultural Sector Lending*" as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Company is operating on the basis of a license to carry out operations provided for by the banking legislation of the Republic of Kazakhstan, No. 5.2.24 dated 5 November 2013, issued by the Committee for Regulation and Supervision of the Financial Market and Financial Institutions under the National Bank of the Republic of Kazakhstan ("NBRK"). The activities of the Company are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan.

The Company's principal activity is promotion of industrialisation and diversification of the agricultural sector through development of the affordable lending system for agro-industrial complex entities, performance of bank borrowing operations on the basis of the relevant license, participation in the implementation of the government programmes to support the agricultural sector through lending, attraction of the domestic and foreign investments, participation in the development and implementation of the projects in the agro-industrial complex, leasing activities, funding of financial institutions, financing of legal entities using Islamic financial instruments to provide Islamic finance to agro-industrial complex entities, and other activities not prohibited by the legislative acts that meet the goals and objectives of the Company provided for by its Charter.

The Company's financing activities stipulate specific requirements and restrictions on the use of funds. The interest rate on loans provided is lower than the market rate due to implementation of the agricultural development programmes in the Republic of Kazakhstan.

As at 31 December 2022 and 31 December 2021, the Company had 19 registered branches (31 December 2021 - 17 branches) in the Republic of Kazakhstan. During the reporting year the Company opened 2 new branches: the Branch for Ulytau Oblast and the Branch for Abai Oblast.

As at 31 December 2022 the Company owned a 100% interest in KazAgroFinance JSC; the principal activity of KazAgroFinance JSC is leasing activity in the agro-industrial complex, lending of entities operating in the agro-industrial complex, participation in the implementation of the programmes funded from the national budget and other programmes aimed at development of the agro-industrial complex (31 December 2021: the Company had no subsidiaries).

As at 31 December 2022, Baiterek National Managing Holding JSC ("Baiterek" or "Shareholder") owns 100% of the Group's shares.

The Group's ultimate owner is the Government of the Republic of Kazakhstan.

The Group's registered office is 11 Imanov Street, Astana, Republic of Kazakhstan.

Business environment

The Group's operations are located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan tenge and volatility in the global price of oil also increases the level of uncertainty in the business environment. The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The consolidated financial statements reflect the management's assessment of the impact of the Republic of Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared on the historical cost basis, except as mentioned in the *Significant accounting policies*.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The consolidated financial statements are presented in thousands of Kazakhstani tenge ('KZT thousand'), except for the data used in calculation of common share carrying amounts or unless otherwise indicated.

The accompanying consolidated financial statements have been prepared on a going concern basis, which provides for asset sales and settlement of obligations in the ordinary course of business. The Group's ability to sell its assets and its future operations may be significantly affected by the current and future economic environment in Kazakhstan.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for judgements about measurement of expected credit losses on loans to customers as updated in 2022 *(Note 27)*.

Fair value measurement

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 Group. 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 Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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 prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: valuation models, in which significant assessment of fair value are based on inputs related to the lowest level of hierarchy and are observable in the market either directly or indirectly.
- Level 3: valuation model for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (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 recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way 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 assets on initial recognition depends on the contractual terms and business model used for managing instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

Measurement categories of financial assets and liabilities

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

- amortised cost;
- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The Group classifies and measures its derivative and trading portfolio at FVTPL. The Group 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 amortised cost or at FVTPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks loans to customers, investment securities measured at amortised cost

The Group only measures amounts due from banks, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

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

These terms are detailed below.

Business model assessment

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

The Group's business model is not assessed at the level of individual instruments 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 is evaluated and how this information is reported to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- the expected frequency, volume and timing of sales are also important aspects of the Group's business model 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 realised in a way that is different from the Group's original expectations, the Group 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.

"Solely payments of principal and interest on the principal amount outstanding" test (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of the financial asset to identify whether the contractual cash flows on an asset are 'solely payments of principal and interest on the principal amount outstanding' (i.e. whether they meet the SPPI test).

'Principal' for the purpose of this test is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation 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 Group 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.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Credit related commitments

Credit related commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The Group occasionally issues commitments to provide loans at below-market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within not more than ninety days of the date of origination and are free from contractual encumbrances.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group 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 shareholder and amounts due to credit institutions, debt securities issued and payables to state and budget organisations. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when liabilities are derecognised, as well as through the amortisation process.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise 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 master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group 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 Group derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing, whether the loan to customer should be derecognised, the Group considers the following:

- 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 imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss that is presented within other income or losses in the consolidated statement of profit or loss.

If the modification does not result in derecognition, the Group also reassesses the significant increase in credit risk or the need to classify assets as credit-impaired.

Modification of the terms of financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

If a modification (or exchange) does not result in the derecognition of the financial liability the Group applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Group recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the consolidated statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- the Group has transferred its right to receive cash flows from the asset, or has assumed an obligation to transfer the received cash flows in full without material delay to a third party under a "pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Write off

Financial assets are written off in part or in full, only when the Group does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write-off relates to the derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment

Non-derivative financial assets

See also Notes 4 and 27.

The Group recognises allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

- financial guarantee contracts issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt investment securities that are determined to have moderate credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if credit risk on financial instruments has increased significantly upon initial recognition but financial instrument is not credit-impaired) and 'Stage 3' (if financial instrument is credit-impaired).

Measurement of expected credit losses (ECL)

ECL are a default probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Taxation

The current corporate income tax charge is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for the purposes of consolidated financial statements.

Deferred corporate income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Group performs offsetting of deferred tax assets and deferred tax liabilities and records them in the consolidated statement of financial position on a net basis, when:

- The Group has a legally enforced right to offset current tax assets against current tax liabilities; and
- Deferred tax assets and deferred tax liabilities refer to corporate income tax charged by the same tax body from the same taxpayer.

In addition, the Republic of Kazakhstan has various operating taxes applicable to the Group's operations. These taxes are included in other operating expenses.

Property, plant and equipment

Property, plant and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of equipment when that cost is incurred if the capitalisation criteria are met.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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:

	Depreciation rate
Buildings	1-5%
Machinery and equipment	4-20%
Vehicles	10-25%
Other	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property

Investment property is intended to earn rental income from operating lease of real estate assets for a long period or from increment in value of property and land plots, which are not used by the Group as property, plant and equipment.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Investment property is subsequently measured at cost less accumulated depreciation. Investment property is amortised on a straight- line basis over the estimated useful life.

Investment property is derecognised in the consolidated statement of financial position when it is either disposed and no economic benefits are expected from its disposal in future. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the year of derecognition.

Transfers to and from investment properties are carried out only when there is a change in use. For a transfer from investment property to owner occupied property, the carrying amount does not change as the Group uses a cost accounting model for both categories - investment property and property occupied by the owner.

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic lives of 1-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Assets held for sale

The Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

High probability of sale implies the Group management's positive intent to follow a plan to sell the non-current asset. In this case, it is necessary to start the programme of active measures to search for a buyer and fulfil this plan. In addition, a non-current asset must have been actively marketed for a sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

The Group measures the assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Foreclosed collateral

Repossessed collateral is pledged property seized from the Group's borrowers to repay debt on a voluntary or compulsory basis. The decision on taking pledged property on the Group's balance sheet shall be taken by the Credit Committee and then approved by the Management Board of the Group. Once all procedures have been performed, property is recognised on the Group's balance sheet at its current estimated value. These assets are accounted for within the assets held for sale in the consolidated statement of financial position.

Share capital

Charter capital

Contributions to share capital are recognised at historical cost, less direct costs to issue shares.

Reserve capital

Reserve capital may be increased by transferring funds from retained earnings based on a decision of the Group's Shareholder. Under the Group's policy the reserve capital is formed to cover the general risks including future losses and other contingent risks and circumstances. Reserve capital is distributable based on the Shareholder's decision.

Dividends

Dividends are recognised as liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed in the consolidated financial statements when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Estimated liabilities

Estimated liabilities are recognised: when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Contingent liabilities

Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments the Group recognises loss allowance. Financial liabilities arising from loan commitments are included in other liabilities.

Recognition of income and expenses

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

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Interest and similar income and expenses

The Group calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate 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 option) 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 Group 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 income or expense.

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

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised 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 amortised cost of the POCI assets.

Presentation

Interest income calculated using the effective interest rate method presented in the consolidated statement of profit or loss includes interest income on financial assets measured at amortised cost.

"Other interest income" item presented in the consolidated statement of profit or loss includes interest income on finance lease receivables.

Interest expense presented in the consolidated statement of profit or loss includes interest expense on financial liabilities measured at amortised cost.

Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised in liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant where the government does not act as a shareholder. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants that compensate the Group for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

When funds are received to finance the finance lease transactions, the government grant is recognised as income on a systematic basis and compensates the negative effect of interest accrued at the market rate on a loan received at a below market rate. Such government grant income reduces the related interest expense in the consolidated statement of profit or loss and other comprehensive income.

Staff costs and related contributions

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of the consolidated statement of financial position in order of liquidity

The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, analysis of assets and liabilities by their expected maturities are presented in *Note 30*.

Investments in subsidiary

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Acquisitions from entities under common control

IFRS 3 excludes from its scope 'a combination of entities or businesses under common control'. For the purpose of the exemption, a business combination involving entities or businesses under common control is 'a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination', and that control is not transitory'. This will include transactions such as the transfer of subsidiaries or businesses between entities within a group.

In a business combination involving entities or businesses under common control, the assets and liabilities of the entity acquired under common control are recognised in the host (i.e. the Group) consolidated financial statements at their carrying amounts as at the date of transfer. The host (i.e. the Group) is taken to be the highest level reporting entity over which financial information of the acquired entity was consolidated.

Any difference between the carrying amount of net assets on initial acquisition of an entity under common control and the consideration paid is recognised in retained earnings in equity in the consolidated financial statements of the Group.

Accounting for business combinations under common control

A merger of entities under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or parties, both before, and after the combination, and that control is not transitory. The effect of business combinations under common control is accounted for by the Group using 'pooling of interests' method, the assets and liabilities of the merging entities are measured at their carrying values at the date of merger, the transaction costs related to the merger are expensed in the consolidated income statement, mutual balances are eliminated from the balance sheet, any difference between the purchase price paid/transferred and the net assets acquired (at their carrying values as disclosed in the consolidated financial statements) is recognised in equity.

Lease

Right-of-use asset

The Group recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised 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 testing.

Lease liabilities

At the commencement date of the lease, the Group recognises 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 Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised 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 Group 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 Group 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). The Group also applies the lease of low-value assets recognition exemption to office equipment leases wherein an underlying asset is considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Finance lease – Group as a lessor

The Group recognises lease payment receivables in the amount equal to net investments in lease from commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are recorded within initial amount of lease payment receivables.

Leases which assume transfer of substantially all the risks and rewards of ownership are classified as finance leases (leasing).

Whether a lease is a finance lease depends on the substance of the transaction rather than the form. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) The lease transfers ownership of the asset to the lessee by the end of the lease term;
2) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised;
3) The lease term is for a major part of the economic life of the asset even if title is not transferred;
4) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the underlying asset, or
5) The underlying asset is of such a specialised nature that only the lessee can use them without major modifications being made.

IFRS 16 also identifies characteristics that, individually or in combination, can lead to a lease being classified as a finance lease:

1) if the lessee is entitled to cancel the lease early, the lessor's losses associated with the cancellation are borne by the lessee;
2) gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments equal to the majority of the proceeds from the sale at the end of the lease term); and
3) the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

Initial measurement

Upon lease commencement, the Group shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

Initial recognition is made on the date of signing of the act of transfer/acceptance of the leasing item with the lessee. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

Initial direct costs associated with the acquisition of the leasing item are included in the initial measurement of financial lease receivables.

Lease payments are made by lessees on a regular basis in accordance with finance leases. Lease payments are allocated in accordance with the terms of concluded finance leases.

The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. The accrual of interest begins at commencement of the lease term, unless otherwise is stipulated by the terms of the finance lease.

The commencement date of a lease is the date on which the lessor makes an asset available for use by a lessee. This is the date of initial recognition of the lease (i.e. recognition by the lessee of the relevant assets, liabilities, income or expenses arising from the lease).

Derecognition

Writing off the principal, fees and other receivables on finance lease at the expense of the established provisions is made in the following cases:

a) declaring the debtor bankrupt and/or excluding the debtor from the national registers of identification numbers;
b) the Group has received an act of the bailiff to terminate the enforcement proceedings and return the writ of execution to the claimant due to the debtor's lack of property that can be foreclosed. At the same time, debt cancellation is made only if the bankruptcy proceedings cannot be applied due to legal restrictions.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Fees may be charged under finance leases. If the fee is an integral part of the effective interest rate for a finance lease such fee is recognised as a discount to the principal amount of the finance lease and is credited to income using the effective interest method. The fee is payable within the terms stipulated by the contract.

The Group records a modification of finance lease as a lease if the following two conditions are met:

1) assets increase under the lease agreement; and

2) consideration for the lease is increased by an amount commensurate with the stand-alone selling price to increase the scope, and by appropriate adjustments to that stand-alone selling price to reflect the circumstances of the particular contract.

If the modification to a finance lease is not recorded as a separate lease, the Group accounts for the modification under IFRS 9.

In the event of a finance lease in which the Group acts as a lessee, the Group, for recognition and measurement of transactions, will be guided by the relevant provisions of IFRS 16 *Leases*.

Foreign currency translation

The consolidated financial statements are presented in Kazakhstani tenge, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recognised in the functional currency of the Group at exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as foreign exchange net gain/loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rates as at the dates of fair value measurement.

The subsidiary's functional currency is the Kazakhstan tenge.

The difference between the contractual exchange rate of a transaction in a foreign currency and the official (Kazakhstan Stock Exchange (KASE) exchange rate as at the date of the transaction are included in gains less losses from translation difference. Below are the exchange rates used by the Group in preparation of these consolidated financial statements:

	31 December 2022	*31 December 2021*
KZT/USD	462.65	431.80
KZT/EUR	492.86	489.10
KZT/RUB	6.43	5.76

Segment reporting

The Group's business and geographical segments were not presented separately in these consolidated financial statements as management believes that the main operating segment of lending and finance leasing is agricultural organisations in the Republic of Kazakhstan, for which the risks and level of return are considered similar throughout the country. Making decisions on the allocation of the Group's resources and assessment of the Group's performance by the management making operating decisions are based on the IFRS consolidated financial statements.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *IFRS 17 Insurance Contracts;*
- *Amendments to IAS 8 – Definition of Accounting Estimates;*
- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;*
- *Amendments to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.*

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the consolidated 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 consolidated 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. Further details are provided in *Note 29*.

Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the ECL and timing of future cash flows and collateral values when assessing 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 Group'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 Group'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 lifetime ECL basis and the qualitative assessment;
- Grouping of financial assets, when their ECLs are assessed on a group basis;
- Development of the ECL calculation models, including various formulas and choice of input data;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as effect on probabilities of default (PD), exposures at default (EAD) and losses given default (LGD);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL assessment models.

Further details are provided in *Note 27*.

Collateral assessment

The Group's management monitors the collaterals on a regular basis, using its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions. Further details are provided in *Note 9*.

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 non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflicts. 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 Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Group 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.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

5. Comparative information adjustments

The impact from adjustments to previously reported data on the corresponding figures may be as follows:

	As previously reported	Reclassification	As restated / reclassified
Consolidated Statement of Cash Flows for the year ended 31 December 2021			
Interest received	39,913,950	4,699,421	44,613,371
Cash flows from operating activities before changes in operating assets and liabilities	10,671,797	4,699,421	15,371,218
Net (increase)/ decrease in operating assets			
Government grants	10,916,435	(4,699,421)	6,217,014

6. Acquisition of subsidiary and business combinations under common control

On 1 July 2022, 100% of ordinary shares of KazAgroFinance JSC totalling KZT 147,470,014,000 were transferred at the offering price of KZT 1,000 per one ordinary share against payment for 147,470,014 ordinary shares of the Company, through the exercise of the pre-emptive right by Baiterek NMH JSC, which acts as the Company's Sole Shareholder, to purchase the Company's shares.

The Group applied judgment to classify acquisition of subsidiary as 'acquisition of entity under common control' because both the Company and its subsidiary were under common control of the Shareholder. To account for the acquisition, the Company used the pooling of interests method, under which all assets and liabilities were stated at the carrying amounts of assets and liabilities presented in the financial statements of subsidiary.

Thus, on 1 July 2022, after completion of purchase of shares of KazAgroFinance JSC, the Company's share capital increased by KZT 147,470,014 thousand and the amounts due from subsidiary to the Company of KZT 20,142,451 thousand were derecognised as a result of business combination in the consolidated financial statements of the Group. Net assets of the subsidiary as at the date of acquisition amounted to KZT 167,707,271 thousand. The positive difference between the subsidiary's net assets and payment received for the increased share capital, taking into account derecognition of the Company's assets - amounts due from the subsidiary, was KZT 94,806 thousand. It was included in retained earnings as part of equity.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	At 1 July 2022
Assets	
Cash	43,934,757
Loans to banks	7,041
Loans to customers	18,412,980
Lease receivables	324,587,495
Inventories	4,179,454
Current corporate income tax assets	134,115
Property, plant and equipment	839,050
Intangible assets	438,092
Value added tax and other taxes receivable	7,524,571
Advances paid	4,177,097
Other assets	260,293
Total assets	**404,494,945**
Liabilities	
Amounts due to Baiterek NMH JSC	11,371,533
Amounts due to credit institutions	34,582,270
Debt securities issued	152,870,792
Payables to suppliers	11,867,260
Deferred corporate income tax liabilities	7,493,103
Advances received	6,043,919
Deferred value added tax liabilities	9,471,969
Other liabilities	3,086,828
Total liabilities	**236,787,674**
Total net assets	**167,707,271**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Merger of Fund of Financial Support for Agriculture JSC

To implement the Address of the Head of State to the People of Kazakhstan, the Ministry of Agriculture and the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan approved a National Plan Road Map (the "Road Map"). Pursuant to Section 27 of the Road Map, by the end of 2021, Fund for Financial Support of Agriculture JSC (the "Fund") was reorganised through takeover by the Group, with subsequent dissolution of the Fund.

