

Agrarian Credit Corporation Joint Stock Company

Unconsolidated Interim Condensed Financial Statements

for the six months ended 30 June 2023

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Independent Auditors' Report on Review of Unconsolidated Interim Condensed Financial Information

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

Introduction

We have reviewed the accompanying unconsolidated interim condensed statement of financial position of Agrarian Credit Corporation Joint Stock Company (the "Company") as at 30 June 2023, and the related unconsolidated interim condensed statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the unconsolidated interim condensed financial information (the "unconsolidated interim condensed financial information"). Management of the Company is responsible for the preparation and presentation of this unconsolidated interim condensed financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this unconsolidated interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of unconsolidated interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Opinion

As at 30 June 2022 and 1 January 2022 for the loans issued to corporate customers, classified in Stage 3, with the gross carrying amount of KZT 336,882,696 thousand and KZT 304,221,793 thousand, respectively, the Company recognised an allowance for expected credit losses in the amount of KZT 68,173,150 thousand and KZT 62,564,653 thousand, respectively. International Financial Reporting Standard IFRS 9 *Financial Instruments* requires the entity to use reasonable and supportable information on which assumptions and expectations are based when measuring expected credit losses. We disagree with certain assumptions used in comparative period 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. The qualitative effect of this departure from the requirements of International Financial Reporting Standards on credit losses expenses and other related items comprising the unconsolidated interim condensed statements of profit or loss, comprehensive income and changes in equity as at and for the six months ended 30 June 2022 has not been determined.



Agrarian Credit Corporation JSC

Independent Auditors' Report on Review of Unconsolidated Interim Condensed Financial Information

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Qualified Conclusion

Based on our review, except for the effect of the circumstances on comparative data described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the unconsolidated interim condensed financial information as at 30 June 2023 and for the six-month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.



Assel Urdabayeva
Authorised Representative (Audit Partner)
KPMG Audit LLC
Almaty, Republic of Kazakhstan

1 August 2023

UNCONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**As at 30 June 2023**

'000 KZT

	Note	30 June 2023 (unaudited)	31 December 2022*
Assets			
Cash and cash equivalents	4	125,674,244	107,720,283
Loans to banks	5	56,729,884	10,456,354
Loans to customers	6	802,945,671	722,917,368
Finance lease receivables	7	9,337,654	10,205,360
Investments in subsidiaries		147,470,014	147,470,014
Assets classified as held for sale		1,002,691	1,024,785
Investment securities		590,086	592,637
Investment property		2,668,146	2,899,093
Property, plant and equipment		1,243,885	1,344,905
Intangible assets		467,998	530,705
Current corporate income tax assets		2,605,386	1,816,694
Other assets		5,303,845	6,612,320
Total assets		1,156,039,504	1,013,590,518
Liabilities			
Amounts due to the Shareholder	8	91,534,139	89,417,496
Amounts due to credit institutions	9	49,324,400	48,884,037
Amounts due to the Government of the Republic of Kazakhstan	10	167,322,747	60,747,873
Amounts due to state and budget organisations	11	182,827,286	182,850,442
Debt securities issued	12	170,571,378	178,599,494
Dividends payable	15	13,677,185	-
Current estimated liabilities		1,000,244	1,403,575
Deferred corporate income tax liabilities		6,914,433	4,763,872
Government grants	13	34,338,456	37,797,142
Other liabilities	14	25,828,507	4,794,370
Total liabilities		743,338,775	609,258,301
Equity			
Share capital	15	408,284,724	408,284,724
Reserve capital	15	19,704,422	13,846,278
Accumulated losses		(15,288,417)	(17,798,785)
Total equity		412,700,729	404,332,217
Total liabilities and equity		1,156,039,504	1,013,590,518
Carrying value of one ordinary share (KZT)	15	1,012.71	992.00

* Certain amounts stated in this column are not consistent with the financial statements for the year ended 31 December 2022 as they reflect the reclassifications detailed in Note 15.

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

Sapulatov Kairat Kaertarovich

Deputy Chairperson of the Management Board,
member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

1 August 2023



The selected explanatory notes set out on pages 10 to 38 form an integral part of these unconsolidated interim condensed financial statements.

UNCONSOLIDATED INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023

000 KZT

	Note	Unaudited for the six months ended 30 June	
		2023	2022
Interest income calculated using the effective interest method			
Cash and cash equivalents		9,108,215	4,129,159
Loans to banks		2,716,987	1,720,210
Loans to customers		58,987,516	51,423,880
Investment securities		31,931	33,539
		70,844,649	57,306,788
Other interest income			
Finance lease receivables		400,727	436,487
		71,245,376	57,743,275
Interest expense			
Amounts due to the Shareholder		(3,792,878)	(3,831,173)
Amounts due to the Government of the Republic of Kazakhstan		(14,202,260)	(2,611,695)
Amounts due to state and budget organisations		(8,803,985)	(7,367,564)
Debt securities issued		(9,436,267)	(10,495,519)
Amounts due to credit institutions		(3,968,744)	-
Other liabilities		-	(6,991)
		(40,204,134)	(24,312,942)
Net interest income		31,041,242	33,430,333
Expenses on credit losses	16	(16,914,068)	(7,403,151)
Net interest income net of expenses on credit losses		14,127,174	26,027,182
Dividend income		10,309,687	-
Net foreign exchange gain/(loss)		6	(3,594)
Personnel expenses		(3,374,370)	(3,106,673)
Other operating expenses		(1,976,984)	(1,416,754)
Other income, net	17	7,116,242	234,174
Non-interest income/(expense)		12,074,581	(4,292,847)
Profit before income tax		26,201,755	21,734,335
Corporate income tax expense	18	(4,156,058)	(3,356,414)
Profit for the period		22,045,697	18,377,921

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

Sapulatov Kairat Kaertarovich

Deputy Chairperson of the Management Board,
member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

1 August 2023



The selected explanatory notes set out on pages 10 to 38 form an integral part of these unconsolidated interim condensed financial statements.

UNCONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023

'000 KZT

	<i>Unaudited for the six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
Profit for the period	22,045,697	18,377,921
Other comprehensive income for the period	-	-
Total comprehensive income for the period	22,045,697	18,377,921

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

Sapulatov Kairat Kaertarovich

Deputy Chairperson of the Management Board,
member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

1 August 2023



UNCONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2023

’000 KZT

	Note	Share capital	Reserve capital	Retained earnings/(accumulated losses)	Total
At 1 January 2022		254,366,870	11,237,766	5,084,805	270,689,441
Total comprehensive income for the period (unaudited)		–	–	18,377,921	18,377,921
Increase in reserve capital (unaudited)	15	–	2,608,512	(2,608,512)	–
Dividends declared (unaudited)	15	–	–	(6,086,528)	(6,086,528)
At 30 June 2022 (unaudited)		254,366,870	13,846,278	14,767,686	282,980,834
At 31 December 2022*		408,284,724	13,846,278	(17,798,785)	404,332,217
Total comprehensive income for the period (unaudited)		–	–	22,045,697	22,045,697
Increase in reserve capital (unaudited)	15	–	5,858,144	(5,858,144)	–
Dividends declared (unaudited)	15	–	–	(13,677,185)	(13,677,185)
At 30 June 2023 (unaudited)		408,284,724	19,704,422	(15,288,417)	412,700,729

* Certain amounts stated in this row are not consistent with the financial statements for the year ended 31 December 2022 as they reflect the reclassifications detailed in Note 15.

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



Sapdutar Kalta Kaertarovich

Deputy Chairperson of the Management Board,
member of the Management Board

Zatullayeva Irpa Nikolayevna

Chief Accountant

The selected explanatory notes set out on pages 10 to 38 form an integral part of these unconsolidated interim condensed financial statements.

UNCONSOLIDATED INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2023

'000 KZT

	Note	Unaudited for the six months ended 30 June	
		2023	2022
Cash flows from operating activities			
Interest received		41,943,484	26,667,489
Interest paid		(12,393,180)	(12,665,444)
Personnel expenses paid		(3,840,445)	(3,145,776)
Other operating expenses paid		(1,212,265)	(1,834,227)
Cash flows from operating activities before changes in operating assets and liabilities		24,497,594	9,022,042
<i>Net (increase)/ decrease in operating assets</i>			
Loans to banks		(50,585,391)	(31,820,494)
Loans to customers		(85,627,976)	(70,387,889)
Finance lease receivables		100,249	44,444
Other assets		465,099	1,177,051
<i>Net increase/ (decrease) in operating liabilities</i>			
Government grants		567,423	3,371,400
Other liabilities		19,747,930	1,858,251
Net cash used in operating activities before corporate income tax paid		(90,835,072)	(86,735,195)
Corporate income tax paid		(2,782,781)	(3,849,559)
Net cash used in operating activities		(93,617,853)	(90,584,754)
Cash flows from investing activities			
Proceeds from repayment of securities		3,152	232,000
Acquisition of property, plant and equipment		(87,830)	(40,880)
Acquisition of intangible assets		-	(7,350)
Dividends received		10,309,687	-
Net cash flows from investing activities		10,225,009	183,770
Cash flows from financing activities			
Proceeds from loans from the Government of the Republic of Kazakhstan	10	140,000,000	110,000,000
Repayment of loans from the Government of the Republic of Kazakhstan	10	(20,003,000)	-
Proceeds from loans from the Shareholder		-	8,300,000
Repayment of loans from the Shareholder		(826,852)	(866,201)
Proceeds from external borrowings	9	16,767,000	-
Repayment of external borrowings	9	(16,244,000)	-
Repayment of debt securities issued	12	(10,000,000)	(22,940,000)
Proceeds from loans from state and budget organisations	11	1,000,000	500,000
Repayment of loans from state and budget organisations		(9,345,091)	(7,639,304)
Dividends paid		-	(6,086,528)
Net cash from financing activities		101,348,057	81,267,967
Effect of expected credit losses on cash and cash equivalents		(1,252)	809
Net change in cash and cash equivalents		17,953,961	(9,132,208)
Cash and cash equivalents at the beginning of the period		107,720,283	102,853,173
Cash and cash equivalents at the end of the period	4	125,674,244	93,720,965