By decision of the Management Board of the Sole Shareholder No. 66/21 dated 13 December 2021, the Company was reorganised through the retrospective takeover of the Fund on 1 December 2021. The FFSA property, rights and obligations were transferred to the Company as part of the reorganisation from the date of approval of the act of transfer, taking into account the requirements of the legislation of the Republic of Kazakhstan.

As a result of the reorganisation, the Group has become a legal successor of FFSA for all its obligations and property rights in respect of all creditors and debtors of FFSA, including those for obligations and property rights appealed by the parties (FFSA and/or third parties).

The Group's share capital increased by KZT 80,371,244 thousand after the takeover of FFSA. On 1 December 2021, after the placement of shares, FFSA transferred all assets and liabilities, and the net assets on the transfer amounted to KZT 80,683,116 thousand. As a result, the Group recognised a positive difference of KZT 311,872 thousand within the retained earnings in equity.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the takeover date:

	At 1 December 2021
Assets	
Cash	46,644,824
Investment securities	1,092,602
Loans to customers	164,316,308
Lease receivables	9,620,253
Property held for finance lease	444,762
Advances paid	43,058
Property, plant and equipment	1,103,880
Intangible assets	412,034
Value added tax receivable	1,115,274
Other assets	401,359
Total assets	**225,194,354**
Liabilities	
Loans from local executive bodies	112,360,228
Loans from the United Nations	27,533
Liabilities on rural mortgage	1,984,254
Debt securities issued	7,732,456
Current corporate income tax liabilities	332,597
Deferred corporate income tax liabilities	2,149,413
Deferred value added tax liability	1,292,335
Government grants	17,333,744
Other liabilities	1,298,678
Total liabilities	**144,511,238**
Total net assets	**80,683,116**

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 December 2022	*31 December 2021*
Reverse repurchase agreement	74,235,424	–
Cash on current bank accounts	58,336,062	59,149,641
NBRK notes	29,566,366	29,487,425
Cash on current bank accounts with the Republican State Enterprise (RSE) "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"	10,351,066	–
Overnight deposits with other banks	741	14,218,696
Cash on hand	14	15
	172,489,673	**102,855,777**
Allowance for expected credit losses	(5,367)	(2,604)
Cash and cash equivalents	**172,484,306**	**102,853,173**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

As at 31 December 2022, cash and cash equivalents are not past due and categorised into Stage 1 (31 December 2021: cash and cash equivalents are not past due and categorised into Stage 1).

As at 31 December 2022 and 31 December 2021, the credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's or other agencies converted into Standard&Poor's scale as follows:

	31 December 2022					
	Current accounts	*Current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"*	*NBRK notes*	*Overnight deposits with other banks*	*Reverse repurchase agreements*	*Total*
Not overdue						
- NBRK notes (not rated)	–	–	29,566,366	–	–	29,566,366
- Cash on current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan" (not rated)	–	10,351,066	–	–	–	10,351,066
- NBRK	1,800,000	–	–	–	–	1,800,000
- rated from BBB- to BBB+	39,622,073	–	–	–	–	39,622,073
- rated from BB- to BB+	8,877,103	–	–	–	–	8,877,103
- rated from B- to B+	4,407,455	–	–	–	–	4,407,455
- not rated	3,629,431	–	–	741	74,235,424	77,865,596
Total cash and cash equivalents, net of cash before deduction of impairment allowance	**58,336,062**	**10,351,066**	**29,566,366**	**741**	**74,235,424**	**172,489,659**
Allowance for expected credit losses	(1,447)	(124)	(2,087)	–	(1,709)	(5,367)
Total cash and cash equivalents, net of cash	**58,334,615**	**10,350,942**	**29,564,279**	**741**	**74,233,715**	**172,484,292**

	31 December 2021			
	Current accounts	*NBRK notes*	*Overnight deposits with other banks*	*Total*
Not overdue				
- NBRK notes (not rated)	–	29,487,425	–	29,487,425
- rated from BBB- to BBB+	54,129,945	–	–	54,129,945
- rated from BB- to BB+	156,343	–	14,202,786	14,359,129
- rated from B- to B+	111,323	–	–	111,323
- not rated	4,752,030	–	15,910	4,767,940
Total cash and cash equivalents, net of cash before deduction of impairment allowance	**59,149,641**	**29,487,425**	**14,218,696**	**102,855,762**
Allowance for expected credit losses	(835)	(1,089)	(680)	(2,604)
Total cash and cash equivalents, net of cash	**59,148,806**	**29,486,336**	**14,218,016**	**102,853,158**

As at 31 December 2022 the balance of not rated cash and cash equivalents includes the balances with Citibank Kazakhstan JSC and Bereke Bank JSC (31 December 2021: Citibank Kazakhstan JSC).

As at 31 December 2022, the Group entered into reverse repo agreements at Kazakhstan Stock Exchange, which were secured by the treasury bills of the Ministry of Finance of the Republic of Kazakhstan, NBRK notes and bonds of the Eurasian Development Bank. The total fair value of the above financial instruments was KZT 74,382,575 thousand. The carrying amount under reverse repo agreements as at the reporting date was KZT 74,233,715 thousand (31 December 2021: there were no reverse repo agreements).

As at 31 December 2022 the Group does not have any accounts with bank, whose total balances of cash and cash equivalents exceed 10.00% of the Group's equity (31 December 2021: cash balances of KZT 33,570,476 thousand with Eurasian Development Bank and NBRK notes of KZT 29,487,425 thousand).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

8. Loans to banks

	31 December 2022	*31 December 2021*
Loans to second-tier banks	10,463,976	12,618,972
Term deposits with maturity more than 90 days	61,836	108,779
	10,525,812	**12,727,751**
Allowance for expected credit losses	(7,625)	(19,239)
Due from banks	**10,518,187**	**12,708,512**

As at 31 December 2022, loans to second-tier banks are not overdue and are categorised into Stage 1 (31 December 2021: loans to second-tier banks are not overdue and categorised into Stage 1).

As at 31 December 2022 and 31 December 2021, the credit quality of loans to banks may be summarised based on Standard and Poor's or other agencies converted into Standard&Poor's scale as follows:

	31 December 2022	*31 December 2021*
Not overdue		
- rated from BBB- to BBB+	9,406,581	1,298,136
- rated from BB- to BB+	–	11,328,459
- rated from B- to B+	1,119,231	101,156
	10,525,812	**12,727,751**
Allowance for expected credit losses	(7,625)	(19,239)
Loans to banks	**10,518,187**	**12,708,512**

During 2022, as part of the Ken-Dala annual government programme for support of the spring field works, the Group provided loans to Halyk Savings Bank JSC for the total amount of KZT 38,664,184 thousand, First Heartland Jusan Bank JSC for the total amount of KZT 3,099,228 thousand, Bank CenterCredit JSC for the total amount of KZT 996,567 thousand at the below-market interest rate of 1.50% p.a. and maturity before 1 December 2022 - for loans issued for the total amount of KZT 32,957,000 thousand, maturity before 1 March 2023 - for loans issued for the total amount of KZT 9,802,979 thousand. The Group recognised discount of KZT 3,539,813 thousand as loss on initial recognition of loans at below-market interest rates and interest income on amortisation of discount of KZT 3,318,027 thousand in the consolidated statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Group applied estimated market interest rates from 14.91% to 18.76% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

During 2021, as part of the Ken-Dala annual government programme for support of the spring field works, the Group provided loans to Halyk Savings Bank JSC for the total amount of KZT 31,840,998 thousand at the below-market interest rate of 1.50% p.a. and maturity on

On 1 December 2021 the Group recognised discount of KZT 1,954,546 thousand as loss on initial recognition of loans at below-market interest rates and interest income on amortisation of discount of KZT 1,954,546 thousand in the consolidated statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Group applied estimated market interest rates from 10.19% to 11.00% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

As at 31 December 2022 the Group had no balances with banks with total balance exceeding 10.00% of equity.

9. Loans to customers

Loans to customers are represented by loans to the borrowers operating in the agricultural sector and include the following positions:

	31 December 2022	*31 December 2021*
Loans to legal entities-credit partnerships	277,797,806	221,308,282
Loans to legal entities for investment projects	115,230,483	113,307,304
Loans to other legal entities	200,922,340	153,473,637
Loans to individuals	276,881,369	265,967,040
	870,831,998	**754,056,263**
Allowance for expected credit losses	(155,527,298)	(89,040,036)
Loans to customers	**715,304,700**	**665,016,227**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Impairment allowance for loans to customers

The table below provides analysis of movements in the gross book value and the ECL allowance for loans to legal entities and individuals for the twelve months ended 31 December 2022:

Loans to legal entities-credit partnerships	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**68,500,768**	**1,475,804**	**151,331,710**	–	**221,308,282**
New assets originated or purchased*	130,184,383	23,222,674	–	742,090	154,149,147
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(70,762,998)	(12,952,188)	(14,660,240)	–	(98,375,426)
Transfers to Stage 1	81,845,585	–	(81,845,585)	–	–
Transfers to Stage 2	(3,931,342)	28,176,191	(24,244,849)	–	–
Transfers to Stage 3	(2,242,373)	(253,129)	2,495,502	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(1,218,251)	–	(1,218,251)
Changes in interest accrued	2,336,350	884,837	(1,287,133)	–	1,934,054
At 31 December 2022	**205,930,373**	**40,554,189**	**30,571,154**	**742,090**	**277,797,806**

**Including transfers between stages after initial recognition for new assets originated or purchased*

Loans to legal entities-credit partnerships	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	**5,436**	**1,533**	**5,302,701**	–	**5,309,670**
New assets originated or purchased*	192,662	133,160	–	–	325,822
Assets repaid	(7,837)	–	(1,270,725)	–	(1,278,562)
Transfers to Stage 1	596,159	–	(596,159)	–	–
Transfers to Stage 2	(654)	506,775	(506,121)	–	–
Transfers to Stage 3	–	(104)	104	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	416,723	(270,777)	(411,818)	–	(265,872)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(609,498)	(20,760)	–	–	(630,258)
Unwinding of discount	–	–	1,564,532	–	1,564,532
At 31 December 2022	**592,991**	**349,827**	**4,082,514**	–	**5,025,332**

**Including transfers between stages after initial recognition for new assets originated or purchased*

Loans to legal entities for investment projects	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**32,334,402**	–	**78,840,817**	**2,132,085**	**113,307,304**
New assets originated or purchased*	14,044,735	–	–	48,097	14,092,832
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(6,713,997)	(36,516)	(4,447,645)	16,459	(11,181,699)
Transfers to Stage 1	2,130,546	–	(2,130,546)	–	–
Transfers to Stage 2	(723,593)	1,315,160	(591,567)	–	–
Transfers to Stage 3	(5,766,906)	–	5,766,906	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(3,364,063)	–	(3,364,063)
Changes in interest accrued	1,178,130	33,107	1,161,328	3,544	2,376,109
At 31 December 2022	**36,483,317**	**1,311,751**	**75,235,230**	**2,200,185**	**115,230,483**

**Including transfers between stages after initial recognition for new assets originated or purchased*

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Loans to legal entities for investment projects	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	**589,112**	–	**25,780,617**	**638,387**	**27,008,116**
New assets originated or purchased*	905,562	–	–	–	905,562
Assets repaid	(793)	–	(3,240,880)	–	(3,241,673)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(48,327)	48,327	–	–	–
Transfers to Stage 3	(126,888)	–	126,888	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	4,505,731	259,563	5,367,753	1,060,218	11,193,265
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	(73,161)	–	–	(73,161)
Unwinding of discount	–	–	5,571,768	–	5,571,768
Other changes relating to restatement of prior period provisions	48,493	–	7,504,953	–	7,553,446
Other changes	–	–	(3,551,563)	–	(3,551,563)
At 31 December 2022	**5,872,890**	**234,729**	**37,559,536**	**1,698,605**	**45,365,760**

**Including transfers between stages after initial recognition for new assets originated or purchased*

Loans to other legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**77,476,761**	**1,919,000**	**74,049,266**	**28,610**	**153,473,637**
Recognised as a result of acquisition of subsidiary	1,150,688	2,126,413	26,054,939	–	29,332,040
Disposal due to acquisition of subsidiary	(20,941,095)	–	–	–	(20,941,095)
New assets originated or purchased*	81,354,030	2,625,694	–	5,459,855	89,439,579
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(43,248,327)	(553,407)	(7,835,173)	2,591	(51,634,316)
Transfers to Stage 1	2,628,394	(1,541,032)	(1,087,362)	–	–
Transfers to Stage 2	(1,569,103)	3,414,523	(1,845,420)	–	–
Transfers to Stage 3	(16,809,077)	(3,383,347)	20,192,424	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(5,103,347)	–	(5,103,347)
Changes in interest accrued	743,951	271,844	6,992,333	–	8,008,128
Amounts written off	–	–	(1,652,286)	–	(1,652,286)
At 31 December 2022	**80,786,222**	**4,879,688**	**109,765,374**	**5,491,056**	**200,922,340**

**Including transfers between stages after initial recognition for new assets originated or purchased*

Loans to other legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	**1,731,620**	**187,323**	**31,481,335**	**9,043**	**33,409,321**
Recognised as a result of acquisition of subsidiary	2,638	–	13,144,916	–	13,147,554
Disposal due to acquisition of subsidiary	(1,654,360)	–	–	–	(1,654,360)
New assets originated or purchased*	1,490,259	651	–	–	1,490,910
Assets repaid	(141,267)	(5,312)	(2,493,675)	–	(2,640,254)
Transfers to Stage 1	533,083	(252,982)	(280,101)	–	–
Transfers to Stage 2	(6,423)	468,416	(461,993)	–	–
Transfers to Stage 3	31,638	(144,367)	112,729	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	980,940	891,741	2,684,925	16,222	4,573,828
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(2,897)	(1,253)	–	–	(4,150)
Unwinding of discount	–	–	3,528,299	–	3,528,299
Amounts written off	–	–	(1,652,286)	–	(1,652,286)
Other changes relating to restatement of prior period provisions	–	–	11,675,435	–	11,675,435
At 31 December 2022	**2,965,231**	**1,144,217**	**57,739,584**	**25,265**	**61,874,297**

**Including transfers between stages after initial recognition for new assets originated or purchased*

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The table below provides analysis of movements in the gross carrying amount and the ECL allowance for loans to individuals for 2022:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**226,411,760**	**4,836,939**	**33,893,903**	**824,438**	**265,967,040**
Recognised as a result of acquisition of subsidiary	276,141	14,531	3,218,045	–	3,508,717
New assets originated or purchased	65,001,763	644,875	–	1,331,319	66,977,957
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(49,916,725)	(1,038,317)	(12,020,638)	(320,121)	(63,295,801)
Transfers to Stage 1	337,759	(235,566)	(102,193)	–	–
Transfers to Stage 2	(4,610,062)	5,857,008	(1,246,946)	–	–
Transfers to Stage 3	(35,659,908)	(4,005,197)	39,665,105	–	–
Unwinding of discount	–	–	6,971	–	6,971
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(129,655)	–	(129,655)
Changes in interest accrued	(723,100)	19,588	4,184,314	382,352	3,863,154
Amounts written off	–	–	(17,014)	–	(17,014)
At 31 December 2022	**201,117,628**	**6,093,861**	**67,451,892**	**2,217,988**	**276,881,369**

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2022	**913,163**	**30,247**	**21,829,545**	**539,974**	**23,312,929**
Recognised as a result of acquisition of subsidiary	–	–	1,280,223	–	1,280,223
New assets originated or purchased	361,785	10,874	–	–	372,659
Assets repaid	(253,079)	(24,557)	(1,433,101)	–	(1,710,737)
Transfers to Stage 1	14,047	(1,490)	(12,557)	–	–
Transfers to Stage 2	(55,636)	921,911	(866,275)	–	–
Transfers to Stage 3	(257,698)	(25,516)	283,214	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	6,695,518	250,628	11,574,236	(21,540)	18,498,842
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(80,855)	(5,999)	–	–	(86,854)
Unwinding of discount	–	–	1,614,918	–	1,614,918
Recovery	–	–	(3,057)	–	(3,057)
Amounts written off	–	–	(17,014)	–	(17,014)
At 31 December 2022	**7,337,245**	**1,156,098**	**34,250,132**	**518,434**	**43,261,909**

The table below provides analysis of movements in the gross carrying amount and the ECL allowance for loans to legal entities for 2021:

Loans to legal entities-credit partnerships	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2021	**79,901,163**	**6,526,637**	**109,612,996**	**196,040,796**
New assets originated or purchased	38,486,638	111,900	55,981,291	94,579,829
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(30,444,267)	(743,988)	(40,060,889)	(71,249,144)
Transfers to Stage 1	4,211,130	(2,654,521)	(1,556,609)	–
Transfers to Stage 2	(522,123)	937,177	(415,054)	–
Transfers to Stage 3	(23,266,518)	(2,689,667)	25,956,185	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	5,956	–	475,926	481,882
Changes in interest accrued	128,789	(11,734)	1,337,864	1,454,919
At 31 December 2021	**68,500,768**	**1,475,804**	**151,331,710**	**221,308,282**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Loans to legal entities-credit partnerships	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2021	**6,962**	**3,133**	**6,493,909**	**6,504,004**
New assets originated or purchased	2,044	–	813,062	815,106
Assets repaid	(2,152)	–	(572)	(2,724)
Transfers to Stage 1	3,133	(3,133)	–	–
Transfers to Stage 2	(144)	144	–	–
Transfers to Stage 3	(572)	–	572	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(3,835)	1,389	(1,530,313)	(1,532,759)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(473,957)	(473,957)
At 31 December 2021	**5,436**	**1,533**	**5,302,701**	**5,309,670**

Loans to legal entities for investment projects	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**48,315,340**	–	**59,357,934**	**2,590,747**	**110,264,021**
New assets originated or purchased	16,684,711	–	6,344,362	–	23,029,073
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(11,181,844)	–	(13,054,446)	(717,212)	(24,953,502)
Transfers to Stage 1	2,327,571	–	(2,327,571)	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	(24,796,851)	–	24,796,851	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	27	–	474,167	1,462	475,656
Changes in interest accrued	985,448	–	3,249,520	257,088	4,492,056
At 31 December 2021	**32,334,402**	–	**78,840,817**	**2,132,085**	**113,307,304**

Loans to legal entities for investment projects	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2021	**875,550**	–	**24,395,694**	**1,060,232**	**26,331,476**
New assets originated or purchased	393,373	–	2,833,218	–	3,226,591
Assets repaid	(55,048)	–	(306,294)	–	(361,342)
Transfers to Stage 1	477,963	–	(477,963)	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	(306,294)	–	306,294	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(796,432)	–	(2,684,972)	(421,845)	(3,903,249)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	(474,167)	–	(474,167)
Unwinding of discount	–	–	2,188,807	–	2,188,807
At 31 December 2021	**589,112**	–	**25,780,617**	**638,387**	**27,008,116**

Loans to other legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**81,216,397**	**230,473**	**51,797,439**	**35,836**	**133,280,145**
Recognised as a result of merger	3,406,945	123,055	1,496,542	–	5,026,542
New assets originated or purchased	36,621,862	155,000	4,245,164	–	41,022,026
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(24,308,439)	(39,675)	(8,641,664)	(7,733)	(32,997,511)
Transfers to Stage 1	1,127,258	(139,072)	(988,186)	–	–
Transfers to Stage 2	(1,525,367)	1,557,795	(32,428)	–	–
Transfers to Stage 3	(20,478,618)	(61,903)	20,540,521	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	86,992	20,401	1,257,389	507	1,365,289
Changes in interest accrued	1,329,731	72,926	4,786,691	–	6,189,348
Amounts written off	–	–	(412,202)	–	(412,202)
At 31 December 2021	**77,476,761**	**1,919,000**	**74,049,266**	**28,610**	**153,473,637**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Loans to other legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2021	**1,953,427**	**1,692**	**24,964,329**	**15,372**	**26,934,820**
Recognised as a result of merger	2,251	1,209	1,333,950	–	1,337,410
New assets originated or purchased	223,580	1,129	1,391,017	–	1,615,726
Assets repaid	(68,181)	–	(871,308)	–	(939,489)
Transfers to Stage 1	23,988	(1,692)	(22,296)	–	–
Transfers to Stage 2	(80,350)	80,350	–	–	–
Transfers to Stage 3	(459,106)	–	459,106	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	136,011	104,635	(216,819)	(6,329)	17,498
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	966,800	–	966,800
Unwinding of discount	–	–	3,882,996	–	3,882,996
Recovery	–	–	5,762	–	5,762
Amounts written off	–	–	(412,202)	–	(412,202)
At 31 December 2021	**1,731,620**	**187,323**	**31,481,335**	**9,043**	**33,409,321**

The table below provides analysis of movements in the gross carrying amount and the ECL allowance for loans to individuals for the twelve months ended 31 December 2021:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**57,234,051**	**2,081,669**	**14,915,971**	**785,329**	**75,017,020**
Recognised as a result of merger	156,113,011	3,887,143	16,928,427	–	176,928,581
New assets originated or purchased	29,685,438	9,800	3,715,968	–	33,411,206
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(19,232,919)	(638,629)	(3,299,592)	(27,217)	(23,198,357)
Transfers to Stage 1	3,387,476	(882,731)	(2,504,745)	–	–
Transfers to Stage 2	(587,288)	857,750	(270,462)	–	–
Transfers to Stage 3	(3,019,615)	(431,703)	3,451,318	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(799)	–	125,343	–	124,544
Changes in interest accrued	2,832,405	(46,360)	888,163	66,326	3,740,534
Amounts written off	–	–	(56,488)	–	(56,488)
At 31 December 2021	**226,411,760**	**4,836,939**	**33,893,903**	**824,438**	**265,967,040**

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2021	**433,995**	**222,487**	**4,862,371**	**85,876**	**5,604,729**
Recognised as a result of merger	321,164	18,905	15,961,336	–	16,301,405
New assets originated or purchased	328,700	–	587,951	–	916,651
Assets repaid	(31,630)	(61,037)	(85,868)	–	(178,535)
Transfers to Stage 1	216,323	(97,145)	(119,178)	–	–
Transfers to Stage 2	(2,387)	17,048	(14,661)	–	–
Transfers to Stage 3	(29,380)	(64,305)	93,685	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(323,622)	(5,706)	370,587	454,098	495,357
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	38,595	–	38,595
Unwinding of discount	–	–	186,624	–	186,624
Recovery	–	–	4,477	–	4,477
Amounts written off	–	–	(56,374)	–	(56,374)
At 31 December 2021	**913,163**	**30,247**	**21,829,545**	**539,974**	**23,312,929**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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The following table provides information on the credit quality of the loans to customers as at 31 December 2022 and 31 December 2021:

Loans to legal entities-credit partnerships	*At 31 December 2022* Stage 1 12-month ECL	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on assets not credit-impaired	POCI	Total
- not overdue	204,719,661	37,748,598	19,839,458	742,090	**263,049,807**
- overdue up to 30 days	1,210,712	1,719,769	2,213,974	–	5,144,455
- overdue more than 31 days and less than 60 days	–	1,085,822	1,887,951	–	2,973,773
- overdue more than 61 days and less than 90 days	–	–	378,679	–	378,679
- overdue more than 91 days and less than 360 days	–	–	1,900,975	–	1,900,975
- overdue more than 1 year	–	–	4,350,117	–	4,350,117
	205,930,373	**40,554,189**	**30,571,154**	**742,090**	**277,797,806**
Allowance for expected credit losses	(592,991)	(349,827)	(4,082,514)	–	(5,025,332)
	205,337,382	**40,204,362**	**26,488,640**	**742,090**	**272,772,474**

Loans to legal entities for investment projects	*At 31 December 2022* Stage 1 12-month ECL	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on assets not credit-impaired	POCI	Total
- not overdue	34,872,896	872,809	38,396,379	2,200,185	76,342,269
- overdue less than 30 days	1,610,421	–	10,012,265	–	11,622,686
- overdue more than 31 days and less than 60 days	–	438,942	11,394,748	–	11,833,690
- overdue more than 61 days and less than 90 days	–	–	179,843	–	179,843
- overdue more than 91 days and less than 360 days	–	–	5,734,752	–	5,734,752
- overdue more than 1 year	–	–	9,517,243	–	9,517,243
	36,483,317	**1,311,751**	**75,235,230**	**2,200,185**	**115,230,483**
Allowance for expected credit losses	(5,872,890)	(234,729)	(37,559,536)	(1,698,605)	(45,365,760)
	30,610,427	**1,077,022**	**37,675,694**	**501,580**	**69,864,723**

Loans to other legal entities	*At 31 December 2022* Stage 1 12-month ECL	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL on assets not credit-impaired	POCI	Total
- not overdue	78,376,000	2,585,570	48,043,603	5,491,056	134,496,229
overdue up to 30 days	2,410,222	2,169,972	10,237,385	–	14,817,579
- overdue more than 31 days and less than 60 days	–	124,146	9,944,204	–	10,068,350
- overdue more than 61 days and less than 90 days			495,418		495,418
- overdue more than 91 days and less than 360 days	–	–	4,908,556	–	4,908,556
- overdue more than 1 year	–	–	36,136,208	–	36,136,208
	80,786,222	**4,879,688**	**109,765,374**	**5,491,056**	**200,922,340**
Allowance for expected credit losses	(2,965,231)	(1,144,217)	(57,739,584)	(25,265)	(61,874,297)
	77,820,991	**3,735,471**	**52,025,790**	**5,465,791**	**139,048,043**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	At 31 December 2022				
Loans to individuals	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
- not overdue	192,337,492	2,101,874	26,308,765	1,254,651	222,002,782
overdue up to 30 days	8,780,136	193,066	5,767,197	1,909	14,742,308
- overdue more than 31 days and less than 60 days	–	3,798,921	4,114,936	62,457	7,976,314
- overdue more than 61 days and less than 90 days	–	–	3,845,655	–	3,845,655
- overdue more than 91 days and less than 360 days	–	–	8,931,686	12,303	8,943,989
- overdue more than 1 year	–	–	18,483,653	886,668	19,370,321
	201,117,628	**6,093,861**	**67,451,892**	**2,217,988**	**276,881,369**
Allowance for expected credit losses	(7,337,245)	(1,156,098)	(34,250,132)	(518,434)	(43,261,909)
	193,780,383	**4,937,763**	**33,201,760**	**1,699,554**	**233,619,460**

	At 31 December 2021			
Loans to legal entities-credit partnerships	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*Total*
- not overdue	68,258,776	1,268,663	139,376,336	208,903,775
- overdue less than 30 days	241,992	133,523	2,367,041	2,742,556
- overdue more than 31 days and less than 60 days	–	73,618	3,584,574	3,658,192
- overdue more than 61 days and less than 90 days	–	–	695,904	695,904
- overdue more than 91 days and less than 360 days	–	–	1,072,637	1,072,637
- overdue more than 1 year	–	–	4,235,218	4,235,218
	68,500,768	**1,475,804**	**151,331,710**	**221,308,282**
Allowance for expected credit losses	(5,436)	(1,533)	(5,302,701)	(5,309,670)
	68,495,332	**1,474,271**	**146,029,009**	**215,998,612**

	At 31 December 2021				
Loans to legal entities for investment projects	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
- not overdue	32,297,348	–	55,548,440	2,132,085	89,977,873
- overdue less than 30 days	37,054	–	5,426,230	–	5,463,284
- overdue more than 31 days and less than 60 days	–	–	1,521,516	–	1,521,516
- overdue more than 61 days and less than 90 days	–	–	1,006,723	–	1,006,723
- overdue more than 91 days and less than 360 days	–	–	5,891,375	–	5,891,375
- overdue more than 1 year	–	–	9,446,533	–	9,446,533
	32,334,402	–	**78,840,817**	**2,132,085**	**113,307,304**
Allowance for expected credit losses	(589,112)	–	(25,780,617)	(638,387)	(27,008,116)
	31,745,290	–	**53,060,200**	**1,493,698**	**86,299,188**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	At 31 December 2021				
Loans to other legal entities	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
- not overdue	75,618,380	1,378,678	49,338,594	28,610	126,364,262
- overdue less than 30 days	1,858,381	–	6,614,055	–	8,472,436
- overdue more than 31 days and less than 60 days	–	540,322	92,446	–	632,768
- overdue more than 61 days and less than 90 days	–	–	2,756,907	–	2,756,907
- overdue more than 91 days and less than 360 days	–	–	3,625,728	–	3,625,728
- overdue more than 1 year	–	–	11,621,536	–	11,621,536
	77,476,761	**1,919,000**	**74,049,266**	**28,610**	**153,473,637**
Allowance for expected credit losses	(1,731,620)	(187,323)	(31,481,335)	(9,043)	(33,409,321)
	75,745,141	**1,731,677**	**42,567,931**	**19,567**	**120,064,316**

	At 31 December 2021				
Loans to individuals	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
- not overdue	212,699,187	–	10,932,511	–	223,631,698
overdue up to 30 days	13,712,573	274,068	947,384	315,178	15,249,203
- overdue more than 31 days and less than 60 days	–	4,562,871	1,209,724	509,260	6,281,855
- overdue more than 61 days and less than 90 days	–	–	2,408,222	–	2,408,222
- overdue more than 91 days and less than 360 days	–	–	6,080,262	–	6,080,262
- overdue more than 1 year	–	–	12,315,800	–	12,315,800
	226,411,760	**4,836,939**	**33,893,903**	**824,438**	**265,967,040**
Allowance for expected credit losses	(913,163)	(30,247)	(21,829,545)	(539,974)	(23,312,929)
	225,498,597	**4,806,692**	**12,064,358**	**284,464**	**242,654,111**

During 2022, as part of the Ken-Dala annual government programme for lending of the agro-industrial complex entities to support the spring field works, the Group provided loans for the total amount of KZT 97,240,821 thousand (2021: KZT 38,159,002 thousand) at the below-market interest rate of 1.50 % p.a. (2021: 2.00% p.a.) and maturity before November 2023 (2021: before April 2022). The Group recognised discount of KZT 9,230,104 thousand (2021: KZT 4,027,401 thousand) on initial recognition and unwinding of discount of KZT 4,836,609 thousand (2021: KZT 3,708,197 thousand) in the consolidated statement of profit or loss within other expenses and interest income on loans to customers, respectively. The loss of KZT 9,230,104 thousand on initial recognition of loans at below-market interest rates (2021: KZT 4,027,401 thousand) was fully compensated through receipt of a government grant (2021: was partially compensated through receipt of a government grant of KZT 3,757,430 thousand) *(Note 21)*. The Group applied estimated market interest rates from 15.40% to 21.90% p.a. (2021: from 13.70% to 14.40% p.a.) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

During 2022 the Group continued issuing and servicing the loans provided under the Government Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 ("Isker"); new loans were issued for the amount of KZT 31,464,550 thousand (2021: KZT 18,967,321 thousand). The Group used estimated market interest rates of 15.40% to 21.90% p.a. (2021: 11.60% – 16.70% p.a.) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 10,911,036 thousand on initial recognition of these loans issued at below market interest rate (2021: KZT 6,674,848 thousand) was recognised within other expenses and fully compensated at the expense of a government grant *(Note 21)*.

During 2022 the Group continued issuing and servicing the loans of KZT 13,718,157 thousand provided under Enbek and Employment Roadmap 2020 government programmes. The Group used estimated market interest rates of 15.40% - 21.90% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 2,833,242 thousand on initial recognition of these loans issued at below market interest rate was recognised within other expenses and fully compensated at the expense of a government grant.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

During 2021, the funds received as part of the bond issue in the total amount of KZT 5,000,000 thousand under the programme "Employment Roadmap 2020-2021" *(Note 17)* were allocated in full to the agro-industrial complex entities. The Group used estimated market interest rates of 16.30% - 16.70% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 900,656 thousand on initial recognition of these loans issued at below market interest rate was recognised within other expenses.

During 2022 the Group incurred expected credit losses on loans issued as part of the government programme of agro-industrial complex development for a total amount of KZT 8,732,054 thousand (2021: KZT 2,622,720 thousand) on loans issued during 2018-2020. Expected credit losses are compensated through receipt of government grants (Note 21).

During 2022, as part of a loan received from the Shareholder for lending to agro-industrial complex entities to finance the construction of commercial dairy farms and implementation of the investment projects for production and processing of agricultural products, the Group issued new loans for a total amount of KZT 3,501,188 thousand. The Group used estimated market interest rates of 15.40% - 21.90% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 1,651,777 thousand on initial recognition of these loans issued at below market interest rates was recognised within other expenses and was fully compensated at the expense of a government grant *(Note 21)*.

In the normal course of business, the Group provides loans at below market rates to borrowers operating in the agricultural industry. Loss of KZT 19,661,739 thousand on initial recognition of loans at below market interest rates *(Note 25)* was recognised within other expenses for the twelve months ended 31 December 2022 (2021: KZT 25,782,983 thousand). During 2022 the Group used estimated market interest rates of 15.40% to 21.90% p.a. (2021: 11.60% – 16.70% p.a.) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

As at 31 December 2022 the Group had no borrowers whose total balance exceeded 10% of equity (31 December 2021: no borrowers).

Collateral and other instruments that reduce credit risk

The amount and type of collateral required by the Group depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during the review of the adequacy of the allowance for impairment losses.