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

Sapulatov Kairat Kaertarovich

Deputy Chairperson of the Management Board,
member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

1 August 2023



The signed (Sapulatov) notes set out on pages 10 to 38 form an integral part of these unconsolidated interim condensed financial statements.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

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1. Reporting entity

Agrarian Credit Corporation Joint Stock Company (hereinafter, 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 30 June 2023 and 31 December 2022, the Company had 19 registered branches in the Republic of Kazakhstan.

As at 30 June 2023 and 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.

As at 30 June 2023 and 31 December 2022, Baiterek National Managing Holding JSC ("Baiterek" or "Shareholder") owns 100% of the Company's shares.

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

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

Business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company 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.

The 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 unconsolidated interim condensed financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2. Basis of preparation

Statement of compliance

These unconsolidated interim condensed financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual unconsolidated financial statements as at 31 December 2022 and for the year then ended. These unconsolidated interim condensed financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

'000 KZT

The Company has also prepared the consolidated interim financial statements for the six months ended 30 June 2023 in accordance with IAS 34 *Interim Financial Reporting* that can be obtained from the Company's registered office.

Basis of measurement

The unconsolidated interim condensed financial statements have been prepared on the historical cost basis.

Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The KZT is also the presentation currency for the purposes of these unconsolidated interim condensed financial statements.

All financial information presented in KZT has been rounded to the nearest thousand.

Use of estimates and judgments

Preparing the unconsolidated interim condensed financial statements requires management to make judgements, estimates assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods, in which changes in estimates affect data in the condensed interim financial information.

The most significant judgements described in Notes 5, 6 and 10 made by management in applying the Company's accounting policies are the key sources of estimation uncertainty were the same as those that applied to the last annual unconsolidated financial statements.

3. Significant accounting policies

The accounting policies applied in these unconsolidated interim condensed financial statements are the same as those applied in the last annual unconsolidated financial statements

A number of new standards and amendments to standards are effective came into force from 1 January 2023 but they had no material effect on the Company's unconsolidated interim condensed financial statements:

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

A number of standards, amended standards and interpretations issued by IASB will become effective for future reporting periods and have not been early adopted by the Company:

- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1 and IAS 8), effective for the annual periods beginning after 1 January 2024;
- *Non-current Liabilities with Covenants* (Amendments to IAS 1), effective for the annual periods beginning after 1 January 2024;
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16), effective for the annual periods beginning after 1 January 2024.

These new standards and interpretations are not expected to have a significant impact on the Company's unconsolidated interim condensed financial statements.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

'000 KZT

4. Cash and cash equivalents

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Reverse repurchase agreements	61,044,552	69,114,656
Cash on current bank accounts with the Republican State Enterprise (RSE) "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"	23,546,085	10,351,066
Cash on current bank accounts	20,110,699	28,256,373
NBRK notes	18,912,396	-
Overnight deposits with other banks	2,064,331	741
Cash on hand	-	14
	125,678,063	107,722,850
Allowance for expected credit losses	(3,819)	(2,567)
Cash and cash equivalents	125,674,244	107,720,283

As at 30 June 2023, cash and cash equivalents are not past due and are categorised into Stage 1 of credit risk (unaudited) (31 December 2022: cash and cash equivalents are not past due and are categorised into Stage 1).

As at 30 June 2023 and 31 December 2022, 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:

	<i>30 June 2023 (unaudited)</i>					<i>Total</i>
	<i>Current accounts</i>	<i>Current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"</i>	<i>NBRK notes</i>	<i>Overnight deposits with other banks</i>	<i>Reverse repurchase agreements</i>	
Not overdue						
- NBRK notes (not rated)	-	-	18,912,396	-	-	18,912,396
- Cash on current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan" (not rated)	-	23,546,085	-	-	-	23,546,085
- rated from BBB- to BBB+	7,717,933	-	-	-	-	7,717,933
- rated from BB- to BB+	5,090,310	-	-	2,061,143	-	7,151,453
- rated from B- to B+	7,256,834	-	-	-	-	7,256,834
- not rated	45,622	-	-	3,188	61,044,552	61,093,362
	20,110,699	23,546,085	18,912,396	2,064,331	61,044,552	125,678,063
Allowance for expected credit losses	(1,050)	(255)	(1,067)	(123)	(1,324)	(3,819)
Total cash and cash equivalents, net of cash on hand	20,109,649	23,545,830	18,911,329	2,064,208	61,043,228	125,674,244

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

'000 KZT

	31 December 2022				
	Current accounts	Current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"	Overnight deposits with other banks	Reverse repurchase agreements	Total
Not overdue					
- 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
- rated from BBB- to BBB+	20,146,053	-	-	-	20,146,053
- rated from BB- to BB+	73,439	-	-	-	73,439
- rated from B- to B+	4,407,450	-	-	-	4,407,450
- not rated	3,629,431	-	741	69,114,656	72,744,828
	28,256,373	10,351,066	741	69,114,656	107,722,836
Allowance for expected credit losses	(835)	(124)	-	(1,608)	(2,567)
Total cash and cash equivalents, net of cash on hand	28,255,538	10,350,942	741	69,113,048	107,720,269

As at 30 June 2023, the balance of not rated cash and cash equivalents includes the balances with Citibank Kazakhstan JSC (unaudited) (31 December 2022: Citibank Kazakhstan JSC and Bereke Bank JSC).

As at 30 June 2023 the Company has no accounts with a bank, whose total balances of cash and cash equivalents exceed 10.00% of the equity (unaudited) (31 December 2022: no accounts with a bank, whose total balances of cash and cash equivalents exceed 10.00% of the equity).

As at 30 June 2023 the Company 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. The total fair value of the above financial instruments was KZT 61,357,457 (unaudited) (31 December 2022: KZT 69,312,849 thousand). The carrying amount under reverse repo agreements as at the reporting date was KZT 61,043,228 thousand (unaudited) (31 December 2022: KZT 69,113,048 thousand).

5. Loans to banks

	30 June 2023 (unaudited)	31 December 2022
Loans to second-tier banks	56,893,765	10,463,976
Allowance for expected credit losses	(163,881)	(7,622)
Due from banks	56,729,884	10,456,354

As at 30 June 2023, loans to second-tier banks are not overdue and are categorised into Stage 1 (unaudited) (31 December 2022: loans to second-tier banks are not overdue and are categorised into Stage 1).

The following table provides information about credit quality of loans to banks:

	30 June 2023 (unaudited)	31 December 2022
Not overdue		
- rated from BBB- to BBB+	52,401,001	9,406,581
- rated from B- to B+	4,492,764	1,057,395
	56,893,765	10,463,976
Allowance for expected credit losses	(163,881)	(7,622)
Due from banks	56,729,884	10,456,354

During the six months ended 30 June 2023, as part of Ken-Dala annual government programme for support of the spring field works, the Company provided loans to Halyk Bank of Kazakhstan JSC for the total amount of KZT 56,000,000 thousand (unaudited) and to Bank CenterCredit JSC for the total amount of KZT 4,861,311 thousand (unaudited), at below market interest rate of 1.50% per annum and maturing on 1 March 2024.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

'000 KZT

During the six months ended 30 June 2022, as part of Ken-Dala annual government programme for support of the spring field works, the Company provided loans to Halyk Bank of Kazakhstan JSC for the total amount of KZT 29,967,000 thousand (unaudited) and to First Heartland Jusan Bank JSC for the total amount of KZT 2,990,000 thousand (unaudited), at below market interest rate of 1.50% per annum and maturing on 1 December 2022.

During the six months ended 30 June 2023, the Company recognised a discount of KZT 6,765,769 thousand (unaudited) (during the six months ended 30 June 2022: KZT 2,776,745 thousand (unaudited)) as a loss on initial recognition of loans at the below-market interest rates, and interest income on unwinding of discount in the amount of KZT 2,164,633 thousand (unaudited) (during the six months ended 30 June 2022: KZT 1,082,370 thousand (unaudited)) in the unconsolidated interim condensed statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Company applied estimated market interest rates of 16.28% - 18.42% per annum (during the six months ended 30 June 2022: 14.91% - 17.36% per annum) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

As at 30 June 2023, the Company has a balance with 1 bank (unaudited) (31 December 2022: none), which exceeds 10.00% of equity: Halyk Bank of Kazakhstan JSC for the total amount of KZT 52,401,001 thousand (unaudited).