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral as at 31 December 2022:

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Stage (12-month expected credit losses)			
Cash and deposits	4,555,551	4,555,551	–
Bank guarantees and sureties received from legal entities (rated from B- to BBB+)	1,258,473	1,258,473	–
Vehicles	61,842,676	–	61,842,676
Real estate	209,134,822	50,630,164	158,504,658
Equipment	10,548,285	328,591	10,219,694
Goods in turnover	13,971,652	–	13,971,652
Land plots	40,112,383	–	40,112,383
No collateral or other credit enhancement	166,125,341	–	–
Total Stage 1	**507,549,183**	**56,772,779**	**284,651,063**
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Cash and deposits	985,848	985,848	–
Vehicles	10,670,960	–	10,670,960
Real estate	21,012,786	6,962,466	14,050,320
Equipment	3,108,433	–	3,108,433
Goods in turnover	3,491,167	–	3,491,167
Land plots	4,501,762	–	4,501,762
No collateral or other credit enhancement	6,183,662	–	–
Total Stage 2	**49,954,618**	**7,948,314**	**35,822,642**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Stage 3 (Lifetime expected credit losses on credit-impaired assets)	–	–	–
Cash and deposits	926,484	926,484	–
Bank guarantees and sureties received from legal entities (rated from B- to BBB+)	388,679	388,679	–
Vehicles	4,727,525	97,754	4,629,771
Real estate	91,816,063	60,805,121	31,010,942
Equipment	5,877,720	1,987,594	3,890,126
Goods in turnover	8,809,564	–	8,809,564
Land plots	17,509,708	–	17,509,708
Other assets	5,977	5,977	–
No collateral or other credit enhancement	19,330,164	100,835	–
Total Stage 3	**149,391,884**	**64,312,444**	**65,850,111**
POCI-assets			
Cash and deposits	13,251	13,251	–
Bank guarantees and sureties received from legal entities (rated from B- to BBB+)	10,319	10,319	–
Vehicles	398,600	–	398,600
Real estate	6,539,346	5,308,778	1,230,568
Equipment	323,234	147,941	175,293
Goods in turnover	34,144	–	34,144
Land plots	518,419	–	518,419
No collateral or other credit enhancement	571,702	–	–
Total POCI-assets	**8,409,015**	**5,480,289**	**2,357,024**
Total loans to customers	**715,304,700**	**134,513,826**	**388,680,840**

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral as at 31 December 2021:

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Stage (12-month expected credit losses)			
Cash and deposits	2,169,653	2,169,653	–
Bank guarantees and sureties received from legal entities (rated from B- to BBB+)	2,435,634	2,435,634	–
Bank guarantees and sureties received from legal entities (not rated)	99,193	–	99,193
Vehicles	13,688,704	8,078,034	5,610,670
Real estate	159,768,621	69,515,555	90,253,066
Equipment	2,943,474	2,768,088	175,386
Goods in turnover	335,956	308,713	27,243
Future assets	7,125,937	6,753,797	372,140

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Land plots	24,289,821	17,370,340	6,919,481
Other collateral	5,137,741	2,824,524	2,313,217
No collateral or other credit enhancement	183,489,626	–	–
Total Stage 1	**401,484,360**	**112,224,338**	**105,770,396**
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Cash and deposits	131,823	131,823	–
Bank guarantees and sureties received from legal entities (not rated)	5,355	–	5,355
Vehicles	63,123	15,051	48,072
Real estate	6,535,879	2,311,567	4,224,312
Equipment	362,907	357,505	5,402
Future assets	9,464	9,464	–
Land plots	158,287	88,330	69,957
Other collateral	627,853	586,041	41,812
No collateral or other credit enhancement	117,949	–	–
Total Stage 2	**8,012,640**	**3,499,781**	**4,394,910**
Stage 3 (Lifetime expected credit losses on credit-impaired assets)			
Cash and deposits	3,099,635	3,099,635	–
Bank guarantees and sureties received from legal entities (rated from B- to BBB+)	69,907	69,907	–
Bank guarantees and sureties received from legal entities (not rated)	9,831	–	9,831
Vehicles	3,835,838	2,007,502	1,828,336
Real estate	222,282,224	175,210,615	47,071,609
Equipment	1,979,768	1,105,725	874,043
Shares, equity shares	467,690	467,690	–
Goods in turnover	19,927	19,927	–
Future assets	84	49	35
Land plots	18,973,979	14,849,296	4,124,683
Other collateral	2,643,602	2,180,252	463,350
No collateral or other credit enhancement	339,013	–	–
Total Stage 3	**253,721,498**	**199,010,598**	**54,371,887**
POCI-assets			
Real estate	1,797,729	1,797,729	–
Total POCI-assets	**1,797,729**	**1,797,729**	–
Total loans to customers	**665,016,227**	**316,532,446**	**164,537,193**

Change in estimates used to calculate expected credit losses on loans to customers (*Note 23*) may impact the amount of allowance for expected credit losses. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, ECL allowance for loans to customers as at 31 December 2022 would KZT 7,153,047 thousand lower/higher (31 December 2021: KZT 6,650,162 thousand).

Significant credit exposures

As at 31 December 2022, the concentration of net carrying amount of loans issued by the Group to ten major independent parties amounted to KZT 69,772,285 thousand or 9.75% of the aggregate loan portfolio (31 December 2021: KZT 62,302,703 thousand or 9.37% of the aggregate loan portfolio).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

10. Finance lease receivables

Analysis of finance lease receivables as at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	*31 December 2021*
Less than 1 year	109,828,183	1,788,954
From 1 to 2 years	76,594,105	1,992,600
From 2 to 3 years	81,653,963	2,172,919
From 3 to 4 years	84,618,083	2,535,243
From 4 to 5 years	78,586,268	2,216,583
More than 5 years	237,787,342	9,970,117
Minimum lease payments	**669,067,944**	**20,676,416**
Less unearned finance income		
Less than 1 year	(5,442,459)	(257,466)
From 1 to 5 years	(98,877,552)	(1,359,463)
More than 5 years	(125,626,732)	(3,670,388)
Less unearned finance income, total	**(229,946,743)**	**(5,287,317)**
Allowance for expected credit losses	(35,251,648)	(5,762,457)
Finance lease receivables	**403,869,553**	**9,626,642**

In determining the ECL allowance for finance lease receivables as at 31 December 2022, management made the following key assumptions:

- PD value for finance lease receivables allocated to Stage 1 of credit quality ranges from 4.48% to 25.92%, allocated to Stage 2 of credit quality ranges from 24.62% to 74.1%, depending on the segment and number of years remaining to repayment of a borrower's loan;
- LGD value for finance lease receivables allocated to Stage 1 is 13% in average, to Stage 2 is 14% in average and to Stage 3 is 41% in average.

In determining the ECL allowance for finance lease receivables as at 31 December 2021, management made the following key assumptions:

- PD value for finance lease receivables allocated to Stage 1 of credit quality ranges from 7.48% to 31.01%, allocated to Stage 2 of credit quality ranges from 34.28% to 70.92%, depending on the segment and number of years remaining to repayment of a borrower's loan;
- LGD value for finance lease receivables allocated to Stage 1 is 19% in average, to Stage 2 is 19% in average and to Stage 3 is 45% in average.

Changes in the above estimates could affect the allowance for expected credit losses on finance lease receivables/ For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the ECL allowance for finance lease receivables as at 31 December 2022 would be KZT 4,038,696 thousand lower/higher (31 December 2021: KZT 96,266 thousand lower/higher).

The table below provides an analysis of the changes in ECL allowance for 2022:

	2022				
	Stage 1 12-month ECL	**Stage 2 Lifetime ECL on assets not credit-impaired**	**Stage 3 Lifetime ECL for assets credit-impaired**	***POCI* Purchased or originated credit-impaired**	***Total***
ECL allowance at 1 January 2022	**57,262**	**820,623**	**4,884,572**	–	**5,762,457**
Recognised as a result of a merger (*Note 6*)	3,084,080	1,892,771	23,754,937	–	28,731,788
New assets originated or purchased	1,836,315	–	–	10,240	1,846,555
Transfers to Stage 1	2,368,109	(2,129,396)	(238,713)	–	–
Transfers to Stage 2	(172,239)	2,377,450	(2,205,211)	–	–
Transfers to Stage 3	(67,440)	(887,665)	955,105	–	–
Net (reversal)/charge	(2,994,506)	(592,973)	2,601,473	735	(985,271)
Amounts written off	–	–	(103,881)	–	(103,881)
At 31 December 2022	**4,111,581**	**1,480,810**	**29,648,282**	**10,975**	**35,251,648**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The table below provides analysis of movements in the ECL allowance for the year ended 31 December 2021:

	2021				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL on assets not credit-impaired	Stage 3 Lifetime ECL for assets credit-impaired	POCI Purchased or originated credit-impaired	Total
ECL allowance as at 1 January 2021	–	–	–	–	–
Recognised as a result of merger (Note 6)	57,262	820,623	4,884,572	–	5,762,457
New assets originated or purchased	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	–	–	–	–
Net (reversal)/charge	–	–	–	–	–
Amounts written off	–	–	–	–	–
At 31 December 2021	**57,262**	**820,623**	**4,884,572**	–	**5,762,457**

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2022:

	31 December 2022				
	Stage 1 12-month ECL	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on credit-impaired assets*	*POCI Purchased or originated credit-impaired*	*Total*
- not overdue	357,145,104	8,436,645	20,461,453	27,048	**386,070,250**
- overdue up to 30 days	8,411,927	938,948	3,008,175	–	12,359,050
- overdue more than 31 days and less than 90 days	–	2,198,204	3,917,028	–	6,115,232
- overdue more than 91 days and less than 180 days	–	–	2,221,562	–	2,221,562
- overdue more than 181 days and less than 1 year	–	–	3,453,020	–	3,453,020
- overdue more than 1 year	–	–	28,902,087	–	28,902,087
	365,557,031	**11,573,797**	**61,963,325**	**27,048**	**439,121,201**
Loss allowance	(4,111,581)	(1,480,810)	(29,648,282)	(10,975)	(35,251,648)
Total finance lease receivables	**361,445,450**	**10,092,987**	**32,315,043**	**16,073**	**403,869,553**

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2021:

	31 December 2021			
	Stage 1 12-month ECL	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on credit-impaired assets*	*Total*
- not overdue	988,384	5,225,230	5,382,631	11,596,245
- overdue up to 30 days	–	–	192,025	192,025
- overdue more than 31 days and less than 90 days	–	–	1,199,855	1,199,855
- overdue more than 91 days and less than 180 days	–	–	–	–
- overdue more than 181 days and less than 1 year	–	–	88,784	88,784
- overdue more than 1 year	–	–	2,312,190	2,312,190
	988,384	**5,225,230**	**9,175,485**	**15,389,099**
Loss allowance	(57,262)	(820,623)	(4,884,572)	(5,762,457)
Total finance lease receivables	**931,122**	**4,404,607**	**4,290,913**	**9,626,642**

Analysis of movements in the gross carrying amounts

As a result of acquisition of a subsidiary in 2022 (*Note 6*) the gross carrying amount of finance lease receivables increased by the total amount of KZT 353,319,283 thousand.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

In 2021, leases were due to acquisition of assets as part of a takeover of the Fund for Financial Support for Agriculture JSC (*Note 6*) with a gross carrying amount of KZT 15,382,710 thousand.

Increased funding secured for leases in 2022 caused the gross carrying value of the portfolio to grow by KZT 103,501,525 thousand (31 December 2021: KZT 0) and resulted in related increase in ECL allowance totalling KZT 2,049,297 thousand (31 December 2021: KZT 0).

Repayment of finance lease receivables categorised into Stage 3 totalling KZT 3,445,448 thousand (31 December 2021: KZT 0) resulted in a decrease in ECL allowance of KZT 43,970 thousand (31 December 2021: KZT 0).

Transfer of finance lease receivables to Stage 3 totalling KZT 6,667,934 thousand (31 December 2021: KZT 0) resulted in an increase in ECL allowance of KZT 1,498,835 thousand (31 December 2021: KZT 0).

Transfer of finance lease receivables from Stage 3 to Stage 2 totalling KZT 4,104,654 thousand (31 December 2021: KZT 0) resulted in a decrease in ECL allowance of KZT 1,295,421 thousand (31 December 2021: KZT 0).

Transfer of finance lease receivables from Stage 1 to Stage 2 totalling KZT 3,163,355 thousand (31 December 2021: KZT 0) resulted in an increase in ECL allowance totalling KZT 49,971 thousand (31 December 2021: KZT 0).

The following tables provides information on collateral, leased assets and other credit enhancements related to finance lease receivables (net of loss allowance) as at 31 December 2022 and 31 December 2021, by types of collateral:

	31 December 2022			31 December 2021	
	Carrying amount of finance lease receivables	**Fair value of collateral - for collateral assessed during reporting date**	**Fair value of collateral - for collateral assessed as of finance lease receivables inception date**	**Carrying amount of finance lease receivables**	**Fair value of collateral - for collateral assessed as of lease inception date**
Stage (12-month expected credit losses)					
Vehicles	349,812,328	349,537,476	274,852	–	–
Equipment	9,576,350	9,576,350	–	–	–
Real estate	1,669,319	1,669,319	–	–	–
Other collateral	387,453	387,453	–	931,122	931,122
Total Stage 1	**361,445,450**	**361,170,598**	**274,852**	**931,122**	**931,122**
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)					
Vehicles	5,691,866	5,691,866	–	–	–
Real estate	940,996	–	940,996	2,029,272	2,029,272
Land plots	513,214	–	513,214	549,631	549,631
Equipment	153,306	153,306	–	–	–
Other collateral	2,793,605	142,807	2,650,798	1,825,704	1,825,704
Total Stage 2	**10,092,987**	**5,987,979**	**4,105,008**	**4,404,607**	**4,404,607**
Stage 3 (Lifetime expected credit losses on credit-impaired assets)					
Bank guarantees and sureties received from legal entities (not rated)	292,222	–	292,222	84,812	84,812
Vehicles	14,110,935	14,043,342	67,593	42,213	42,213
Equipment	8,767,839	8,767,839	–	–	–
Real estate	3,228,097	1,094,105	2,133,992	646,076	646,076
Other collateral	5,374,977	2,584,257	2,790,720	3,139,149	3,139,149
No collateral or other credit enhancement	540,973	–	–	378,663	–
Total Stage 3	**32,315,043**	**26,489,543**	**5,284,527**	**4,290,913**	**3,912,250**
POCI-assets					
Vehicles	16,073	16,073	–	–	–
Total POCI-assets	**16,073**	**16,073**			
Total finance lease receivables	**403,869,553**	**393,664,193**	**9,664,387**	**9,626,642**	**9,247,979**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

11. Value added tax and other taxes receivable

As at 31 December 2022 and 31 December 2021, value added tax and other taxes receivable comprised:

	31 December 2022	*31 December 2021*
Value added tax receivable	8,510,678	1,074,343
Other taxes	12,908	6,358
Value added tax and other taxes receivable	**8,523,586**	**1,080,701**

12. Other assets

Other non-financial assets comprise the following items:

	31 December 2022	*31 December 2021*
Inventories	3,296,758	547,699
Advances paid	599,496	49,632
Other	526,475	230,373
Other non-financial assets	**4,422,729**	**827,704**

Inventories

As at 31 December 2022 and 31 December 2021 inventories comprise the following items:

	31 December 2022	*31 December 2021*
Equipment to be leased under a finance lease	2,469,664	–
Collateral transferred to ownership	1,049,693	–
Other materials	450,107	547,699
	3,969,464	**547,699**
Impairment allowance	(672,706)	–
Inventories	**3,296,758**	**547,699**

During 2022, the Group took ownership of a number of assets obtained to repay borrowers' outstanding debts. The Group is planning to transfer these properties under finance lease agreements.

Advances paid

As at 31 December 2022 and 31 December 2021, the advances paid comprise the following items:

	31 December 2022	*31 December 2021*
Advances paid for agricultural machinery	553,252	–
Advances paid for equipment	10,770	–
Other advances paid	46,757	49,632
	610,779	**49,632**
Impairment allowance	(11,283)	–
Advances paid	**599,496**	**49,632**

As at 31 December 2022 and 31 December 2021, advances comprised prepayments for supply of agricultural machinery, equipment and cattle to be subsequently leased out under a finance lease.

Other financial assets comprise the following items:

	31 December 2022	*31 December 2021*
Accounts receivable:		
Receivables from KazAgroProduct JSC	8,711,590	9,133,127
Receivables under instalment sales contracts	5,224,881	4,923,850
Other receivables	5,685,329	2,244,338
	19,621,800	**16,301,315**
Less: ECL allowance	(14,028,207)	(11,334,678)
Other financial assets	**5,593,593**	**4,966,637**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

As at 31 December 2022, other financial assets of KZT 4,106,742 thousand are categorised into Stage 2, other financial assets of KZT 15,515,058 thousand are categorised into Stage 3 (31 December 2021: other financial assets of KZT 3,925,917 thousand are categorised into Stage 2, other financial assets of KZT 12,375,398 thousand are categorised into Stage 3).

Reconciliation of the ECL allowance for accounts receivable for the year ended 31 December 2022 is presented below:

	Stage 2	*Stage 3*	*Total*
ECL allowance at 1 January 2022	**127,103**	**11,207,575**	**11,334,678**
Recognised as a result of merger	358,542	2,539,333	2,897,875
New assets originated or purchased	13,711	219,227	232,938
Reversal of allowance during the year	(7,897)	(305,430)	(313,327)
Transfers to Stage 1	–	–	–
Transfers to Stage 2	–	–	–
Transfers to Stage 3	(5,727)	5,727	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(93,700)	17,779	(75,921)
Amounts written off	–	(48,036)	(48,036)
At 31 December 2022	**392,032**	**13,636,175**	**14,028,207**

Reconciliation of the ECL allowance for accounts receivable for the year ended 31 December 2021 is presented below:

	Stage 2	*Stage 3*	*Total*
ECL allowance at 1 January 2021	**29,638**	**9,143,856**	**9,173,494**
Recognised as a result of merger	–	2,392,439	2,392,439
New assets originated or purchased	35,588	475,207	510,795
Reversal of allowance during the year	(22,213)	(488,582)	(510,795)
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	84,090	(291,252)	(207,162)
Amounts written off	–	(24,093)	(24,093)
At 31 December 2021	**127,103**	**11,207,575**	**11,334,678**

13. Amounts due to the Shareholder

	Maturity date	*Nominal interest rate, %*	*Currency*	*31 December 2022*	*31 December 2021*
Loan under Agreement No.26	10 February 2041	1.02%	KZT	15,761,242	14,760,800
Loan under Agreement No.32	14 December 2032	1.00%	KZT	14,266,721	15,276,780
Loan under Agreement No.25	10 February 2041	1.02%	KZT	11,584,240	–
Loan under Agreement No.101	14 December 2033	1.00%	KZT	10,981,812	11,667,415
Loan under Agreement No.135	14 December 2032	1.00%	KZT	7,673,224	8,215,517
Loan under Agreement No.136	14 December 2032	1.00%	KZT	7,673,105	8,215,517
Loan under Agreement No.76	14 December 2025	1.00%	KZT	7,591,082	9,824,452
Loan under Agreement No.20	31 January 2034	1.00%	KZT	6,173,952	6,515,629
Loan under Agreement No.85	14 December 2025	1.00%	KZT	5,735,842	7,423,489
Loan under Agreement No.122	14 December 2025	1.00%	KZT	5,700,884	7,380,123
Loan under Agreement No.43	21 June 2034	0.28%	KZT	3,666,302	–
Loan under Agreement No.34	28 September 2034	1.00%	KZT	2,640,059	2,792,169
Amount payable under assignment contract of 3 July 2018	20 December 2024	5.00%	KZT	1,121,866	1,477,788
Amount payable under debt transfer agreement of 3 July 2018	9 December 2024	5.00%	KZT	431,405	634,387
Loan under Agreement No.124	1 December 2022	10.00%	KZT	–	76,376
				101,001,736	**94,260,422**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

During 2022, as part of the Adjusted Financial and Economic Feasibility Study ("AFEFS") of budget investments to increase the charter capital of NMH KazAgro JSC for implementing the state policy to stimulate the development of the agro-industrial complex, approved by the Order of the Minister of Agriculture of the Republic of Kazakhstan dated 24 August 2020, No.265, as amended by the Order of the Minister of Agriculture of the Republic of Kazakhstan dated 8 April 2022, No.102, the Group received a loan for the total amount of KZT 8,300,000 thousand, which matures on 21 June 2034 and bears a nominal interest rate of 0.28% per annum, with a market interest rate being equal to 15.54%. The purpose of the loan is to finance the agro-industrial complex, namely construction of commercial dairy farms and implementation of the investment projects for production and processing of vegetables and sugar beets using sprinklers and drip irrigation systems; in this case the interest rate for the end-use borrower should be 6% per annum. Discount on initial recognition of the loan amounted to KZT 4,891,183 thousand and was recognised as a government grant liability. As at 31 December 2022, the carrying amount of the loan was KZT 3,666,302 thousand.

During 2021, as part of the optimisation of the structure of the loan previously issued to the Group by KazAgro Holding using the resources of the National Fund of the Republic of Kazakhstan, by combining the amounts due under the agreements previously concluded with the total nominal value as of the date of combination of KZT 58,451,625 thousand and issuance of additional tranche in amount of KZT 11,548,375 thousand, the Loan Agreement No.26 of 16 June 2021 was signed. The total amount of the loan is KZT 70,000,000 thousand, with maturity on 10 February 2041, nominal interest rate - 1.02% p.a., effective interest rate - 11.98% p.a. The purpose of the loan is financing of investment projects in various areas of agricultural sector development, such as establishment of commercial dairy farms, development of feedlots, creation of storages for different agricultural products and others. The conclusion of this Agreement resulted in the derecognition of the agreements which were entered into previously, funded from the resources of the National Fund of the Republic of Kazakhstan (including agreements Nos.36, 61, 24 and 70), and recognition of a new liability under the Loan Agreement No.26 dated 16 June 2021. The discount on initial recognition on loan of KZT 70,000,000 thousand amounted to KZT 56,009,928 thousand and was recognised directly in equity within accumulated losses, whereas previously discount in amount of KZT 11,196,328 thousand was derecognised to reflect the new terms negotiated with the controlling party. As at 31 December 2021, the carrying amount of the new loan was KZT 14,760,800 thousand.

As at 31 December 2022 and 31 December 2021 the Group was in compliance with the requirements related to the restrictive covenants under the agreements with the creditors.

14. Amounts due to the Government

On 17 February 2022, the Group entered into a loan agreement with the Ministry of Finance of the Republic of Kazakhstan for the total nominal amount of KZT 140,000,000 thousand bearing a nominal interest rate of 0.01% per annum and maturing on 30 March 2023. The loan was received as part of the Ken-Dala annual government programme aimed at supporting enterprises in their spring field and harvesting works. The total amount of the loan received was transferred to Halyk Bank of Kazakhstan JSC, First Heartland Jusan Bank JSC and Bank CenterCredit JSC, with KZT 42,759,979 thousand (*Note 8*) to be used further for intended purpose stipulated by the afore-mentioned programme, and KZT 97,240,021 thousand to be provided directly to the customers (*Note 9*).

The discount of KZT 14,420,694 thousand on initial recognition of loans received was recognised as a government grant liability with its partial use during the twelve months ended 31 December 2022. Unwinding of the discount of KZT 12,079,148 thousand was recorded in interest expense on amounts due to the Government of the Republic of Kazakhstan. The Group applied the estimated market interest rates varying from 12.30% to 16.74% per annum to measure the fair value of the loan on initial recognition by discounting future contractual cash flows.

On 30 November 2022 the Group signed an addendum to prolong the due date of the then outstanding part of the loan received till 30 November 2023. The outstanding part of the loan received was KZT 70,000,000 thousand as at the prolongation date. As a result of prolongation of the initial repayment date the Group recognised additional discount of KZT 6,910,697 thousand, and recorded it as an additional government grant liability. To measure the fair value of the loan at the time of its modification, the Group applied an estimated market rate of 16.77% per annum.

On 25 February 2021, the Group received a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for the total nominal amount of KZT 70,000,000 thousand bearing a nominal interest rate of 0.01% per annum and maturing on 20 December 2021. The loan was received as part of the Ken-Dala annual government programme aimed at supporting enterprises in their spring field and harvesting works. The total amount of loan received was transferred to Halyk Bank of Kazakhstan JSC with KZT 31,840,998 thousand (*Note 8*) to be used for intended purpose stipulated by the afore-mentioned programme, and KZT 38,159,002 thousand to be provided directly to customers (*Note 9*). The discount of KZT 5,711,976 thousand on initial recognition of loans received was recognised as a government grant liability with its full use during the twelve months ended 31 December 2021. Unwinding of the discount of KZT 5,711,976 thousand was recorded in interest expense on amounts due to the Government of the Republic of Kazakhstan. The Group applied an estimated market interest rate of 11.00% per annum to estimate the fair value of the loan on initial recognition by discounting future contractual cash flows.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

As at 31 December 2022 the carrying amount of the loans received totalled KZT 60,747,873 thousand, including interest accrued of KZT 117 thousand (31 December 2021: there are no amounts due to the Government due to full repayment by the deadline provided for under the contract).

15. Amounts due to state and budget organisations

	Year of maturity	*Nominal interest rate, %*	*Currency*	*31 December 2022*	*31 December 2021*
Loans repayable to state and budget organisations	2023-2031	0.01%	KZT	182,541,555	166,814,395
Loans repayable to state and budget organisations	2027	1.00%	KZT	308,887	–
				182,850,442	**166,814,395**

During 2022 the Group received loans of KZT 30,928,726 thousand (during 2021: KZT 35,029,195 thousand) under the Budget Programme 006 "Lending of Oblast Budgets to Issue Microloans in Rural Settlements and Towns" to grant microloans to the Programme participants to implement business projects in rural settlements and towns and finance MFO/LP for issuing microloans to the participants at a nominal interest rate of 0.01% p.a. and maturity in 7 years; the Group also received KZT 500,000 thousand from Akimat of Atyrau Oblast as part of support of small and medium-sized enterprises in the countryside, bearing a nominal interest rate of 1.00% and maturity in 5 years. The Group recognised discount of KZT 18,274,080 thousand on all loans received (during 2021: KZT 20,662,665 thousand) on initial recognition in the consolidated statement of financial position as a liability related to the government grant which was partially utilised in the relevant periods. The Group applied the estimated market interest rates of 14.12%-15.20% p.a. (during 2021: 8.86% – 12.66% p.a.) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

As at 31 December 2022 and 31 December 2021, the Group complied with restrictive covenants under the agreements with creditors.

16. Amounts due to credit institutions

As at 31 December 2022 and 31 December 2021, amounts due to credit institutions comprise:

	Currency	*Maturity*	*31 December 2022*	*31 December 2021*
Halyk Bank of Kazakhstan JSC	KZT	2024-2027	68,237,582	–
Citibank Kazakhstan JSC	KZT	2023	8,284,037	–
Industrial Development Fund JSC	KZT	2042	3,000,898	–
			79,522,517	**–**

On 2 December 2022, borrowed funds were raised from Halyk Savings Bank of Kazakhstan JSC in the amount of KZT 40,000,000 thousand, to replenish the working capital of the Group, for a term of 5 years and with a nominal interest rate of 18.00% per annum.

During 2022, the Group also raised borrowings from Citibank Kazakhstan JSC in the total amount of KZT 8,277,000 thousand to replenish working capital with a maturity in January 2023 and a nominal interest rate of 16.80% per annum.

As part of financing projects in the processing industry and agro-industry aimed at improving the environment, in accordance with the procedure and under the terms determined by the Decree of the Government of the Republic of Kazakhstan dated 2 September 2021, No.604, on 13 August 2022, the Group signed the Loan Agreement No.5-DZ with Industrial Development Fund JSC. The total amount of the loans was KZT 30,000,000 thousand, the loan term is until 7 August 2042, and the nominal interest rate is 0.35% per annum. The purpose of the Loan is to finance the purchase of domestically manufactured self-propelled agricultural machinery for further transfer under finance lease agreements. The benefit of a loan at a below-market interest rate is recognised as a government grant that amounted to KZT 27,097,318 thousand as at the loan recognition date. The Group applied estimated market interest rates of 13.80% - 14.19% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

17. Debt securities issued

KZT-denominated debt securities issued comprise the following captions:

				Nominal value		*Carrying amount*	
	Placement date	*Maturity date*	*Interest rate per annum, %*	*31 December 2022*	*31 December 2021*	*31 December 2022*	*31 December 2021*
Fixed income bonds	28 July 2022	28 July 2029	16.85%	40,167,244	–	42,679,970	–
Fixed income bonds	20 August 2021	20 August 2028	11.90%	40,000,000	–	41,573,931	–
Fixed income bonds (1 issue of the 4th bond program)	10 October 2019	10 October 2026	10.75%	39,475,017	39,475,017	40,411,419	40,409,865
Fixed income bonds (6 issue of the 4th bond program)	30 June 2021	10 December 2031	15.00%	35,000,000	35,000,000	40,385,211	40,953,222
Fixed income bonds (2 issue of the 4th bond program)	26 August 2020	26 August 2030	10.75%	30,496,202	30,496,202	31,583,999	31,586,439
Fixed income bonds (9 issue of the 4th bond program)	21 December 2021	21 December 2031	11.50%	30,000,000	30,000,000	30,095,834	30,095,833
Fixed income bonds	21 December 2021	21 December 2031	11.50%	25,000,000	–	25,079,108	–
Fixed income bonds (4 of the 2nd bond program)	17 June 2020	24 December 2024	12.00%	20,000,000	–	19,673,924	–
Fixed income bonds (3 issue of the 2nd bond program)	24 December 2019	24 December 2024	12.00%	19,983,000	–	19,606,415	–
Fixed income bonds (3 issue of the 1st bond program)	16 July 2014	16 January 2023	8.00%	16,952,250	–	17,567,283	–
Issue of coupon bonds	27 June 2022	30 April 2025	13.00%	15,000,000	–	14,239,833	–
Fixed income bonds (3 issue of the 1st bond program)	8 November 2018	8 November 2023	12.00%	12,000,000	–	11,615,891	–
Fixed income bonds (1 issue of the 2nd bond program)	20 August 2014	20 February 2023	8.50%	10,000,000	10,000,000	10,298,860	10,254,679
Fixed income bonds	28 November 2022	30 April 2025	14.50%	10,000,000	–	10,130,207	–
Fixed income bonds (4 issue of the 3rd bond program)	27 May 2021	27 May 2026	11.50%	9,350,000	9,350,000	9,451,551	9,451,552
Fixed income bonds (1st issue of the 1st bond program) recognised as a result of merger	30 December 2014	30 March 2026	10.07%	5,189,000	5,189,000	5,189,000	5,450,266
Fixed income bonds (2 issue of the 3rd bond program)	22 December 2016	22 June 2026	14.00%	5,000,000	5,000,000	5,016,674	5,016,438
Fixed income bonds	12 June 2015	12 June 2024	8.50%	3,950,000	–	3,962,052	–
Fixed income bonds (7 issue of the 4th bond program)	27 October 2021	27 October 2031	7.10%	5,000,000	5,000,000	3,821,911	3,743,735
Fixed income bonds (2 issue of the 1st bond program) recognised as a result of merger	21 October 2015	21 April 2026	10.07%	2,300,000	2,300,000	2,345,035	2,345,035
Fixed income bonds (2 issue of the 2nd bond program)	17 June 2015	17 December 2022	8.00%	–	17,390,000	–	17,347,174
				374,862,713	**189,200,219**	**384,728,108**	**196,654,238**

During 2022, the Group issued bonds in the total face value of KZT 50,230,366 thousand:

- On 28 July 2022, the Group placed the first issue of bonds of third bond program (KZ2C00008514) with a total face value of KZT 40,230,366 thousand, issued at coupon rate of 16.85% and maturing on 28 July 2029. Proceeds from the bond issue were used to finance purchase of various agricultural equipment for further transfer under lease agreements and serve the Group's liabilities.
- On 28 November 2022, the Group placed coupon bonds (KZ2C00009116) with a face value of KZT 10,000,000 thousand, issued at coupon rate of 14.5% and maturing on 30 April 2025. Proceeds from the bond issue were used to finance purchase of lease items for further transfer under finance lease agreements to the entities operating in the agro-industrial complex.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

During 2021 the Group issued and additionally placed within the previous issuance bonds in the total face value of KZT 83,850,001 thousand:

- unsecured commercial bonds with total face value of KZT 4,500,001 thousand (KZ2C00007177) issued at coupon rate of 10.75% p.a., maturing on 20 December 2021. The funds from the placement have been used for extending loans to the entities operating in the agro-industrial complex;
- unsecured coupon bonds with total face value of KZT 9,350,000 thousand (KZ2C00006120) issued at coupon rate of 11.50% p.a., maturing within 5 years. The proceeds from the placement have been used for extending loans to the entities operating in the agro-industrial complex;
- unsecured coupon bonds with total face value of KZT 35,000,000 thousand (KZ2C00007755) issued at coupon rate of 15.00% p.a., maturing on 10 December 2031. The funds from the placement will be used to finance the projects of the agro-industrial complex, on a priority basis for the production and processing of meat and milk. The Group recognised the premium of KZT 5,930,976 thousand on initial recognition and since the bonds were fully repurchased by the Shareholder, the premium was stated as distribution to the Shareholder, including tax in amount of KZT 1,186,195 thousand. The Group applied estimated market interest rate of 12.10% p.a. to measure the fair value of the bonds issued on initial recognition by discounting their future contractual cash flows;
- unsecured coupon bonds with total face value of KZT 5,000,000 thousand (KZ2C00007953) issued at coupon rate of 7.1% p.a., maturing within 10 years, the effective interest rate is 11.8% per annum. The funds from the placement have been used for extending loans to the companies operating in the agro-industrial complex under the Employment Roadmap 2020-2021 programme, under which the interest rate for the ultimate borrowers - the entities operating in the agro-industrial complex - must not exceed 6% with the loan term not exceeding three years. Thus, the discount of KZT 1,329,537 thousand calculated on initial recognition was accounted for within the government grants (*Note 21*);
- unsecured coupon bonds with total face value of KZT 30,000,000 thousand (KZ2C00008316) issued at coupon rate of 11.5% p.a., maturing within 10 years. The funds from the placement have been used for extending loans to the companies operating in agro-industrial complex.

18. Other liabilities

Other non-financial assets comprise the following items:

	31 December 2022	*31 December 2021*
Advances received	6,900,816	260,776
Deferred income	1,374,885	–
Other taxes payable	286,260	1,373,656
Other	319,041	130,431
Other non-financial liabilities	**8,881,002**	**1,764,863**

Advances received

As at 31 December 2022, advance received of KZT 6,900,816 thousand comprised prepayment from clients for property held for finance lease that was acquired under finance lease agreements but not transferred to the lessee, as well as prepayments made under finance lease agreements and other advances received.

Other non-financial assets comprise the following items:

	31 December 2022	*31 December 2021*
Payables to suppliers	3,070,663	238,824
Rural mortgage	3,015,774	2,076,435
ECL allowance for contingent liabilities (*Note 26*)	855,497	1,092,195
Accounts payable	714,304	430,466
Amount payable under an assignment contract	20,385	188,930
Liabilities on redemption of debt securities issued	–	23,914,950
Loans received from the UN	16,061	25,238
Other financial liabilities	**7,692,684**	**27,967,038**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Payables to suppliers

As at 31 December 2022, accounts payable to suppliers comprise mostly the Group's payables to suppliers for property to be subsequently transferred under a finance lease, as follows:

	31 December 2022	*31 December 2021*
Agricultural machinery	2,354,428	–
Equipment	133,401	–
Cattle stock	746	–
Other	582,088	238,824
Accounts payable to suppliers	**3,070,663**	**238,824**

Rural mortgages

The Group acts as an Authorised Agent in the government programme for financing mortgages in rural areas and receives a fee for managing funds, which is 2.5% of the amount of debt on loans issued to customers. As at 31 December 2022, the total amount of principal debt on mortgage loans issued by the Group on behalf of the local executive bodies was KZT 94,085,056 thousand (unaudited) (31 December 2021: KZT 85,601,551 thousand (unaudited)). As at 31 December 2022 and 31 December 2021, the amount of other financial liabilities consists of the funds that have been received from the local executive authorities but not yet transferred to the end users. For the period ended 31 December 2022, the Group's commissions on rural mortgages were KZT 2,118,776 thousand (for 2021: KZT 159,239 thousand) (*Note 25*).

Liabilities on redemption of debt securities issued

The outstanding securities of the 1st bond issue under the 3rd bond program, AGKKb6, NIN KZ2C00003307, with a redemption date of 30 December 2021 for the total amount of KZT 23,914,950 thousand were repaid on 10 January 2022. As at 31 December 2021 payables on payments on these bonds were classified as other liabilities as their maturity under the contract expired.

19. Taxation

The corporate income tax expense comprises:

	2022	*2021*
Current income tax expense	(4,643,424)	(4,589,802)
Deferred corporate income tax expense - origination and reversal of temporary differences	1,813,108	2,387,348
Corporate income tax expense	**(2,830,316)**	**(2,202,454)**

	2022	*2021*
Recognised as a result of business combination	–	(2,149,413)
Deferred corporate income tax recognised in the consolidated statement of profit or loss	1,813,108	2,387,348
Deferred corporate income tax recognised in equity	(53,951)	(7,215,291)
Movements in deferred corporate income tax	**1,759,157**	**(6,977,356)**

As at 31 December 2022, the Group's current corporate income tax liabilities totalled KZT 1,950,809 thousand (31 December 2021: KZT 1,785,126 thousand). The corporate income tax rate for the Group was 20.0% in 2022 and 2021.