6. Loans to customers

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

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Loans to legal entities-credit partnerships	351,208,223	277,797,806
Loans to legal entities for investment projects	115,684,955	115,230,483
Loans to other legal entities	212,790,174	194,415,893
Loans to individuals	283,984,690	273,482,237
	963,668,042	860,926,419
Allowance for expected credit losses	(160,722,371)	(138,009,051)
Loans to customers	802,945,671	722,917,368

Impairment allowance for loans to customers

The table below provides analysis of movements in the allowance for expected credit losses (ECL allowance) for loans to legal entities and individuals for the six months ended 30 June 2023:

<i>Loans to</i> <i>legal entities-credit partnerships</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2023	592,991	349,827	4,082,514	–	5,025,332
New assets originated or purchased*	966,152	466,320	–	–	1,432,472
Assets repaid	(24,005)	(16,511)	(17,290)	(1,873)	(59,679)
Transfers to Stage 1	41,324	(37,195)	(4,129)	–	–
Transfers to Stage 2	(38,696)	43,828	(5,132)	–	–
Transfers to Stage 3	(24,631)	(130,612)	155,243	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	2,304,492	2,638,952	3,655,803	117,107	8,716,354
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(11,084)	(20,496)	–	–	(31,580)
Unwinding of discount	–	–	400,980	–	400,980
At 30 June 2023 (unaudited)	3,806,543	3,294,113	8,267,989	115,234	15,483,879

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

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<i>Loans to legal entities for investment projects</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2023	5,872,890	234,729	37,559,536	1,698,605	45,365,760
New assets originated or purchased*	15,065	–	–	–	15,065
Assets repaid	(4,924)	–	(3,616)	–	(8,540)
Transfers to Stage 1	360,062	(5,116)	(354,946)	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	(1,043,645)	(229,613)	1,273,258	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(641,803)	–	(149,125)	(45,005)	(835,933)
Unwinding of discount	–	–	4,050,253	–	4,050,253
Recovery	–	–	468	–	468
At 30 June 2023 (unaudited)	4,557,645	-	42,375,828	1,653,600	48,587,073

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

<i>Loans to other legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2023	2,864,726	1,144,217	42,295,872	25,265	46,330,080
New assets originated or purchased*	2,352,192	–	–	–	2,352,192
Assets repaid	(317,464)	(535,781)	(259,749)	(125,258)	(1,238,252)
Transfers to Stage 1	502,110	(69,005)	(433,105)	–	–
Transfers to Stage 2	(27,706)	27,706	–	–	–
Transfers to Stage 3	(377,346)	(336,933)	714,279	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(249,674)	(62,509)	2,869,206	935,769	3,492,792
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(128)	–	–	–	(128)
Unwinding of discount	–	–	6,081,939	–	6,081,939
At 30 June 2023 (unaudited)	4,746,710	167,695	51,268,442	835,776	57,018,623

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

During the six months ended 30 June 2023, the high volume of loans to legal entities resulted in the increase of the gross carrying amount of loans to customers by KZT 168,731,681 thousand (unaudited) with a corresponding increase in loss allowance by KZT 3,799,729 thousand (unaudited). During the six months ended 30 June 2023 loans to legal entities for the total amount of KZT 46,871,162 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 1,306,471 thousand (unaudited).

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The table below provides analysis of movements in the ECL allowance for loans to individuals for the six months ended 30 June 2023.

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2023	7,337,245	1,156,098	32,276,102	518,434	41,287,879
New assets originated or purchased	742,403	3,167	–	–	745,570
Assets repaid	(247,155)	(26,271)	(921,809)	(14,519)	(1,209,754)
Transfers to Stage 1	2,234,075	(364,545)	(1,869,530)	–	–
Transfers to Stage 2	(338,128)	338,128	–	–	–
Transfers to Stage 3	(331,896)	(705,263)	1,037,159	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(4,629,540)	413,536	865,225	(189,635)	(3,540,414)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(7,152)	(7,462)	–	–	(14,614)
Unwinding of discount	–	–	2,363,315	–	2,363,315
Recovery	–	–	814	–	814
At 30 June 2023 (unaudited)	4,759,852	807,388	33,751,276	314,280	39,632,796

During the six months ended 30 June 2023, the high volume of loans to individuals resulted in the increase of the gross carrying amount of loans to customers by KZT 39,002,667 thousand (unaudited) with a corresponding increase in loss allowance by KZT 745,570 thousand (unaudited). During the six months ended 30 June 2023 loans to individuals for the total amount of KZT 10,028,334 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 1,209,754 thousand (unaudited).

During the six months ended 30 June 2023, as part of the Ken-Dala annual government programme for lending of the agro-industrial complex entities to support the spring field works, the Company provided loans for the total amount of KZT 79,138,689 thousand (unaudited), (the six months ended 30 June 2022: KZT 36,143,000 thousand (unaudited)) at the below-market interest rate of 1.50 % p.a. (unaudited) (the six months ended 30 June 2022: 1.50% p.a. (unaudited)) and maturity before March 2024 (the six months ended 30 June 2022: before April 2023). The Company recognised discount of KZT 9,470,461 thousand (unaudited) (the six months ended 30 June 2022: KZT 3,381,688 thousand (unaudited)) on initial recognition and interest income on unwinding of discount of KZT 3,263,535 thousand (unaudited) (the six months ended 30 June 2022: KZT 1,246,495 thousand (unaudited)) in the unconsolidated interim condensed statement of profit or loss within “other income, net” and “interest income on loans to customers”, respectively. The loss of KZT 9,470,461 thousand (unaudited) on initial recognition of loans at below-market interest rates (the six months ended 30 June 2022: KZT 3,381,688 thousand (unaudited)) was fully compensated through receipt of a government grant (the six months ended 30 June 2022: was fully compensated through receipt of a government grant). The Company applied estimated market interest rates from 14.00% to 21.80% p.a. (unaudited) (the six months ended 30 June 2022: from 13.10% to 16.90% p.a. (unaudited)) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

During the six months ended 30 June 2023 the Company continues to issue and service loans issued under the Government Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 (“Isker”); KZT 10,052,947 thousand (unaudited) (during the six months ended 30 June 2022: KZT 12,388,460 (unaudited)) of new loans were issued. The Company used estimated market interest rates of 14.00%-21.80% p.a. (unaudited) (during the six months ended 30 June 2022: 13.40%-16.90%) to measure the fair value of the abovementioned loans at initial recognition by discounting their future contractual cash flows. The loss from initial recognition of these loans issued at below market interest rate in the amount of KZT 2,974,464 thousand (unaudited) (during the six months ended 30 June 2022: KZT 2,916,543 thousand (unaudited)) was recognised within other income, net and was fully compensated by the government grant.

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During the six months ended 30 June 2023 the Company continued issuing and servicing the loans of KZT 6,491,559 thousand (unaudited) provided under Enbek and Employment Roadmap 2020-2021 government programmes. The Company used estimated market interest rates of 14.00% - 21.80% p.a. to measure the fair value of the abovementioned loans at initial recognition by discounting their future contractual cash flows. The loss from initial recognition of these loans issued at below market interest rate in the amount of KZT 1,203,423 thousand (unaudited) was recognised within other income, net and fully compensated at the expense of a government grant. During the six months ended 30 June 2022, the Company incurred expected credit losses for the total amount of KZT 2,313,591 thousand (unaudited) on loans previously issued under Enbek and Employment Road Map -2020 government programmes. All these losses incurred during the six months ended 30 June 2022 were compensated by the government grant (*Note 10*).

During the six months ended 30 June 2023, 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 Company issued new loans for a total amount of KZT 4,798,818 thousand (unaudited). The Company used estimated market interest rates of 14.0% - 21.8% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss from initial recognition of these loans issued at below market interest rate in the amount of KZT 1,814,315 thousand (unaudited) was recognised within other income, net and fully compensated at the expense of a government grant.

Within its general operational activity the Company issues loans to the borrowers operating in the agricultural industry at below market interest rates. The loss from initial recognition of these loans issued at below market interest rate in the amount of KZT 4,218,146 thousand (unaudited) during the six months ended 30 June 2023 (during the six months ended 30 June 2022: KZT 5,810,822 thousand) was recognised within other income, net. During the six months ended 30 June 2022, the Company used estimated market interest rates of 14.0% - 21.80% p.a. (during the six months ended 30 June 2022: 11.60% - 16.50% p.a.) to measure the fair value of the loans at initial recognition by discounting their future contractual cash flows.

As at 30 June 2023 the Company had no borrowers whose total balance exceeded 10% of equity (30 June 2022: no borrowers).