The effective CIT rate differs from the statutory CIT rates. Below is the reconciliation of corporate income tax expense based on the statutory rate with corporate income tax expense recorded in the financial statements:

	2022	*2021*
Profit before corporate income tax	**22,365,644**	**10,897,494**
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	**(4,473,129)**	**(2,179,499)**
Non-taxable income from government securities	120,265	520,708
Non-deductible expenses	1,522,548	(543,663)
Corporate income tax expense	**(2,830,316)**	**(2,202,454)**

Deferred corporate income tax recognised in equity is distributed between the items as follows:

	2022	*2021*
For assets	–	1,186,195
For liabilities	(53,951)	(8,401,486)
Corporate income tax expense recognised in equity	**(53,951)**	**(7,215,291)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

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

			Origination and reversal of temporary differences				Origination and reversal of temporary differences		
	2020	*Takeover of FAGRI*	*In the consolidated statement of profit or loss*	*Within equity*	*2021*	*Acquisition of KAF JSC*	*In the consolidated statement of profit or loss*	*Within equity*	*2022*
Tax effect of deductible temporary differences									
Loans to customers	10,203,715	5,264,223	2,619,084	–	18,087,022	38,233	3,329,911	–	21,455,166
Loans to banks	597,756	–	(205,401)	–	392,355	–	(332,715)	–	59,640
Other assets	101,624	17,371	609,967	–	728,962	471,964	(204,169)	–	996,757
Current estimated liabilities	89,509	92,427	48,948	–	230,884	61,441	58,614	–	350,939
Government grants	1,831,737	3,525,525	1,371,103	–	6,728,365	–	5,601,512	–	12,329,877
Debt securities issued	–	–	(320,676)	1,186,195	865,519	(189,110)	(63,954)	–	612,455
Finance lease receivables	–	–	–	–	–	65,538	23,833	–	89,371
Deferred corporate income tax assets	**12,824,341**	**8,899,546**	**4,123,025**	**1,186,195**	**27,033,107**	**448,066**	**8,413,032**	**–**	**35,894,205**
Tax effect of taxable temporary differences									
Amounts due the Shareholder	(9,325,787)	–	1,165,861	(8,401,486)	(16,561,412)	(7,647,526)	(37,313)	(53,951)	(24,300,202)
Amounts due to state and budget organisations, the Government	(3,086,362)	(10,753,482)	(2,856,280)	–	(16,696,324)	–	(1,725,784)	–	(18,422,108)
Property, plant and equipment and intangible assets	(49,087)	(295,477)	(45,258)	–	(389,822)	(35,112)	242,806	–	(182,128)
Amounts due to credit institutions	–	–	–	–	–	(258,531)	(5,079,633)	–	(5,338,164)
Deferred corporate income tax liabilities	**(12,461,136)**	**(11,048,959)**	**(1,735,677)**	**(8,401,486)**	**(33,647,558)**	**(7,941,169)**	**(6,599,924)**	**(53,951)**	**(48,242,602)**
Net deferred income tax assets/(liabilities)	**362,305**	**(2,149,413)**	**2,387,348**	**(7,215,291)**	**(6,614,451)**	**(7,493,103)**	**1,813,108**	**(53,951)**	**(12,348,397)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Deferred corporate income tax assets are recognised only to the extent that it is probable that the future taxable profit will be available against which an asset can be utilised.

20. Deferred VAT liabilities

When transferring property under finance lease agreements, the Group recognises deferred value added tax liabilities. As at 31 December 2022, deferred value added tax liabilities amount to KZT 10,917,373 thousand (31 December 2021: none).

21. Government grants

	31 December 2022	*31 December 2021*
Government grants received from the Government of the Republic of Kazakhstan in the form of a loan from state and budget organisations and Shareholder under Agribusiness Development Programme	61,649,385	33,641,832
Government grants received from the Ministry of Agriculture of the Republic of Kazakhstan to partially subsidise the repayment of principal and interest on loans issued to the borrowers	3,173,708	6,873,178
Government grants	**64,823,093**	**40,515,010**

Government grants received from the Government

The Group recorded as government grants the amount of benefits received in the form of loans at low interest rates extended by the state and budget organisations.

	2022	*2021*
At 1 January	**33,641,832**	**9,158,681**
Government grants received from funds of credit institutions *(Note 16)*	27,097,318	–
Government grants received from the Government of the Republic in the form of a loan from the Ministry of Finance *(Note 14)*	21,331,391	5,711,976
Government grants received from the Government of the Republic of Kazakhstan in the form of a loan from local executive bodies *(Note 15)*	18,274,080	20,662,665
Government grants received in the form of loans from the Shareholder *(Note 13)*	4,891,183	–
Government grants received from the Government of the Republic of Kazakhstan in the form of bonds from the NBRK *(Note 17)*	–	1,329,537
Recognised as a result of a business combination *(Note 6)*	–	17,333,744
Utilisation of a government grant to issue loans to borrowers under the Government Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 ("Isker") *(Note 9)*	(10,911,036)	(6,674,848)
Utilisation of government grants to issue loans to eligible banks under the Ken-Dala annual government programme *(Note 8)*	(3,539,813)	(1,954,546)
Utilisation of government grants to issue loans to eligible customers-borrowers under the Ken-Dala annual government programme *(Note 9)* (the compensable portion)	(9,230,104)	(3,757,430)
Utilisation of government grant *(Note 9)*	(8,732,054)	(2,622,720)
Utilisation of a government grant to issue loans to eligible customers-borrowers under the Employment Roadmap for 2020-2021 government programme and Enbek government programme *(Note 9)*	(2,833,242)	(900,656)
Utilisation of a government grant to issue loans to eligible customers-borrowers under the Agribusiness Government Programme *(Note 9)*	–	(1,055,269)
Utilisation of a government grant to issue loans to eligible customers-borrowers as part of loans from the Holding *(Note 9)*	(1,651,777)	–
Amortisation charge for the period *(Note 25)*	(6,688,393)	(3,589,302)
Government grants	**61,649,385**	**33,641,832**

Government grants received from the Government of the Republic in the form of a loan from the Ministry of Finance

Subsequent to initial recognition of a government grant liability, the Group recorded in profit or loss an amount corresponding to the renegotiated loan on preferential terms for borrowers, once the Group met government programme conditions *(Notes 8 and 9)*. The Group is obligated to distribute benefits to end borrowers by means of setting low interest rate on loans.

During 2022, government grants transferred to profit or loss *(Note 25)* amounting to KZT 43,586,419 thousand and were included in 'other income/expenses (during 2021: KZT 20,554,771 thousand).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Government grants received from the Ministry of Agriculture

	2022	*2021*
At 1 January	**6,873,178**	**3,312,883**
Received for the period	18,595,885	19,802,113
Returned to the Ministry of Agriculture/transferred to particular borrowers which have met special conditions	(13,417,800)	(11,542,397)
Utilisation of grant through offset against accrued interest payable of particular borrowers which have met special conditions	(8,877,555)	(4,699,421)
At 31 December	**3,173,708**	**6,873,178**

Government grants received from the Ministry of Agriculture are utilised to partially repay principal and interest owed by borrowers that have received loans for investment projects and purchase of new or previously unused machinery and equipment. To be eligible to receive these grants, borrowers must meet certain conditions.

22. Equity

Share capital

In June 2022, according to the Resolution of the Shareholder dated 8 June 2022, No.25/22, a number of authorised ordinary shares of the Company increased through additional issue of 144,964,639 ordinary shares. In accordance with the Resolution of the Board of Directors of the Shareholder dated 15 July 2022, No.05/22, a decision was made to dispose 100.00% of ordinary shares of KazAgroFinance JSC owned by the Shareholder in the amount of KZT 147,470,014 thousand to pay for 147,470,014 ordinary shares of the Company at the offering price of KZT 1,000 per share through sale to the Sole Shareholder that has a pre-emptive right to buy the Company's shares.

In accordance with the Resolution of the Management Board of KazAgro National Management Holding JSC (ex-Shareholder) No. 9 of 4 March 2021, the Company issued 12,633,932 ordinary shares at the offering price of KZT 1,000 (one thousand) per ordinary share. These shares were paid by means of transferring property of ex-Shareholder, with the fair value of KZT 6,186,092 thousand on initial recognition. Properties received consist of four non-residential premises located in Almaty with the total value of KZT 4,381,363 thousand held by the Company as investment property items; residential and non-residential properties, land plots, furniture and other equipment for the total amount of KZT 1,766,830 thousand, classified by the Company as assets held for sale as of the reporting date; the rest of the amount of KZT 37,899 thousand comprise other items classified by the Company as property, plant and equipment and inventories.

In March 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan No.952 dated 31 December 2020, and pursuant to a takeover agreement of 26 February 2021 and a deed of transfer between Baiterek NMH JSC and KazAgro NMH JSC, 100% of the Company's ordinary shares totalling 180,758,928 shares were transferred to Baiterek NMH JSC.

As at 31 December 2022, the number of authorised and issued ordinary shares of the Company is 407,059,079, of which 400,611,239 shares have been paid in full by the Sole Shareholder (31 December 2021: 262,094,440 shares and 253,141,225 shares, respectively).

Reserve capital

During 2022, the Group increased reserve capital by KZT 2,608,512 thousand (during 2021: reserve capital increased by KZT 5,898,015 thousand). In accordance with the Group's policy, reserve capital is established to cover general risks including future losses and other contingent risks and circumstances. Reserve capital is subject to distribution based on the decision of the Shareholder.

Dividends

During 2022 in accordance with the decision of the Shareholder of 26 May 2022, the Group declared and paid dividends of KZT 6,086,528 thousand or KZT 24.04 per ordinary share for the year ended 31 December 2021. Dividends were paid on 16 June 2022 (during 2021: in accordance with the decision of the Sole Shareholder of 12 March 2021, the Group declared and paid dividends of KZT 13,762,035 thousand or KZT 78.95 per ordinary share for the year ended 31 December 2020. Dividends were paid on 8 June 2021).

The book value per ordinary share calculated in accordance with the methodology of Kazakhstan Stock Exchange is as follows:

	31 December 2022	*31 December 2021*
Assets	1,329,887,385	806,484,978
Less intangible assets	(978,317)	(624,683)
Less liabilities	(914,916,800)	(535,795,537)
Net assets	**413,992,268**	**270,064,758**
Number of ordinary shares	400,611,239	253,141,225
Carrying amount of one ordinary share (KZT)	**1,033.40**	**1,066.85**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

23. Expenses on credit losses

The table below presents the ECL expense for financial instruments recognised in the consolidated statement of profit or loss for the year ended 31 December 2022:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents		2,043	–	–	–	2,043
Loans to banks		(11,614)	–	–	–	(11,614)
Loans to customers	9	14,452,954	1,144,798	10,776,715	1,054,900	27,429,367
Investment securities		(1,410)	–	–	–	(1,410)
Other financial assets	12	–	(87,886)	(68,424)	–	(156,310)
Finance lease receivables	10	(1,158,191)	(592,973)	2,601,473	10,975	861,284
Credit related commitments	26	(413,638)	–	–	–	(413,638)
Total expenses on credit losses*		**12,870,144**	**463,939**	**13,309,764**	**1,065,875**	**27,709,722**

**The amount of expenses on credit losses differs from the total amount of expenses on credit losses recognised in the consolidated statement of profit or loss by the amount of losses on modification that does not result in derecognition in the total amount of KZT 9,815,316 thousand and it is included in the movement in the gross carrying amount of loans to customers (Note 9).*

The table below presents the ECL expense for financial instruments recognised in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents		938	–	–	–	938
Loans to banks		(7,197)	–	–	–	(7,197)
Loans to customers	9	(197,192)	40,410	356,960	25,924	226,102
Investment securities		28,365	–	–	–	28,365
Other financial assets	12	–	84,090	(291,252)	–	(207,162)
Credit related commitments	26	36,484	–	–	–	36,484
Total expenses on credit losses		**(138,602)**	**124,500**	**65,708**	**25,924**	**77,530**

24. Personnel expenses and other administrative expenses

Personnel expenses and other operating expenses comprise the following items:

	2022	*2021*
Personnel expenses and other payments	(8,247,328)	(4,022,549)
Social security contributions	(932,708)	(351,213)
Personnel expenses	**(9,180,036)**	**(4,373,762)**
Outsourcing costs	(1,070,240)	(592,673)
Office rent and maintenance	(807,274)	(479,206)
Taxes and other mandatory payments to budget	(401,432)	(225,708)
Depreciation and amortisation	(628,292)	(332,873)
Transportation costs	(176,093)	(136,305)
PPE and intangible assets technical maintenance	(397,253)	(117,153)
Audit expenses	(169,034)	(96,300)
Communication services	(139,536)	(77,452)
Consulting expenses	(185,559)	(71,483)
Business travel expenses	(182,486)	(69,116)
Marketing and advertising	(142,810)	(66,172)
Administrative expenses of the Board of Directors	(39,323)	(47,104)
Stationary and printing	(66,314)	(36,184)
Security services	(42,202)	(34,749)
Information services	(43,315)	(27,007)
Materials	(56,744)	(23,983)
Insurance expenses	(16,010)	(17,299)
Bank services	(25,610)	(9,789)
Personnel training	(37,624)	(8,892)
Other	(195,992)	(165,787)
Other operating expenses	**(4,823,143)**	**(2,635,235)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

25. Other income/expenses

	2022	*2021*
Other income from utilisation of government grants *(Note 21)*	36,898,026	16,965,469
Amortisation of government grant *(Note 21)*	6,688,393	3,589,302
Loss on initial recognition of loans to banks under the Ken-Dala annual government programme *(Note 8)*	(3,539,813)	(1,954,546)
Loss on initial recognition of loans to customers under the Ken-Dala annual government programme *(Note 9)*	(9,230,104)	(4,027,401)
Loss on initial recognition of loans to customers under Isker government programme *(Note 9)*	(10,911,036)	(6,674,848)
Loss on initial recognition of loans to customers under the Agribusiness Development Programme *(Note 9)*	–	(1,055,269)
Loss on initial recognition of loans to customers under the Employment Roadmap for 2020-2021 programme and Enbek programme *(Note 9)*	(2,833,242)	(900,656)
Loss on initial recognition of other loans to customers *(Note 9)*	(19,661,739)	(25,782,983)
Loss on initial recognition of loans to customers provided as part of the loan received from the Holding *(Note 9)*	(1,651,777)	–
Agency fees on rural mortgages	2,118,776	159,239
Other impairment and provision expenses	(88,040)	–
Other income/(expenses)	3,395,519	(550,466)
Other income/expenses	**1,184,963**	**(20,232,159)**

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programmes *(Note 21)*.

26. Commitments and contingencies

Taxation

Kazakhstani commercial, and in particular, tax legislation contains regulations, interpretation of which could vary, and in certain cases, the legislation could be amended with indirect retrospective impact. Also, the Group's management's interpretation of the legislation may differ from that of tax authorities, and as a result, transactions carried out by the Group could be estimated by tax authorities in another way, and this could result in an additional charge of taxes, fines and penalties. The Group's management believes that all necessary tax accruals were fulfilled and, correspondingly, there were no allowances charged in the statements. Tax periods remain open for 5 (five) years. Management believes that its interpretation of the legislation as at 31 December 2022 and 31 December 2021 is appropriate and the Group's positions in terms of taxes, currency legislation and customs duties will be confirmed.

Legal matters

In the normal course of business, the Group is the subject of legal actions and claims. Management believes that the potential liabilities, if any, resulting from such actions and claims will not have a material adverse effect on the Group's future consolidated financial position or performance.

Management is unaware of any significant, pending or threatened claims against the Group.

Credit related commitments

Commitments and contingent liabilities of the Group comprise the following items:

	31 December 2022	*31 December 2021*
Credit related commitments		
Loan commitments	118,827,146	155,298,995
Finance lease commitments	18,254,310	–
Allowance for expected credit losses	(855,497)	(1,092,195)
	136,225,959	**154,206,800**
Operating lease liabilities		
Up to 1 year	62,978	46,402
Commitments and contingencies	**136,288,937**	**154,253,202**

Credit related commitments

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The Loan Commitment Agreement provides for the right of the Group to unilaterally withdraw from the agreement if unfavourable conditions arise for the Group, and if no resources for lending are available.

The counterparties on loan commitments as at 31 December 2022 and 2021 are current borrowers of the Group, agro-industrial enterprises with no credit rating assigned and classified into Stage 1, that are not past due on principal and interest payments as at the reporting date.

The following is an analysis of movements in ECL allowance:

Loan commitments	*2022*	*2021*
	Stage 1	*Stage 1*
At 1 January	**1,092,195**	**1,045,045**
Proceeds from business combination	176,940	–
Changes in ECL during the year	(413,638)	36,484
Takeover of FAGRI JSC	–	10,666
31 December	**855,497**	**1,092,195**

27. Risk management

Introduction

Risk is inherent in the Group's activities. The Group manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit, liquidity and market risk. The Group is also exposed to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk control

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process, and for monitoring compliance with risk principles, policies and limits, across the Group. The Risk Management Department comprises two separate units: financial risk management and credit risk departments.

Treasury

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

Internal Audit

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

Risk measurement and reporting systems

The Group's risks are measured using a method that 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.

Information compiled from all the businesses is examined and processed to analyse, control and early identify risks. This information is presented and explained to the Board, the Board of Directors 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. On a monthly basis, detailed reporting of industry, customer and geographic risks takes place. The Board of Directors of the Group 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 Group.

Excessive risk concentration

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures for such limits. For example, to avoid concentrations of credit risk with one or a group of affiliated companies, a limit of up to 25.00% of the Group's equity has been set. Counterparty-bank limits for interbank transactions are established by the Shareholder.

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

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes. For more detail on impact of collateral and other risk mitigation techniques see *Note 9*.

Impairment assessment

In 2022, based on the results of the work carried out to validate and calibrate the components used in calculation of expected credit losses on loans issued to customers, the Group changed the algorithm used to calculate expected credit losses and the order of estimating its components, specifically, the Group applied a more integrated approach to estimating the parameters including Exposure at Default (EAD), Probability of Default (PD), and Loss Given Default (LGD, as well as to estimating the amount of expected credit losses (ECL).

In addition, in 2022, the Group undertook work to change the approach used to determine the market value of collateral, i.e. commercial property.

As a result of these changes, loans to customers with the gross carrying amount of KZT 71,941,719 thousand were transferred from Stage 3 to Stage 1, and with the gross carrying amount of KZT 43,229,060 thousand - from Stage 3 to Stage 2, and it also resulted in the increase in the impairment loss allowance recognised for loans to corporate customers, of KZT 33,360,417 thousand, part of which was recognised in the consolidated statement of changes in equity in the amount of KZT 19,228,881 thousand as it mainly relates to the previous reporting periods.

As part of the methodology used for determining at the end of each reporting period whether credit risk on the financial instrument has increased significantly since initial recognition, by assessing the change in the risk of a default occurring over the remaining life of the financial instrument, the Group divided all loans issued into groups as follows.

The Group calculates ECL based on several probability-weighted scenarios, to measure the expected cash shortfalls, discounted using the effective interest rate (EIR). A cash shortfall is a difference between the cash flows that are due to an entity following the contract and the cash flows that the entity expects to receive. The mechanism 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 derecognised 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 (EAD) 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 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 realisation 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 represents 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 established materiality threshold.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The Group has established a methodology to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans issued as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 also includes loans and other credit lines, where the credit risk has improved, and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group recognises an allowance at an amount equal to the lifetime ECL. Stage 2 also includes loans and other credit lines, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Credit-impaired loans. The Group recognises an allowance at an amount equal to the lifetime ECL.
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 on initial recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL is only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

In determining the loss allowance for expected credit losses on loans to customers as at 31 December 2022, management applied the following key assumptions:

- PDs are estimated for appropriate pools, depending on the portfolio segmentation:
  - PDs for loans to legal entities - credit co-operatives, for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) was 16.40%, and for loans that are not credit- impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, was 59.60%.
  - PDs for loans issued to legal entities, intended for funding investment projects, which are not credit-impaired, and for impaired financial assets, with the gross carrying amount of less than 0.02% of the equity, and for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 12.3%, and for loans that are not credit-impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, were 42.62%.
  - PDs for loans issued to legal entities, intended for funding investment projects, which are not credit-impaired, and for impaired financial assets, with the gross carrying amount of more than 0.02% of the equity, and for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 60.10%, and for loans that are not credit-impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, were 79.20%.
  - PDs for loans issued to legal entities, for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 10.30 - 23.30%, and for loans that are not credit-impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, were 54.50-79.60%.
  - PDs for loans issued to the group of individuals, for which loss allowance is measured at an amount equal to 12-month expected credit losses (ECL) were 8.60-23.30%, and for loans that are not credit-impaired and for which loss allowance is measured in full, *that is* at an amount equal to lifetime ECL, were 52.60-80.20%.
- The LGD is estimated individually, for each loan.
  - LGDs for loans that are not credit-impaired and for impaired financial assets, with the gross carrying amount of less than 0.02% of the equity, ranged from 0.10% to 100.00%. - LGDs for credit-impaired financial assets, with the gross carrying amount of more than 0.02% of the equity, ranged from 0.90% to 100.00%.
- The originally appraised value of the property pledged is reduced by the liquidity ratios, used to estimate RR (Collateral) and expected periods for the sale of collateral. For credit-impaired financial assets, with the gross carrying amount of more than 0.02% of the equity, the average period for sale of collateral is set at 24 months, and liquidity ratios are set at 0.50-1.00, depending on the type of collateral. For loans that are not credit-impaired and for impaired financial assets, with the gross carrying amount of less than 0.02% of the equity, the average period for the sale of collateral is set to range from 25 to 31 months, and liquidity ratios are set at 0.5-1.00, depending on the type of collateral.
- Property in the form of collateral to be received in future, and collaterals not revaluated during the reporting year, and collaterals for loans overdue for more than 5 years are excluded from collaterals value.
- Movable property is depreciated at the rate of depreciation of 10 % of the estimated value, annually.
- Management also considers the factor that collateral might not be foreclosed due to restrictions imposed (such as transfer of ownership rights to third parties and other restrictions) and/or whether it would be possible to sell pledged property once collateral is foreclosed (adverse characteristics of the pledged property and other factors).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Definition of default and cure

The Group considers a financial instrument in default and therefore, allocates it to Stage 3 (credit-impaired) for ECL calculations in all cases when one or two events that are considered to be objective evidence of impairment or default of the loans have occurred.

A financial asset is to be in default when the borrower is past due more than 60 calendar days, or when one or two events indicate, as a part of a qualitative assessment of whether a customer is in default, that the Group is unlikely to receive the outstanding contractual amounts. When such events occur, the Group 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:

- the borrower is past due more than 60 calendar days and in a cross-default;
- the borrower restructured the asset once or more times over the past twelve months;
- enforcement in court or bankruptcy proceedings;
- reasonable and supportable information is available that indicates a counterparty is in significant financial difficulties, or that the levels of the borrower's income or its solvency significantly deteriorated;
- other evidence of impairment or default considered under the Group's Provision Calculation Methodology.

In accordance with the Group's policy, financial instruments are transferred from Stage 3, when none of the criteria for the occurrence of a default was observed at the reporting date, nor the reclassification criteria defined in the Group's Provision Calculation Methodology have been met. The decision as to whether an asset should be classified as Stage 2 or Stage 1 depends on whether there is an indication of an increase in credit risk at the reporting date since initial recognition, and whether the reclassification criteria defined in the Group's Provision Calculation Methodology have been met. These criteria include the following: A credit-impaired financial asset is transferred to the category of financial assets with indicators of a significant increase in credit risk, provided that the counterparty has repaid the outstanding amounts for a period of at least 12 months which results in the decrease in the gross carrying amount of the financial asset as of the date when allowance for expected credit losses (ECL) was created, to the amount equal to, or lower than, the outstanding amount at the time when the financial asset was transferred to 'credit impaired financial assets', and if events that are considered to be the evidence of the asset to be credit-impaired according to the criteria established by the Group's Provision Calculation Methodology, have not occurred, at the date of assessment. A financial asset with indicators of a significant increase in credit risk is transferred to the category of financial assets for which allowance for expected credit losses is measured at the amount equal to 12-month expected credit losses, provided that the counterparty has repaid the outstanding amounts, which results in the decrease in the gross carrying amount of the financial asset as of the date when allowance for expected credit losses (ECL) was created, to the amount equal to, or lower than, the outstanding amount at the time when the financial asset was transferred to 'the financial assets with indicators of a significant increase in credit risk', and if no significant increase in credit risk occurred on the financial asset as of the date when allowance for expected credit losses (ECL) was created.

Therefore, the criteria to be met for loans to be transferred (reclassified) between the stages of impairment include but not limited to one or more of the following conditions:

- a period from the date of mandatory restructuring, during which the financial condition of the borrower has deteriorated significantly, is at least 12 months. For loans issued to individuals, assessed on a collective basis, a minimum period of 6 months can be used, based on historical statistics on recovery of restructured loans issued to individuals, that indicates a stabilisation of dynamics to hold overdue payments, starting with the seventh payment. For other events, which are objective evidence of impairment, - from the time of exclusion of the event that caused the stage of credit impairment to have deteriorated.
- the aggregate amount of payments made by the borrower after the asset was recognised credit-impaired, is greater or equal to the amount past due earlier.

Treasury and interbank relationships

The treasury and interbank relationships of the Group comprise second-tier banks (STBs), including guaranteed loans provided by STBs, to which external credit ratings are assigned by at least by one of the three international rating agencies (Fitch Ratings, Moody's Investors Service, S&P Global Ratings). For assessment of interbank transactions with counterparties, the Group assesses each counterparty separately. For counterparties with an external rating provided by international rating agencies or other available sources, the Group uses the probability of default according to the Moody's Investors Service (corporate ratings).

Agribusiness lending

For agribusiness lending, the Group's structural divisions involved in calculating provisions perform work to determine whether there are indicators of a significant increase in credit risk, as well as loan impairment/default. The credit risk assessment is based on various historical, current and forward-looking information such as:

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance.
- Macroeconomic information.
- Other reasonable and supportable information about the quality of the client's management and capabilities that is relevant to assess the entity's performance.

Exposure at Default

Exposure at default (EAD) is the gross carrying amount of financial instruments subject to impairment assessment and it reflects both the ability of the client to increase its debt as it approaches default and the possibility of early repayment.

Loss Given Default

To determine the loss given default (LGD), the Group takes into consideration cash repayments from the borrower after default (Post-Default Rate - RR (Cash)) and collateral on the loan. The RR (Cash) is assessed once a quarter. The value of the collateral is reviewed within the approved time frame for the revaluation of collateral assets, agreed by the Group.

As part of determining cash flows, monthly cash repayments on defaulted loans (not including foreclosure amounts) are analysed for at least the last 5 (five) years and monthly cumulative RR (Cash) for 5 (five) years is calculated.

The credit risk assessment is based on a standardised 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 realised from any collateral held.

Significant increase in credit risk

At each reporting date, Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When making the assessment, the Group considers the change in the risk of a default occurring over the expected life of the financial instrument rather than the change in the amount of expected credit losses. The Group compares the risk of default on a financial instrument as at the reporting date with the risk of default on a financial instrument as at the date of initial recognition, and considers reasonable and supportable information that is available without undue cost or effort, which indicates a significant increase in credit risk from the time of initial recognition of the relevant instrument.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Group does not rely solely on information on overdue payments in determining whether credit risk has increased significantly since initial recognition. However, when such information is not available, the Group uses information on overdue payments and the existence of restructuring of the borrower's debt in determining whether the credit risk has increased significantly since the initial recognition of the asset.

Grouping financial assets measured on a collective basis

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

The Group assesses ECL on an individual basis for the following assets:

- all financial assets with indicators of impairment and/or default with a total debt of more than 0.2% of equity as at the previous reporting date according to the financial statements;
- treasury and interbank relationships (for example, amounts due from banks, cash equivalents and investment securities measured at amortised cost);
- financial assets that were classified as POCI at the time of derecognition of the original loan and recognition of the new loan as a result of debt restructuring.

The Group calculates ECL on a collective basis for financial assets with no indicators of impairment/default and/or debt of less than 0.2% of equity as at the previous reporting date according to the financial statements. When performing an assessment on a collective basis, segmentation of loans with similar risk characteristics for collective impairment evaluation is performed. ECLs for assets assessed on a collective basis are calculated for each segment separately.

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on macroeconomic forecast information on the GDP growth rates as economic inputs.

The choice of the macroeconomic factor is due to the fact that it is one of the most general (broad) indicators, in economic terms, that reflects the influence of many other factors.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

To obtain forward-looking information, the Group relies on data from external sources (official website of the relevant state authorities, the National Bank of the Republic of Kazakhstan and other external information sources). The table below shows the values of forecast economic variables/assumptions used in each economic scenario to assess ECLs. The data for the column 'Subsequent years' is a long-term average, and therefore, is the same for all scenarios as at 31 December 2022:

Key factors	*ECL scenario*	*Assigned probability, %*	*2023, %*
GDP growth			
	Optimistic	10%	1.63
	Base	70%	0.63
	Pessimistic	20%	(0.37)

The Group's financial assets and liabilities are concentrated in the Republic of Kazakhstan.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress conditions. To limit this risk, management has diversified funding sources. Management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021, based on contractual undiscounted payments.

At 31 December 2022	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total*
Non-derivative financial liabilities:						
Loans from the RK Government	986	3,250	3,250	69,999,125	–	70,006,611
Loans from the Parent Company	60,958	1,470,477	399,799	14,615,069	230,096,658	246,642,961
Loans and balances from banks and other financial institutions	8,456,205	2,594,311	6,229,008	19,931,590	97,616,698	134,827,812
Loans from state and budget organisations	1,000	4,888,766	3,809,361	3,139,528	254,013,032	265,851,687
Debt securities issued	21,014,430	14,444,171	13,366,036	32,545,656	544,580,660	625,950,953
Government grants	–	–	–	3,173,708	–	3,173,708
Other financial liabilities	4,153,399	2,615,475	38,470	244,767	640,573	7,692,684
Total liabilities	**33,686,978**	**26,016,450**	**23,845,924**	**143,649,443**	**1,126,947,621**	**1,354,146,416**

At 31 December 2021	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total*
Non-derivative financial liabilities:						
Loans from the Parent Company	79,427	1,240,797	459,388	14,479,090	179,368,899	195,627,601
Loans from state and budget organisations	–	3,477,238	4,170,159	2,559,407	240,261,179	250,467,983
Debt securities issued	–	4,723,578	5,772,671	28,241,249	297,006,292	335,743,790
Government grants	–	–	–	6,873,178	–	6,873,178
Other financial liabilities	26,822,805	–	–	1,144,233		27,967,038
Total liabilities	**26,902,232**	**9,441,613**	**10,402,218**	**53,297,157**	**716,636,370**	**816,679,590**

The table below shows the contractual maturity of the Group's contractual commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
2022	137,081,456	–	–	–	137,081,456
2021	155,298,995	–	–	–	155,298,995

The Group expects that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate for assets and liabilities of the Group is fixed.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	31 December 2022				
	KZT	*USD*	*EUR*	*RUB*	*Total*
Assets					
Cash and cash equivalents	166,550,286	5,934,020	–	–	172,484,306
Amounts due from credit institutions	10,518,187	–	–	–	10,518,187
Loans to customers	715,304,700	–	–	–	715,304,700
Finance lease receivables	403,869,553	–	–	–	403,869,553
Other financial assets	5,593,593	–	–	–	5,593,593
Total assets	**1,301,836,319**	**5,934,020**	**–**	**–**	**1,307,770,339**
Liabilities					
Amounts due to the Shareholder	101,001,736	–	–	–	101,001,736
Amounts due to the Government	60,747,873	–	–	–	60,747,873
Amounts due to state and budget organisations	182,850,442	–	–	–	182,850,442
Amounts due to credit institutions	79,522,517	–	–	–	79,522,517
Debt securities issued	384,728,108	–	–	–	384,728,108
Other financial liabilities	5,879,432	1,233,532	554,514	25,206	7,692,684
Total liabilities	**814,730,108**	**1,233,532**	**554,514**	**25,206**	**816,543,360**
Net position	**487,106,211**	**4,700,488**	**(554,514)**	**(25,206)**	**491,226,979**

	31 December 2021				
	KZT	*USD*	*EUR*	*RUB*	*Total*
Assets					
Cash and cash equivalents	102,853,173	–	–	–	102,853,173
Amounts due from credit institutions	12,708,512	–	–	–	12,708,512
Loans to customers	665,016,227	–	–	–	665,016,227
Finance lease receivables	9,626,642	–	–	–	9,626,642
Other assets	4,966,637	–	–	–	4,966,637
Total assets	**795,171,191**	**–**	**–**	**–**	**795,171,191**
Liabilities					
Amounts due to the Shareholder	94,260,422	–	–	–	94,260,422
Amounts due to state and budget organisations	166,814,395	–	–	–	166,814,395
Debt securities issued	196,654,238	–	–	–	196,654,238
Other liabilities	27,967,038	–	–	–	27,967,038
Total liabilities	**485,696,093**	**–**	**–**	**–**	**485,696,093**
Net position	**309,475,098**	**–**	**–**	**–**	**309,475,098**

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 Group 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 include effective segregation of duties, access rights, authorisation and reconciliation procedures, staff training, and assessment processes, including the use of internal audit.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

28. Changes in liabilities arising from financing activities

	Amounts due to the Shareholder	*Amounts due to credit institutions*	*Debt securities issued*	*Amounts due to the Government*	*Amounts due to state and budget organisations*	*Total liabilities from financing activities*
Carrying amount at 31 December 2020	**164,128,030**	**–**	**164,197,490**	**–**	**44,770,133**	**373,095,653**
Additions	18,591,199	–	83,951,457	70,000,000	35,029,196	207,571,852
Repayment	(52,182,190)	–	(38,988,349)	(70,000,000)	(10,152,235)	(171,322,774)
Dividends declared	13,762,035	–	–	–	–	13,762,035
Dividends paid	(13,762,035)	–	–	–	–	(13,762,035)
Discount/premium on initial recognition of liabilities at fair value	(42,302,269)	–	4,601,440	(5,711,976)	(20,368,775)	(63,781,580)
Reclassification *(Note 18)*	–	–	(23,914,950)	–	–	(23,914,950)
Recognised as a result of the business combination	–	–	7,732,456	–	112,360,228	120,092,684
Other	6,025,652	–	(925,306)	5,711,976	5,175,848	15,988,170
Carrying amount at 31 December 2021	**94,260,422**	**–**	**196,654,238**	**–**	**166,814,395**	**457,729,055**
Carrying amount at 31 December 2021	**94,260,422**	**–**	**196,654,238**	**–**	**166,814,395**	**457,729,055**
Acquisition of a subsidiary	11,371,533	34,582,270	152,870,792	–	–	198,824,595
Additions	8,300,000	78,277,000	50,230,366	140,000,000	31,428,726	308,236,092
Repayment	(14,569,037)	(6,898,950)	(17,390,000)*	(70,000,000)	(16,021,061)	(124,879,048)
Dividends declared	6,086,528	–	–	–	–	6,086,528
Dividends paid	(6,086,528)	–	–	–	–	(6,086,528)
Discount/premium on initial recognition of liabilities at fair value	(4,891,183)	(27,056,501)	(382,857)	(21,331,391)	(18,274,080)	(71,936,011)
Other	6,530,001	618,698	2,745,569	12,079,264	18,902,462	40,875,993
Carrying amount at 31 December 2022	**101,001,736**	**79,522,517**	**384,728,108**	**60,747,873**	**182,850,442**	**808,850,676**

* In the consolidated statement of cash flows for the year ended 31 December 2022, included in redemptions of debt securities issued is the repaid amount of KZT 22,940,000 thousand, which comprise the principal amount outstanding on securities of the 1st bond issue under the 3rd bond programme, AGKKb6 (NIN KZ2C00003507), with a redemption date of 30 December 2021, reclassified into 'other liabilities' as at 31 December 2021 *(Note 18)*.