The table below provides analysis of movements in the ECL allowance for loans to legal entities for the six months ended 30 June 2022:

<i>Loans to legal entities-credit partnerships</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2022	5,436	1,533	5,302,701	–	5,309,670
New assets originated or purchased*	9,356	–	2,366,268	–	2,375,624
Assets repaid	(398)	–	(180,329)	–	(180,727)
Transfer to Stage 1	130,571	–	(130,571)	–	–
Transfer to Stage 2	–	7,025	(7,025)	–	–
Transfer to Stage 3	(973)	(1,533)	2,506	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(118,660)	(7,027)	5,099,788	–	4,974,101
Changes provided for by agreement of cash flows from modification that does not result in derecognition	177	2	(4,531)	–	(4,352)
Unwinding of discount	–	–	961,076	–	961,076
At 30 June 2022 (unaudited)	25,509	–	13,409,883	–	13,435,392

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

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Loans to legal entities for investment projects

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL allowance at 1 January 2022	589,112	–	26,179,740	638,387	27,407,239
New assets originated or purchased*	627,032	–	27,143	–	654,175
Assets repaid	–	–	–	–	–
Transfer to Stage 1	1,610,551	–	(1,610,551)	–	–
Transfer to Stage 2	(7,186)	144,755	(137,569)	–	–
Transfer to Stage 3	(21,892)	–	21,892	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(1,209,822)	(77,927)	1,576,507	285,241	573,999
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	389,623	–	389,623
Unwinding of discount	–	–	1,134,712	–	1,134,712
At 30 June 2022 (unaudited)	1,587,795	66,828	27,581,497	923,628	30,159,748

*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 at 1 January 2022	1,731,621	187,323	31,082,212	9,043	33,010,199
New assets originated or purchased*	714,964	–	170,154	–	885,118
Assets repaid	(17,382)	(5,024)	(180,450)	–	(202,856)
Transfer to Stage 1	872,243	(78,158)	(794,085)	–	–
Transfer to Stage 2	(1,286)	2,636	(1,350)	–	–
Transfer to Stage 3	(1,453)	(108,036)	109,489	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(737,105)	42,152	(4,276,614)	3,814	(4,967,753)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	242,631	–	242,631
Unwinding of discount	–	–	829,782	–	829,782
At 30 June 2022 (unaudited)	2,561,602	40,893	27,181,769	12,857	29,797,121

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

During the six months ended 30 June 2022, the high volume of loans to individuals originated resulted in the increase of the gross carrying amount of loans to customers by KZT 133,808,185 thousand (unaudited) with a corresponding increase in loss allowance by KZT 3,914,917 thousand (unaudited). During the six months ended 30 June 2022 loans to legal entities for the total amount of KZT 48,440,997 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 383,583 thousand (unaudited).

The table below provides analysis of movements in the ECL allowance for loans to individuals for the six months ended 30 June 2022.

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<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
ECL allowance at 1 January 2022	913,163	30,247	21,829,545	539,974	23,312,929
New assets originated or purchased	183,643	–	–	–	183,643
Assets repaid	(55,765)	(3,237)	(290,664)	–	(349,666)
Transfer to Stage 1	2,084,500	(11,785)	(2,072,715)	–	–
Transfer to Stage 2	(11,607)	155,793	(144,186)	–	–
Transfer to Stage 3	(42,357)	(13,793)	56,150	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(2,108,794)	557,664	4,803,945	30,757	3,283,572
Changes provided for by agreement of cash flows from modification that does not result in derecognition	349	–	34,233	–	34,582
Unwinding of discount	–	–	420,492	–	420,492
Recovery	–	–	2,262	–	2,262
At 30 June 2022 (unaudited)	963,132	714,889	24,639,062	570,731	26,887,814

During the six months ended 30 June 2022, the high volume of loans to individuals originated resulted in the increase of the gross carrying amount of loans to customers by KZT 28,394,097 thousand (unaudited) with a corresponding increase in loss allowance by KZT 183,643 thousand (unaudited). During the six months ended 30 June 2022 loans to individuals for the total amount of KZT 25,711,664 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 349,666 thousand (unaudited).

The following table provides information on the credit quality of the loans to customers as at 30 June 2023 and 31 December 2022:

<i>Loans to legal entities-credit partnerships</i>	<i>30 June 2023 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	256,847,812	42,696,662	23,265,735	2,912,431	325,722,640
- overdue up to 30 days	2,255,358	99,859	2,226,269	155,697	4,737,183
- overdue more than 31 days and less than 60 days	–	1,471,602	1,542,316	–	3,013,918
- overdue more than 61 days and less than 90 days	–	–	9,590,939	–	9,590,939
- overdue more than 91 days and less than 360 days	–	–	3,128,129	–	3,128,129
- overdue more than 1 year	–	–	5,015,414	–	5,015,414
	259,103,170	44,268,123	44,768,802	3,068,128	351,208,223
Allowance for expected credit losses	(3,806,543)	(3,294,113)	(8,267,989)	(115,234)	(15,483,879)
	255,296,627	40,974,010	36,500,813	2,952,894	335,724,344

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<i>Loans to legal entities for investment projects</i>	<i>30 June 2023 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	30,094,174	-	38,627,662	802,148	69,523,984
- overdue up to 30 days	480,518	-	5,542,313	1,357,299	7,380,130
- overdue more than 31 days and less than 60 days	-	-	2,049,269	-	2,049,269
- overdue more than 61 days and less than 90 days	-	-	1,190,890	-	1,190,890
- overdue more than 91 days and less than 360 days	-	-	22,370,215	-	22,370,215
- overdue more than 1 year	-	-	13,170,467	-	13,170,467
	30,574,692	-	82,950,816	2,159,447	115,684,955
Allowance for expected credit losses	(4,557,645)	-	(42,375,828)	(1,653,600)	(48,587,073)
	26,017,047	-	40,574,988	505,847	67,097,882

<i>Loans to other legal entities</i>	<i>30 June 2023 (unaudited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	108,007,686	137,441	38,154,163	8,903,553	155,202,843
overdue up to 30 days	905,728	19,084	1,641,924	-	2,566,736
- overdue more than 31 days and less than 60 days	-	475,145	11,982,421	178,924	12,636,490
- overdue more than 61 days and less than 90 days	-	-	1,081,437	226,301	1,307,738
- overdue more than 91 days and less than 360 days	-	-	19,726,147	-	19,726,147
- overdue more than 1 year	-	-	21,350,220	-	21,350,220
	108,913,414	631,670	93,936,312	9,308,778	212,790,174
Allowance for expected credit losses	(4,746,710)	(167,695)	(51,268,442)	(835,776)	(57,018,623)
	104,166,704	463,975	42,667,870	8,473,002	155,771,551

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	<i>30 June 2023 (unaudited)</i>				
<i>Individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	198,351,085	2,048,799	24,081,770	2,052,370	226,534,024
overdue up to 30 days	9,364,671	551,342	5,695,130	124,428	15,735,571
- overdue more than 31 days and less than 60 days	–	3,830,360	3,417,180	24,472	7,272,012
- overdue more than 61 days and less than 90 days	–	–	2,338,643	56,736	2,395,379
- overdue more than 91 days and less than 360 days	–	–	13,844,341	73,954	13,918,295
- overdue more than 1 year	–	–	18,129,409	–	18,129,409
	207,715,756	6,430,501	67,506,473	2,331,960	283,984,690
Allowance for expected credit losses	(4,759,852)	(807,388)	(33,751,276)	(314,280)	(39,632,796)
	202,955,904	5,623,113	33,755,197	2,017,680	244,351,894
	<i>31 December 2022</i>				
<i>Loans to legal entities-credit partnerships</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- 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

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<i>Loans to legal entities for investment projects</i>	<i>31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	34,872,896	872,809	38,396,379	2,200,185	76,342,269
- overdue up to 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

<i>Loans to other legal entities</i>	<i>31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	98,545,098	2,548,723	44,768,489	5,491,056	151,353,366
overdue up to 30 days	1,147,162	2,169,972	7,848,942	–	11,166,076
- overdue more than 31 days and less than 60 days	–	124,146	6,498,681	–	6,622,827
- overdue more than 61 days and less than 90 days	–	–	495,418	–	495,418
- overdue more than 91 days and less than 360 days	–	–	4,232,704	–	4,232,704
- overdue more than 1 year	–	–	20,545,502	–	20,545,502
	99,692,260	4,842,841	84,389,736	5,491,056	194,415,893
Allowance for expected credit losses	(2,864,726)	(1,144,217)	(42,295,872)	(25,265)	(46,330,080)
	96,827,534	3,698,624	42,093,864	5,465,791	148,085,813

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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<i>Individuals</i>	<i>31 December 2022</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
- not overdue	192,161,825	2,101,874	25,360,120	1,254,651	220,878,470
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	–	7,913,857
- overdue more than 61 days and less than 90 days	–	–	3,845,655	62,457	3,908,112
- overdue more than 91 days and less than 360 days	–	–	8,931,686	12,303	8,943,989
- overdue more than 1 year	–	–	16,208,833	886,668	17,095,501
	200,941,961	6,093,861	64,228,427	2,217,988	273,482,237
Allowance for expected credit losses	(7,337,245)	(1,156,098)	(32,276,102)	(518,434)	(41,287,879)
	193,604,716	4,937,763	31,952,325	1,699,554	232,194,358

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

7. Finance lease receivables

The analysis of finance lease receivables at 30 June 2023 and 31 December 2022 is as follows:

	<i>30 June 2023 (unaudited)</i>			
	<i>Up to 1 year</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Gross investments in finance lease	1,774,968	9,478,429	8,420,238	19,673,635
Unearned deferred finance income from finance lease	(12,403)	(50,283)	(3,412,005)	(3,474,691)
Investments in finance lease	1,762,565	9,428,146	5,008,233	16,198,944
ECL allowance	(619,030)	(3,305,655)	(2,936,605)	(6,861,290)
Finance lease receivables	1,143,535	6,122,491	2,071,628	9,337,654
	<i>31 December 2022</i>			
	<i>Up to 1 year</i>	<i>From 1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
Gross investments in finance lease	1,684,188	9,708,924	8,506,648	19,899,760
Unearned deferred finance income from finance lease	(94,804)	(409,587)	(3,399,912)	(3,904,303)
Investments in finance lease	1,589,384	9,299,337	5,106,736	15,995,457
ECL allowance	(490,037)	(2,824,939)	(2,475,121)	(5,790,097)
Finance lease receivables	1,099,347	6,474,398	2,631,615	10,205,360

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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The table below provides analysis of movements in the ECL allowance for finance lease receivables during the six months ended 30 June 2023:

	<i>30 June 2023 (unaudited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance at 1 January 2023	–	883,821	4,906,276	5,790,097
Net charge of loss allowance	1,878	189,931	879,384	1,071,193
ECL allowance at 30 June 2023	1,878	1,073,752	5,785,660	6,861,290
	<i>30 June 2022 (unaudited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL allowance at 1 January 2022	57,262	820,623	4,884,572	5,762,457
Transfer to Stage 3	(57,262)	–	57,262	–
Net charge/(reversal) of loss allowance	–	(490,278)	53,951	(436,327)
ECL allowance at 30 June 2022	–	330,345	4,995,785	5,326,130

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 30 June 2023 and 31 December 2022:

	<i>30 June 2023 (unaudited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
– not overdue	280,380	4,051,745	4,297,127	8,629,252
– overdue up to 30 days	–	1,128,981	–	1,128,981
– overdue more than 31 days and less than 90 days	–	–	235,031	235,031
– overdue more than 91 days and less than 1 year	–	–	3,412,168	3,412,168
– overdue more than 1 year	–	–	2,793,512	2,793,512
	280,380	5,180,726	10,737,838	16,198,944
Loss allowance	(1,878)	(1,073,752)	(5,785,660)	(6,861,290)
Total finance lease receivables	278,502	4,106,974	4,952,178	9,337,654
	<i>31 December 2022</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
– not overdue	274,852	4,988,829	4,602,964	9,866,645
– overdue up to 30 days	–	–	547,612	547,612
– overdue more than 31 days and less than 90 days	–	–	2,704,231	2,704,231
– overdue more than 1 year	–	–	2,876,969	2,876,969
	274,852	4,988,829	10,731,776	15,995,457
Loss allowance	–	(883,821)	(4,906,276)	(5,790,097)
Total finance lease receivables	274,852	4,105,008	5,825,500	10,205,360

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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8. Amounts due to the Shareholder

	<i>Due date</i>	<i>Nominal interest rate per annum, %</i>	<i>Currency</i>	<i>30 June 2023 (unaudited)</i>	<i>31 December 2022</i>
Loan under Agreement No. 32	14 December 2032	1.00%	KZT	14,709,287	14,266,721
Loan under Agreement No. 26	10 February 2041	1.02%	KZT	16,298,053	15,761,242
Loan under Agreement No. 101	14 December 2033	1.00%	KZT	11,319,862	10,981,812
Loan under Agreement No. 76	14 December 2025	1.00%	KZT	7,830,729	7,591,082
Loan under Agreement No. 85	14 December 2025	1.00%	KZT	5,905,461	5,735,842
Loan under Agreement No. 122	14 December 2025	1.00%	KZT	5,875,389	5,700,884
Loan under Agreement No. 135	14 December 2032	1.00%	KZT	7,915,253	7,673,224
Loan under Agreement No. 136	14 December 2032	1.00%	KZT	7,915,253	7,673,105
Loan under Agreement No. 20	31 January 2034	1.00%	KZT	5,632,584	6,173,952
Loan under Agreement No. 34	28 September 2034	1.00%	KZT	2,715,392	2,640,059
Amount payable under assignment contract of 3 July 2018	20 December 2024	5.00%	KZT	1,163,083	1,121,866
Amount payable under debt transfer agreement of 3 July 2018	9 December 2024	3.00%	KZT	326,799	431,405
Loan under Agreement No. 43	21 June 2034	0.28%	KZT	3,926,994	3,666,302
				91,534,139	89,417,496

During the six months ended 30 June 2022, as part of the “Adjusted Financial Feasibility Analysis (the “FFA”) designed to provide public funding to increase the authorized capital of NMH KazAgro JSC for the purpose of implementation of the government policy to encourage the agriculture sector development” approved by the Order No. 265 of the Minister of Agriculture of the RK dated 24 August 2020 as amended by Order No. 102 of the Minister of Agriculture of the RK dated 8 April 2022, the Company received a loan for the total amount of KZT 8,300,000 thousand (unaudited), maturing on 21 June 2034, with a nominal interest rate on loan of 0.28% p.a. and the effective interest rate of 15.54% p.a. The purpose of the loan is to finance the agriculture sector, in particular the construction of dairy farms and the implementation of investment projects for the production and processing of vegetables and sugar beets using sprinklers and drip irrigation systems, with the end borrower’s interest rate of 6% p.a. The discount on initial recognition of loan amounted to KZT 4,891,183 thousand and was recognised as a liability on government grant (unaudited).

As at 30 June 2023 and 31 December 2022 the Company meets the requirements related to compliance with the restrictive covenants under the agreements with the creditors.

9. Amounts due to credit institutions

As at 30 June 2023, amounts due to credit institutions comprise:

	<i>Currency</i>	<i>Maturity</i>	<i>30 June 2023 (unaudited)</i>	<i>31 December 2022</i>
Halyk Bank of Kazakhstan JSC	KZT	2027	40,520,000	40,600,000
Citibank Kazakhstan JSC	KZT	2024	8,804,400	–
Citibank Kazakhstan JSC	KZT	2023	–	8,284,037
Amounts due to credit institutions			49,324,400	48,884,037

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During the six months ended 30 June 2023, the Company raised borrowings (three tranches) under the open credit line from Citibank Kazakhstan JSC in the total amount of KZT 16,767,000 thousand, two of which of KZT 7,967,000 thousand were repaid before the maturity date. As at 30 June 2023, the Company has one valid loan agreement with Citibank Kazakhstan JSC for the amount of KZT 8,800,000 thousand with maturity in May 2024 and nominal interest rate of 18.0% per annum.

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 Company, for a term of 5 years and with a nominal interest rate of 18.00% per annum.

During 2022, the Company 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.

10. Amounts due to the Government of the Republic of Kazakhstan

During the six months ended 30 June 2023, the Company received two tranches of a loan from the Ministry of Finance of the Republic of Kazakhstan for the total amount of KZT 140,000,000 thousand (unaudited), with a nominal interest rate of 0.01% per annum and maturing on 15 December 2023 and 30 November 2024. This loan was received as part of Ken-Dala government programme to support entities in their spring field and harvesting works. Loan received was distributed to Halyk Savings Bank JSC for a total amount of KZT 56,000,000 thousand (unaudited) and Bank CenterCredit JSC for the total amount of KZT 4,861,310 thousand (unaudited) (*Note 5*) with a condition of further special purpose prescribed under the abovementioned programme and directly to customers for the total amount of KZT 79,138,689 thousand (*Note 6*) (unaudited).

The discount of KZT 27,620,548 thousand (unaudited) at initial recognition of loans received was treated as liability on government grant with its partial utilization during the six-month period ended 30 June 2023 (*Note 13*). An amortisation of discount in the amount of KZT 8,084,477 thousand (unaudited) was recognised within interest expense on payables to the Government of the Republic of Kazakhstan. The Company applied estimated market interest rate of 17.71% - 18.25% p.a. to measure the fair value of the loan tranches at initial recognition by discounting its future contractual cash flows.

As at 30 June 2023, the carrying amount of loans received was KZT 167,322,747 thousand (unaudited), including accrued interest of KZT 5,547 thousand (unaudited).

During the six months ended 30 June 2022 the Company received four tranches of a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for a total amount of KZT 110,000,000 thousand (unaudited) with nominal interest rate of 0.01% p.a. and maturity on 15 December 2021 and 30 March 2023. This loan was received as part of Ken-Dala government programme to support entities in their spring field and harvesting works. Loan received was distributed to Halyk Savings Bank JSC for a total amount of KZT 29,967,000 thousand (unaudited), First Heartland Jusan Bank for the total amount of KZT 2,990,000 thousand (unaudited) (*Note 5*) with a condition of further special purpose prescribed under the abovementioned programme and directly to customers for the total amount of KZT 36,143,000 thousand (*Note 6*) (unaudited).