The item 'Other' includes, except discount/premium for the period, the effect of accrued but not paid interest on liabilities arising from financing activities. The Group recognised paid interest as cash flows from operating activities.

29. Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 prices (unadjusted) 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.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

The following table provides an analysis of financial instruments whose fair values are disclosed by levels of the hierarchy of sources of fair value:

	Valuation date	*Fair value measurement using* Input data of Level 1	Input data of Level 2	Input data of Level 3	*Total*
At 31 December 2022					
Assets with a disclosed fair value					
Cash and cash equivalents	31 December 2022	–	172,484,306	–	172,484,306
Loans to banks	31 December 2022	–	10,124,199	–	10,124,199
Loans to customers	31 December 2022	–	511,955,769	97,418,176	609,373,945
Finance lease receivables	31 December 2022	–	322,917,228	19,601,683	342,518,911
Investment securities	31 December 2022	–	–	–	–
Other financial assets	31 December 2022	–	5,593,593	–	5,593,593
Liabilities whose fair value is disclosed					
Amounts due to the Shareholder	31 December 2022	–	83,411,236	–	83,411,236
Amounts due to credit institutions	31 December 2022	–	80,564,909	–	80,564,909
Amounts due to state and budget organisations	31 December 2022	–	152,810,376	–	152,810,376
Amounts due to the Government	31 December 2022	–	60,336,768	–	60,336,768
Debt securities issued	31 December 2022	136,525,038	217,938,503	–	354,463,541
Accounts payable	31 December 2022	–	3,070,663	–	3,070,663
Other financial liabilities	31 December 2022	–	7,692,684	–	7,692,684
At 31 December 2021					
Assets with a disclosed fair value					
Cash and cash equivalents	31 December 2021	–	102,853,173	–	102,853,173
Loans to banks	31 December 2021	–	13,650,671	–	13,650,671
Loans to customers	31 December 2021	–	386,861,953	191,427,526	578,289,479
Finance lease receivables	31 December 2021	–	3,839,375	4,291,425	8,130,800
Investment securities	31 December 2021	–	835,891	–	835,891
Other financial assets	31 December 2021	–	4,966,637	–	4,966,637
Liabilities whose fair value is disclosed					
Amounts due to the Shareholder	31 December 2021	–	87,047,530	–	87,047,530
Amounts due to state and budget organisations	31 December 2021	–	160,515,209	–	160,515,209
Debt securities issued	31 December 2021	–	197,086,612	–	197,086,612
Other financial liabilities	31 December 2021	–	27,967,038	–	27,967,038

Financial instruments not measured at fair value in the condensed consolidated statement of financial position

A comparison of the carrying amounts and fair values of the Group's financial instruments presented in the financial statements is provided below. Fair values of non-financial assets and non-financial liabilities are not presented in the table.

	31 December 2022 Carrying amount	Fair value	Unrecognised profit/(loss)
Financial assets			
Cash and cash equivalents	172,484,306	172,484,306	–
Loans to banks	10,518,187	10,124,199	(393,988)
Loans to customers	715,304,700	609,373,945	(105,930,755)
Finance lease receivables	403,869,553	342,518,911	(61,350,642)
Other financial assets	5,593,593	5,593,593	–
Financial liabilities			
Amounts due to the Shareholder	101,001,736	83,411,236	17,590,500
Amounts due to credit institutions	79,522,517	80,564,909	(1,042,392)
Amounts due to state and budget organisations	182,850,442	152,810,376	30,040,066
Amounts due to the Government	60,747,873	60,336,768	411,105
Debt securities issued	384,728,108	354,463,541	30,264,567
Other financial liabilities	7,692,684	7,692,684	–
Total unrecognised change in unrealised fair value			**(90,411,539)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	31 December 2021		
	Carrying amount	*Fair value*	*Unrecognised profit/(loss)*
Financial assets			
Cash and cash equivalents	102,853,173	102,853,173	–
Loans to banks	12,708,512	13,650,671	942,159
Loans to customers	665,016,227	578,289,479	(86,726,748)
Finance lease receivables	9,626,642	8,130,800	(1,495,842)
Investment securities	839,325	835,891	(3,434)
Other financial assets	4,966,637	4,966,637	–
Financial liabilities			
Amounts due to the Shareholder	94,260,422	87,047,530	7,212,892
Amounts due to state and budget organisations	166,814,395	160,515,209	6,299,186
Debt securities issued	196,654,238	197,086,612	(432,374)
Other financial liabilities	27,967,038	27,967,038	–
Total unrecognised change in unrealised fair value			**(74,204,161)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments, which are not recorded at fair value in these consolidated financial statements.

Assets which fair value approximates their present value

For financial assets and financial liabilities that are liquid or have a short maturity (less than three months), it is assumed that their present value approximates fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed rate instruments

For listed debt instruments, the fair value is based on quoted market prices. In case of non-quoted debt instruments, a discounted cash flow model is used using the current interest rate, taking into account the remaining period to maturity for debt instruments with similar terms and credit risk.

For loans to banks and loans to customers future cash flows are discounted using an average market rate of financial instruments with similar maturities, based on statistics published by the NBRK. This approach was used to measure the fair value of loans to customers. As at 31 December 2022, an average market interest rate was 15.40% - 21.90% p.a. (31 December 2021: 10.54-16.70% p.a.).

For liabilities whose fair value is disclosed in the consolidated financial statements, future cash flows are discounted using the market interest rates calculated using the build-up model, using all observable inputs such as KASE yield curve and credit spread for the rating of the Group adjusted by maturity, published by Bloomberg. As at 31 December 2022, the market interest rate used to measure the fair value of loans raised was 14.12-17.64% p.a. (31 December 2021: 10.42-12.47% p.a.). Future cash flows include repayment of a principal debt and interest calculated at the contractual interest rate applied to the principal debt.

30. Maturity analysis of assets and liabilities

The following table shows assets and liabilities by expected maturities. See *Note 27 Risk Management* for the Group's contractual undiscounted repayment obligations.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

31 December 2022	*On demand*	*Less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total*
Assets								
Cash and cash equivalents	68,685,571	74,234,456	29,564,279	–	–	–	–	172,484,306
Amounts due from credit institutions	–	188,793	9,527,732	418,214	383,448	–	–	10,518,187
Loans to customers	37,662,960	14,207,952	44,947,247	124,140,447	352,119,417	142,226,677	–	715,304,700
Finance lease receivables	8,335,047	4,554,732	25,143,786	48,621,168	211,013,403	106,201,417	–	403,869,553
Assets held for sale	–	–	–	1,024,785	–	–	–	1,024,785
Investment property	–	–	–	–	–	–	2,899,093	2,899,093
Property, plant and equipment	–	–	–	–	–	–	2,317,727	2,317,727
Intangible assets	–	–	–	–	–	–	978,317	978,317
Current corporate income tax assets	–	–	–	1,950,809	–	–	–	1,950,809
Value added tax and other taxes receivable	–	159,845	790,755	1,573,920	5,998,661	405	–	8,523,586
Other assets	39,495	623,606	244,272	2,754,735	1,842,149	1,642,288	2,869,777	10,016,322
Total assets	**114,723,073**	**93,969,384**	**110,218,071**	**180,484,078**	**571,357,078**	**250,070,787**	**9,064,914**	**1,329,887,385**
Liabilities								
Amounts due to the Shareholder	–	10,401	615,118	7,508,254	23,326,085	69,541,878	–	101,001,736
Amounts due to the Government	–	434	1,302	60,746,137	–	–	–	60,747,873
Amounts due to credit institutions	–	8,688,658	232,159	18,754,271	48,873,380	2,974,049	–	79,522,517
Debt securities issued	–	20,443,759	14,753,369	12,008,017	130,041,983	207,480,980	–	384,728,108
Amounts due to state and budget organisations	–	126	613,204	871,267	121,610,220	59,755,625	–	182,850,442
Current estimated liabilities	–	–	–	1,403,575	–	–	–	1,403,575
Deferred value added tax liabilities	–	156,068	700,793	1,329,266	6,705,707	2,025,539	–	10,917,373
Deferred corporate income tax liabilities	–	–	–	–	–	12,348,397	–	12,348,397
Government grants	–	24,729	48,108	3,412,426	1,755,503	59,582,327	–	64,823,093
Other liabilities	3,064,123	925,879	2,869,603	9,073,510	47,307	593,264	–	16,573,686
Total liabilities	**3,064,123**	**30,250,054**	**19,833,656**	**115,106,723**	**332,360,185**	**414,302,050**	**–**	**914,916,800**
Net position as at 31 December 2022	**111,658,950**	**63,719,330**	**90,384,415**	**65,377,355**	**238,996,893**	**(164,231,272)**	**9,064,914**	**414,970,585**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

31 December 2021	*On demand*	*Less than 1 month*	*From 1 to 3 months*	*From 3 months to 1 year*	*From 1 to 5 years*	*More than 5 years*	*No maturity*	*Total*
Assets								
Cash and cash equivalents	73,366,837	29,486,336	-	-	-	-	-	102,853,173
Amounts due from credit institutions	-	447,469	424,752	2,653,783	9,160,537	21,971	-	12,708,512
Loans to customers	10,413,597	7,072,081	29,891,601	96,519,567	371,148,147	149,971,234	-	665,016,227
Finance lease receivables	-	274,618	70,577	687,786	5,062,151	3,531,510	-	9,626,642
Assets held for sale	-	-	-	1,601,806	-	-	-	1,601,806
Held-to-maturity investment securities	-	242,070	9,342	-	587,913	-	-	839,325
Investment property	-	-	-	-	-	-	3,128,638	3,128,638
Property, plant and equipment	-	-	-	-	-	-	1,425,804	1,425,804
Intangible assets	-	-	-	-	-	-	624,683	624,683
Current corporate income tax assets	-	-	-	1,785,126	-	-	-	1,785,126
Value added tax and other taxes receivable	-	-	1,080,701	-	-	-	-	1,080,701
Other assets	1,285,656	11,730	663,123	602,988	1,121,282	2,109,562	-	5,794,341
Total assets	**85,066,090**	**37,534,304**	**32,140,096**	**103,851,056**	**387,080,030**	**155,634,277**	**5,179,125**	**806,484,978**
Liabilities								
Amounts due to the Shareholder	-	67,553	851,009	6,765,001	26,630,748	59,946,111	-	94,260,422
Debt securities issued	-	-	1,138,932	19,887,984	72,518,980	103,108,342	-	196,654,238
Amounts due to state and budget organisations	-	-	2,308,236	4,462,381	85,966,208	74,077,570	-	166,814,395
Current estimated liabilities	-	-	-	1,205,120	-	-	-	1,205,120
Deferred corporate income tax liabilities	-	-	-	-	-	-	6,614,451	6,614,451
Government grants	-	-	-	6,873,178	-	33,641,832	-	40,515,010
Other liabilities	-	24,845,016	1,373,656	3,513,229	-	-	-	29,731,901
Total liabilities	**-**	**24,912,569**	**5,671,833**	**42,706,893**	**185,115,936**	**270,773,855**	**6,614,451**	**535,795,537**
Net position as at 31 December 2021	**85,066,090**	**12,621,735**	**26,468,263**	**61,144,163**	**201,964,094**	**(115,139,578)**	**(1,435,326)**	**270,689,441**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

31. Segment reporting

The Group's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Group's assets are located in the Republic of Kazakhstan and the Group generates income from operations conducted within and associated with the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Group, the Chairman of the Board, receives and reviews the information on the Group as a whole.

32. Related party transactions

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.

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.

The Government of the Republic of Kazakhstan controls the Group's operations through the Shareholder.

The outstanding balances of related party transactions as at the end of the reporting period and respective amounts of income and expenses are provided below:

	31 December 2022				*31 December 2021*			
	Nominal interest rate, %	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*	*Nominal interest rate, %*	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*
Assets								
Cash and cash equivalents	–	–	33	114,953,021	–	–	–	29,486,336
Investment securities	–	–	–	–	9.70-12.00	–	597,255	242,070
Loans to customers	–	–	–	–	5.00	–	11,282,534	–
Current corporate income tax assets	–	–	–	1,950,809	–	–	–	1,785,126
Value added tax and other taxes receivable	–	–	–	8,523,586	–	–	–	1,080,701
Liabilities								
Amounts due to the Shareholder	0.28-10.00	101,001,736	–	–	1.00-5.00	94,260,422	–	–
Amounts due to the Government	0.01	–	–	60,747,873	–	–	–	–
Amounts due to state and budget organisations	0.01	–	–	182,850,442	0.01	–	–	166,814,395
Amounts due from credit institutions	0.35	–	3,000,898	–	–	–	–	–
Debt securities issued	7.10-15.00	172,879,053	22,727,882	88,170,901	7.10-15.00	115,185,764	–	71,996,304
Deferred corporate income tax liabilities	–	–	–	12,348,397	–	–	–	6,614,451
Deferred VAT liabilities	–	–	–	10,917,373				
Government grants	–	–	–	64,823,093	–	–	–	40,515,010
Other liabilities	–	–	–	3,015,774	–	23,914,950	–	2,076,435

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

	2022			2021		
	Shareholder	*Entities under common control of the Shareholder*	*Government-related organisations*	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*
Interest income on cash and cash equivalents	–	–	3,129,827	–	–	2,352,212
Interest income on investment securities	–	32,362	1,168	–	65,250	1,875
Interest income on loans to customers	–	967,185	–	–	1,727,677	–
Interest expense on loans received	(8,670,490)	(26,849)	(31,027,448)	(10,513,105)	–	(10,901,040)
Interest expense on debt securities issued	(16,389,660)	(1,076,581)	(10,640,035)	(7,629,704)	(60,590)	(10,035,048)
Accrual of credit losses	–	(608,177)	(1,861)	–	(359,112)	–
Other income/expenses	–	–	43,586,419	–	–	20,554,771
Corporate income tax expense	–	–	(2,830,316)	–	–	(2,202,454)

Key management remuneration

Key management remuneration comprises the following:

	2022	*2021*
Wages and salaries and other short-term benefits	176,823	167,210
Remuneration of the members of the Board of Directors	25,771	32,366
The Board of Directors administrative expenses	6,710	11,709
Social security costs	19,005	18,247
Total key management remuneration	**228,309**	**229,532**

33. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The capital adequacy of the Company and its Subsidiary is monitored using, among other measures, the ratios established by the NBRK.

As at 31 December 2022 and 31 December 2021, the Company and the Subsidiary were in full compliance with the externally imposed capital requirements (31 December 2021: the Company was in full compliance with the externally imposed capital requirements).

The Company's and the Subsidiary's capital management policy is to ensure the compliance with externally imposed capital requirements and maintain a credit rating and capital adequacy ratios, which ensure the sustainable operation and maximize shareholder value.

The Group manages and reviews the structure of the Group's capital given the changes in economic conditions and characteristics of risks of the types of its activities.

The NBRK requires that the organisations engaged in certain types of banking activity to maintain a Tier 1 capital adequacy ratio (k1) of at least 6% of the assets; capital adequacy ratio (k1-2) in the amount of at least 6% of assets and risk-weighted contingent liabilities and commitments, and a total capital adequacy ratio (k1-3) of at least 12% of the assets and contingent liabilities and commitments weighted based on risk and operational risk.

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

'000 KZT

As at 31 December 2022 and 31 December 2021, the Company's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

	31 December 2022	*31 December 2021*
Tier 1 capital	392,394,568	261,475,207
Tier 2 capital	11,488,171	8,695,040
Total equity	**403,882,739**	**270,170,247**
Risk-weighted assets	791,514,677	770,484,968
Commitments and contingencies	59,413,573	77,649,498
Operational risk	25,887,765	21,785,778
Capital adequacy ratio (k1)	38.71%	32.42%
Capital adequacy ratio (k1-2)	46.11%	30.83%
Capital adequacy ratio (k1-3)	29.24%	31.06%

As at 31 December 2022, the capital adequacy ratios of the Company's subsidiary calculated in accordance with the requirements of the NBRK were as follows:

	31 December 2022
Tier 1 capital	136,280,751
Tier 2 capital	20,619,374
Total capital	**156,900,125**
Total assets	**485,259,494**
Risk-weighted assets and commitments and contingent liabilities	459,694,541
Operational risk	19,610,906
Capital adequacy ratio (k1)	28.08%
Capital adequacy ratio (k1-2)	29.65%
Capital adequacy ratio (k1-3)	32.73%

34. Subsequent events

On 30 December 2022, the Minister of Labour and Social Protection of the Population of the Republic of Kazakhstan introduced amendments and additions to the "Rules of the organisation and financing of measures for assistance to entrepreneurial initiative" No. 47 of 7 February 2022. In accordance with the amendments introduced, a new mechanism for granting micro-loans to young people through an agent, the Group, has been established for these purposes, in March 2023, the Group received the funding of KZT 29 billion for its subsequent distribution as loans to young people, following the decision made by the state employment and social welfare department of a related region. Financing is expected to be provided to about 5,800 business entities set up by young people. Micro-loans will be granted to persons of 21- 35 years of age; loans bear a nominal interest rate of 2.50% and mature in 5-7 years. In turn, the Group will receive the agreed commission percentage for the agency services it is set to provide.

In January 2023, the Group fully repaid the amount due to Citibank Kazakhstan JSC, totalling KZT 8.2 billion, outstanding as at 31 December 2022, in accordance with the contractual maturity.

In February-March 2023, the Company received loans of KZT 140 billion from the Ministry of Finance of the Republic of Kazakhstan; loans bear a nominal rate of 0.01% and mature in November 2024, intended for financing spring field works.

On 24 January 2023, the Group made payment to redeem in full the bonds issued under the programme KZ2C00002749 (KAFIb3), totalling KZT 17.6 billion.

On 21 February 2023, the Group made payment to redeem in full the 1st issue of the 2nd bond programme (ISIN KZ2C00002731), totalling KZT 10 billion.