The discount of KZT 11,770,548 thousand (unaudited) at initial recognition of loans received was treated as liability on government grant with its partial utilization during the six-month period ended 30 June 2022 (*Note 13*). An amortisation of discount in the amount of KZT 2,609,450 thousand (unaudited) was recognised within interest expense on payables to the Government of the Republic of Kazakhstan. The Company applied estimated market interest rate of 12.30 - 16.70% p.a. to measure the fair value of the loan tranches at initial recognition by discounting its future contractual cash flows.

11. Amounts due to state and budget organisations

	Year of maturity	Nominal interest rate per annum, %	Currency	30 June 2023 (unaudited)	31 December 2022
Loans repayable to state and budget organisations	2023-2031	0.01%	KZT	181,937,461	182,541,555
Loans repayable to state and budget organisations	2027-2028	1.00%	KZT	889,825	308,887
				182,827,286	182,850,442

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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'000 KZT

During the six months ended 30 June 2023, the Company received a loan of KZT 1,000,000 thousand to provide loans to end borrowers (support for small and medium-sized businesses in rural settlements through lending to end borrowers, including lending to startup projects in Atyrau region). The interest rate is 1% p.a., payable in 2028. The discount on initial recognition of loan amounted to KZT 457,854 thousand (unaudited) and was recognised by the Company in the unconsolidated interim condensed statement of financial position as a liability on government grant, which was partially used in the respective periods. The Company applied estimated market interest rate of 15.56% p.a. to measure the fair value of the abovementioned loans at initial recognition by discounting their future contractual cash flows.

During the six months ended 30 June 2022, the Company received a loan of KZT 500,000 thousand in accordance with programme No. 266 "Lending to subsidiaries of NMH KazAgro JSC to finance small and medium-sized businesses and provide microfinancing to rural borrowers". The interest rate is 1% p.a., payable in 2027. The discount on initial recognition of loan amounted to KZT 218,008 thousand (unaudited) and was recognised by the Company in the unconsolidated interim condensed statement of financial position as a liability on government grant, which was partially used in the respective periods. The Company applied estimated market interest rate of 14.12% p.a. to measure the fair value of the abovementioned loans at initial recognition by discounting their future contractual cash flows.

As at 30 June 2023 and 31 December 2022 the Company meets the requirements related to compliance with the restrictive covenants under the agreements with the creditors.

12. Debt securities issued

KZT-denominated debt securities issued comprise the following captions:

	Placement date	Maturity date	Interest rate per annum, %	Nominal value		Carrying amount	
				30 June 2023 (unaudited)	31 December 2022	30 June 2023 (unaudited)	31 December 2022
Fixed income bonds (6 issue of the 4th bond program)	30 June 2021	10 December 2031	15.00%	35,000,000	35,000,000	40,101,206	40,385,211
Fixed income bonds (1 issue of the 4th bond program)	10 October 2019	10 October 2026	10.75%	39,475,017	39,475,017	40,412,485	40,411,419
Fixed income bonds (2 issue of the 4th bond program)	26 August 2020	26 August 2030	10.75%	30,496,202	30,496,202	31,583,075	31,583,999
Fixed income bonds (4 issue of the 3rd bond program)	27 May 2021	27 May 2026	11.50%	9,350,000	9,350,000	9,451,552	9,451,551
Fixed income bonds (2 issue of the 3rd bond program)	22 December 2016	22 June 2026	14.00%	5,000,000	5,000,000	5,366,792	5,016,674
Fixed income bonds (1 issue of the 1st bond program)	30 December 2014	30 March 2026	10.07%	5,189,000	5,189,000	5,450,266	5,189,000
Fixed income bonds (2 issue of the 1st bond program)	21 October 2015	21 April 2026	10.07%	2,300,000	2,300,000	2,345,035	2,345,035
Fixed income bonds (7 issue of the 4th bond program)	27 October 2021	27 October 2031	7.10%	5,000,000	5,000,000	4,040,134	3,821,911
Fixed income bonds (9 issue of the 4th bond program)	21 December 2021	21 December 2031	11.50%	30,000,000	30,000,000	31,820,833	30,095,834
Fixed income bonds (1 issue of the 2nd bond program)	20 August 2014	20 February 2023	8.50%	–	10,000,000	–	10,298,860
Debt securities issued				161,810,219	171,810,219	170,571,378	178,599,494

During the six months ended 30 June 2023, the Company did not raise new bond-secured loans, and redeemed commercial bonds (KZ2C00002731) with a nominal value of KZT 10,000,000 thousand, plus an accrued coupon interest at 8.5% p.a. The commercial bonds were redeemed in full at their maturity.

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'000 KZT

13. Government grants

	<u>30 June 2023</u> <i>(unaudited)</i>	<u>31 December</u> <i>2022</i>
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the state and budget organisations and Shareholder under Agrobusiness Development programme	30,639,701	34,623,434
Government grants received from the Ministry of Agriculture of the Republic of Kazakhstan for partial subsidizing of principal and interest on loans issued to the borrowers	3,698,755	3,173,708
Government grants	<u>34,338,456</u>	<u>37,797,142</u>

Government grants received from the Government

The Company recorded as government grants the amount of benefits received from loans provided at low interest rates by the state and budget organisation.

	<i>Unaudited for the six months</i> <i>ended 30 June</i>	
	<u>2023</u>	<u>2022</u>
At 1 January	34,623,434	33,641,832
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the local executive bodies (<i>Note 11</i>)	457,854	218,008
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Ministry of Finance (<i>Note 10</i>)	27,620,548	11,770,548
Government grants received from the Holding by means of a loan (<i>Note 8</i>)	–	4,891,183
Utilisation of government grant for upon issuance of loans to borrowers under the Government Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 (“Isker”) (<i>Note 6</i>)	(2,974,464)	(2,916,543)
Utilisation of government grant for upon issuance of loans to banks under Ken-Dala government programme (<i>Note 5</i>)	(6,765,769)	(2,776,745)
Utilisation of government grant for upon issuance of loans to customers borrowers under Ken-Dala government programme (<i>Note 6</i>) (compensated part)	(9,475,249)	(3,381,688)
Utilisation of government grant for upon issuance of loans to customers borrowers as part of loans received from the Holding (<i>Note 6</i>)	(1,814,315)	–
Utilisation of government grant upon issuance of loans to customers borrowers under Employment Road Map 2020-2021 and Enbek government programmes (<i>Note 6</i>)	(1,203,423)	–
Utilisation of government grant to cover impairment losses (<i>Note 6</i>)	–	(2,313,591)
Amortisation for the period	(9,828,915)	(1,202,103)
At 30 June (unaudited)	<u>30,639,701</u>	<u>37,930,901</u>

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 Company recorded in profit or loss an amount corresponding to the renegotiated loan on preferential terms for borrowers, once the Company met government programme conditions (*Notes 5 and 6*). The Company is obligated to distribute benefits to end borrowers by means of setting low interest rate on loans.

During the six months ended 30 June 2023, government grants transferred to profit or loss (*Note 17*) amounting to KZT 32,062,135 thousand and were included in ‘other expenses, net’ (during the six months ended 30 June 2022: KZT 12,590,670 thousand).

Government grants received from the Ministry of Agriculture

	<i>Unaudited for the six months</i> <i>ended 30 June</i>	
	<u>2023</u>	<u>2022</u>
At 1 January	3,173,708	6,873,178
Received for the period	7,796,956	8,535,993
Returned due to the expired availability period	(1,876,743)	(5,164,593)
Utilisation by means of transfer to eligible borrowers who have met special conditions	(5,395,166)	(4,982,560)
At 30 June	<u>3,698,755</u>	<u>5,262,018</u>

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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'000 KZT

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

14. Other liabilities

Other non-financial assets comprise the following items:

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Other taxes payable	139,027	239,097
Other	282,785	246,011
Other non-financial liabilities	421,812	485,108

Other financial liabilities comprise the following items:

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Rural mortgages and granting micro-loans to young people	23,184,141	3,015,774
ECL allowance for contingent liabilities (<i>Note 19</i>)	1,763,405	679,282
Accounts payable	427,292	577,760
Amount payable under cession agreement	20,385	20,385
Loans received from the UN	11,472	16,061
Other financial liabilities	25,406,695	4,309,262
Total other liabilities	25,828,507	4,794,370

Rural mortgages

The Company 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 30 June 2023, the total amount of principal debt on mortgage loans issued by the Company on behalf of the local executive bodies was KZT 91,612,944 thousand (unaudited) (31 December 2022: KZT 94,085,056 thousand). As at 30 June 2023 and 31 December 2022, 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 30 June 2023, the Company's commissions on rural mortgages were KZT 516,997 thousand (for the period ended 30 June 2022: KZT 936,182 thousand). On 31 March 2023, the functions of the Authorised Agent under the state programme for financing rural mortgages were transferred to Otbasy Bank JSC, except for the function of the Authorised Agent for mortgage loans issued under housing certificates.

Granting of micro-loans to young people

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 Company, has been established. For these purposes, in March 2023, the Company received the funding of KZT 28,980,000 thousand 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 Company will receive the agreed commission percentage for the agency services it is set to provide.

As at 30 June 2023, other financial liabilities primarily comprise funds received from local executive bodies but not yet transferred to end users. For the period ended 30 June 2023, the Company's commissions on granting micro-loans to young people were KZT 15,974 thousand (for the period ended 30 June 2022: none, as the Company has assumed function of the Authorised Agent in 2023).

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'000 KZT

15. Equity

Share capital

As at 30 June 2023, the number of authorised and issued ordinary shares of the Company is 407,059,079, which have been paid in full by the Sole Shareholder (31 December 2022: 407,059,079 ordinary 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, in September 2021, KZT 6,186,092 thousand were recorded as unpaid capital. The Company management made a corporate decision to reverse the amount of KZT 6,447,840 thousand against payment of the share capital at the expense of the Company's provision for retained earnings.

Reserve capital

During the six months ended 30 June 2023, the Company increased reserve capital by KZT 5,858,144 thousand (during the six months ended 30 June 2022: KZT 2,608,512 thousand). In accordance with the Company'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 the six months ended 30 June 2023, in accordance with the decision of the Shareholder of 31 May 2023, the Company declared dividends of KZT 13,677,185 thousand or KZT 33.60 per ordinary share for the year ended 31 December 2022. As at 30 June 2023 the dividends have not been paid yet.

During the six months ended 30 June 2022, in accordance with the decision of the Shareholder of 26 May 2022, the Company declared and paid dividends of KZT 6,086,528 thousand (unaudited) or KZT 24.04 per ordinary share for the year ended 31 December 2021. Dividends were paid on 16 June 2022.

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

	30 June 2023 (unaudited)	31 December 2022
Assets	1,156,039,504	1,013,590,518
Less intangible assets	(467,998)	(530,705)
Less liabilities	(743,338,775)	(609,258,301)
Net assets	412,232,731	403,801,512
Number of ordinary shares	407,059,079	407,059,079
Carrying amount of one ordinary share (KZT)	1,012.71	992.00

16. Expenses on credit losses

	Unaudited for the six months ended 30 June	
	2023	2022
Loans to customers (Note 6)	(9,815,551)	(7,891,714)
Other financial assets	(1,879,948)	224,693
Loans to banks	(156,259)	(11,351)
Finance lease (Note 7)	(1,071,193)	436,327
Cash and cash equivalents	(1,252)	809
Investment securities	3,388	8
Credit related commitments (Note 19)	(1,084,123)	(161,923)
Expenses on credit losses*	(14,004,938)	(7,403,151)

*The amount of expenses on credit losses differs from the total amount of expenses on credit losses recognised in the consolidated interim condensed statement of profit or loss by the amount of losses on modification that does not result in derecognition in the total amount of KZT 2,909,130 thousand and is included in the movement in the gross carrying amount of loans to customers.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

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17. Other income, net

	<i>Unaudited for the six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
Other income from utilisation of government grants (<i>Note 13</i>)	22,233,220	11,388,567
Amortisation of government grant (<i>Note 13</i>)	9,828,915	1,202,103
Loss on initial recognition of loans to banks under Ken-Dala government programme (<i>Note 5</i>)	(6,765,769)	(2,776,745)
Loss on initial recognition of loans to customers under Ken-Dala government programme (<i>Note 6</i>)	(9,475,249)	(3,381,688)
Loss on initial recognition of loans to customers under Isker government programme (<i>Note 6</i>)	(2,974,464)	(2,916,543)
Loss on initial recognition of loans to customers provided as part of the loan received from the Holding (<i>Note 6</i>)	(1,814,315)	–
Loss on initial recognition of loans to customers under the Employment Roadmap for 2020-2021 programme and Enbek programme (<i>Note 6</i>)	(1,203,423)	–
Loss on initial recognition of other loans to customers (<i>Note 6</i>)	(4,218,146)	(5,810,822)
Agency fees on rural mortgages and micro-loans to young people (<i>Note 14</i>)	532,971	936,182
Other income	972,502	1,593,120
Other income, net	7,116,242	234,174

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 13*).

18. Corporate income tax

The corporate income tax expense comprises:

	<i>Unaudited for the six months ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
Current corporate income tax expense	(2,005,497)	(3,096,477)
Income tax overprovided in prior periods	–	475,373
Deferred corporate income tax expense - origination and reversal of temporary differences	(2,150,561)	(735,310)
Corporate income tax expense	(4,156,058)	(3,356,414)
Deferred income tax recognised in profit or loss	(2,150,561)	(735,310)
Deferred corporate income tax expense - origination and reversal of temporary differences	(2,150,561)	(735,310)

Reconciliation of effective tax rate:

	<i>For the six months ended 30 June 2023 (unaudited)</i>	<i>For the six months ended 30 June 2022 (unaudited)</i>
Profit before income tax	26,201,755	21,734,335
Income tax at the applicable tax rate	(5,240,351)	(4,346,867)
Statutory corporate income tax rate	20%	20%
Non-taxable interest income on government investment securities	17,520	502,126
Non-deductible (credit losses charge)/non-taxable income on credit losses write-back	(804,347)	99,976
Non-taxable income on dividends	2,061,937	–
Non-deductible expenses	(190,817)	(87,022)
Income tax overprovided in prior periods	–	475,373
Corporate income tax expense	(4,156,058)	(3,356,414)

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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19. 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 Company's management's interpretation of the legislation may differ from that of tax authorities, and as a result, transactions carried out by the Company could be estimated by tax authorities in another way, and this could result in an additional charge of taxes, fines and penalties. The Company'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. The Company's management believes that its interpretation of the legislation as at 30 June 2023 and 31 December 2022 is appropriate and the Company's positions in terms of taxes, currency legislation and customs duties will be confirmed.

Legal matters

In the normal course of business, the Company 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 Company's future financial position or performance.

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

Credit related commitments

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

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Credit related commitments		
Loan commitments	115,316,042	118,827,146
Allowance for expected credit losses	(1,763,405)	(679,282)
	113,552,637	118,147,864
Operating lease liabilities		
Up to 1 year	47,631	62,978
Commitments and contingencies	113,600,268	118,210,842

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.

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

The following is an analysis of movements in ECL allowance:

	<i>Unaudited for the six months</i> <i>ended 30 June</i>	
	<i>2023</i>	<i>2022</i>
Loan commitments		
At 1 January	<i>Stage 1</i>	<i>Stage 1</i>
Movements in ECL for the period	679,282	1,092,195
30 June	1,084,123	161,923
	1,763,405	1,254,118

20. 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;

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- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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			Total
	Input data of Level 1	Input data of Level 2	Input data of Level 3	
30 June 2023 (unaudited)				
Assets with disclosed fair value				
Cash and cash equivalents	30 June 2023	– 125,674,244	–	125,674,244
Loans to banks	30 June 2023	– 56,918,852	–	56,918,852
Loans to customers	30 June 2023	– 613,139,356	92,595,673	705,735,029
Finance lease receivables	30 June 2023	– 4,068,463	4,952,179	9,020,642
Investment securities	30 June 2023	– 578,455	–	578,455
Other financial assets	30 June 2023	– 4,474,327	–	4,474,327
Liabilities whose fair value is disclosed				
Amounts due to the Shareholder	30 June 2023	– 84,435,787	–	84,435,787
Amounts due to credit institutions	30 June 2023	– 51,959,180	–	51,959,180
Amounts due to the Government of the Republic of Kazakhstan	30 June 2023	– 167,845,489	–	167,845,489
Amounts due to state and budget organisations	30 June 2023	– 157,838,475	–	157,838,475
Debt securities issued	30 June 2023	– 143,233,648	–	143,233,648
Other financial liabilities	30 June 2023	– 25,406,695	–	25,406,695
At 31 December 2022				
Assets with disclosed fair value				
Cash and cash equivalents	31 December 2022	– 107,720,283	–	107,720,283
Loans to banks	31 December 2022	– 10,062,366	–	10,062,366
Loans to customers	31 December 2022	– 530,922,503	94,189,814	625,112,317
Finance lease receivables	31 December 2022	– 2,884,517	5,881,052	8,765,569
Investment securities	31 December 2022	– 564,492	–	564,492
Other financial assets	31 December 2022	– 5,554,098	–	5,554,098
Liabilities whose fair value is disclosed				
Due to the Shareholder	31 December 2022	– 69,952,622	–	69,952,622
Amounts due to credit institutions	31 December 2022	– 50,311,897	–	50,311,897
Amounts due to state and budget organisations	31 December 2022	– 152,810,376	–	152,810,376
Amounts due to the Government of the Republic of Kazakhstan	31 December 2022	– 60,336,768	–	60,336,768
Debt securities issued	31 December 2022	– 151,377,550	–	151,377,550
Other financial liabilities	31 December 2022	– 4,309,262	–	4,309,262

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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

A comparison of the carrying amounts and fair values of the Company'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:

	<i>30 June 2023 (unaudited)</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised profit/(loss)</i>
Financial assets			
Cash and cash equivalents	125,674,244	125,674,244	–
Loans to banks	56,729,884	56,918,852	188,968
Loans to customers	802,945,671	705,735,029	(97,210,642)
Finance lease receivables	9,337,654	9,020,642	(317,012)
Investment securities	590,086	578,455	(11,631)
Other financial assets	4,474,327	4,474,327	–
Financial liabilities			
Due to the Shareholder	91,534,139	70,758,602	20,775,537
Amounts due to credit institutions	49,324,400	51,959,180	(2,634,780)
Amounts due to the Government of the Republic of Kazakhstan	167,322,747	167,845,489	(522,742)
Amounts due to state and budget organisations	182,827,286	157,838,475	24,988,811
Debt securities issued	170,571,378	143,233,648	27,337,730
Dividends payable	13,677,185	13,677,185	–
Other financial liabilities	25,406,695	25,406,695	–
Total unrecognised change in unrealised fair value			(27,405,761)
<i>31 December 2022</i>			
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised profit/(loss)</i>
Financial assets			
Cash and cash equivalents	107,720,283	107,720,283	–
Loans to banks	10,456,354	10,062,366	(393,988)
Loans to customers	722,917,368	625,112,317	(97,805,051)
Finance lease receivables	10,205,360	8,765,569	(1,439,791)
Investment securities	592,637	564,492	(28,145)
Other financial assets	5,554,098	5,554,098	–
Financial liabilities			
Amounts due to the Shareholder	89,417,496	69,952,622	19,464,874
Amounts due to credit institutions	48,884,037	50,311,897	(1,427,860)
Amounts due to state and budget organisations	182,850,442	152,810,376	30,040,066
Amounts due to the Government of the Republic of Kazakhstan	60,747,873	60,336,768	411,105
Debt securities issued	178,599,494	151,377,550	27,221,944
Other financial liabilities	4,309,262	4,309,262	–
Total unrecognised change in unrealised fair value			(23,956,846)

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 condensed interim financial statements.

Assets whose 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 also applies to the call deposits and savings accounts with no fixed maturity date.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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Fixed rate and variable rate financial 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 customers future cash flows are discounted using an average market rate of financial instruments with similar maturities, based on statistics published by NBRK. This approach has been used to measure the fair value of loans to customers. For loans to banks future cash flows are discounted using a market rate calculated using a build-up model based on all observable inputs such as KASE yield curve. As at 30 June 2023, an average market rate was 15.0-21.8% p.a. (unaudited) (31 December 2022: 15.4-21.9% p.a.)

For liabilities whose fair value is disclosed in the 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 Company adjusted by maturity, published by Bloomberg. As at 30 June 2023, the market interest rate used to measure the fair value of loans raised was 15.56-18.25% p.a. (unaudited) (31 December 2022: 14.12-17.64% p.a.). Future cash flows include repayment of a principal debt and interest calculated at the contractual interest rate applied to the principal debt.

21. Risk management

Management of risk is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, credit risk and liquidity risk. As at 30 June 2023, there have been no significant changes in the liquidity risk since 31 December 2022. As at 30 June 2023 the Company has no exposure to currency risk (unaudited) (31 December 2022: no exposure).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk, yield curve risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk. Overall authority for market risk is vested in the Risk Management Department. The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis.

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 Company is fixed. During the reporting period there were no significant changes in the Company's exposure to interest rate risk.

22. Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Company's assets are concentrated in the Republic of Kazakhstan, and revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.

23. 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, and 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 Company's operations through the Shareholder.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

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

	<i>30 June 2023 (unaudited)</i>				
	<i>Rate (%)</i>	<i>Shareholder</i>	<i>Subsidiary</i>	<i>Entities under common control of the Shareholder</i>	<i>Government-related organisations</i>
Assets					
Cash and cash equivalents	-	-	-	7,102,949	103,500,386
Investment securities	12.00	-	590,086	-	-
Loans to customers	5.00	-	19,782,227	-	-
Current corporate income tax assets	-	-	-	-	2,605,386
Investments in subsidiaries	-	-	147,470,014	-	-
Other assets	-	-	-	-	121,687
Liabilities					
Amounts due to the Shareholder	0.28-10.00	91,534,139	-	-	-
Amounts due to the Government of the Republic of Kazakhstan	0.01	-	-	-	167,322,747
Amounts due to state and budget organisations	0.01-1.00	-	-	-	182,827,286
Debt securities issued	7.10-15.00	89,124,266	-	-	71,995,560
Dividends payable	-	13,677,185	-	-	-
Deferred corporate income tax liabilities	-	-	-	-	6,914,433
Government grants	-	-	-	-	34,338,456
Other liabilities	-	-	-	-	23,184,141
31 December 2022					
	<i>Rate (%)</i>	<i>Shareholder</i>	<i>Subsidiary</i>	<i>Entities under common control of the Shareholder</i>	<i>Government-related organisations</i>
Assets					
Cash and cash equivalents	-	-	-	33	79,463,990
Investment securities	12.00	-	592,637	-	-
Loans to customers	5.00	-	20,899,976	-	-
Current corporate income tax assets	-	-	-	-	1,816,694
Investments in subsidiaries	-	-	147,470,014	-	-
Other assets	-	-	-	-	327,498
Liabilities					
Amounts due to the Shareholder	0.28-10.00	89,417,496	-	-	-
Amounts due to the Government of the Republic of Kazakhstan	0.01	-	-	-	60,747,873
Amounts due to state and budget organisations	0.01	-	-	-	182,850,442
Debt securities issued	7.10-15.00	97,131,906	-	-	71,995,418
Dividends payable	-	-	-	-	-
Deferred corporate income tax liabilities	-	-	-	-	4,763,872
Government grants	-	-	-	-	37,797,142
Other liabilities	-	-	-	-	3,015,774
Six months ended 30 June 2023 (unaudited)					
		<i>Shareholder</i>	<i>Subsidiary</i>	<i>Entities under common control of the Shareholder</i>	<i>Government-related organisations</i>
Interest income on cash and cash equivalents	-	-	-	71,950	-
Interest income on investment securities	-	-	31,923	-	-
Interest income on loans to customers	-	-	1,363,227	-	-
Interest expense on loans received	(3,792,878)	-	-	-	(23,006,245)
Interest expense on debt securities issued	(5,137,314)	-	-	-	(3,761,095)
Dividend income	-	-	10,309,687	-	-
Expenses on credit losses	-	-	(15,676)	-	-
Other operating expenses	-	-	-	(1,071)	-
Other income, net	-	-	-	-	32,062,135
Corporate income tax expense	-	-	-	-	(4,156,058)

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	<i>Six months ended 30 June 2022 (unaudited)</i>		
	<i>Shareholder</i>	<i>Entities under common control of the Shareholder</i>	<i>Government-related organisations</i>
Interest income on cash and cash equivalents	-	-	2,426,454
Interest income on investment securities	-	32,361	-
Interest income on loans to customers	-	960,908	-
Interest expense on loans received	(3,831,173)	-	(9,979,258)
Interest expense on debt securities issued	(6,196,816)	-	(3,760,228)
Dividend income	-	-	-
Expenses on credit losses	-	(608,176)	(201)
Other operating expenses	-	-	-
Other income/(expense), net	-	(334,726)	13,517,923
Corporate income tax expense	-	-	(3,356,414)

Key management remuneration

Key management remuneration comprises the following:

	<i>Unaudited</i>	
	<i>For the six months ended 30 June 2023</i>	<i>For the six months ended 30 June 2022</i>
Salaries and other short-term benefits	62,113	70,624
Remuneration of the members of the Board of Directors	9,353	17,228
Administrative expenses of the Board of Directors	-	6,710
Social contributions	6,875	8,207
Total key management remuneration	78,341	102,769

24. Capital adequacy

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

As at 30 June 2023 and 31 December 2022, the Company was in full compliance with the externally imposed capital requirements.

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

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

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.

SELECTED EXPLANATORY NOTES TO THE UNCONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

for the six months ended 30 June 2023

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As at 30 June 2023 and 31 December 2022, the Company's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

	<i>30 June 2023</i> <i>(unaudited)</i>	<i>31 December</i> <i>2022</i>
Tier 1 capital	390,256,130	392,394,568
Tier 2 capital	22,045,697	11,488,171
Total capital	412,301,827	403,882,739
Risk-weighted assets	922,820,812	791,514,677
Commitments and contingencies	57,658,021	59,413,573
Operational risk	27,838,724	25,887,765
Capital adequacy ratio (k1)	33.76%	38.71%
Capital adequacy ratio (k1-2)	39.80%	46.11%
Capital adequacy ratio (k1-3)	26.26%	29.24%

25. Subsequent events

On 14 June 2023, the Sole Shareholder made a decision to increase a number of authorised ordinary shares of the Company up to 427,059,079 (four hundred twenty-seven million fifty-nine thousand seventy-nine) shares through an additional issue of 20,000,000 (twenty million) ordinary shares at a price of KZT 1,000 (one thousand) per ordinary share, with a subsequent increase of the charter capital of the subsidiary KazAgroFinance JSC to finance the purchase of agricultural machinery, hay and forage equipment and mobile irrigation systems for subsequent lease out through a targeted transfer from the National Fund of the Republic of Kazakhstan. On 18 July 2023, the Sole Shareholder paid for 20,000,000 (twenty million) ordinary shares at a price of KZT 1,000 (one thousand) per ordinary share.

On 31 July 2023, the Company paid the declared dividends for 2022 to the Sole Shareholder in the amount of KZT 13,677,185 thousand.