

Agrarian Credit Corporation Joint Stock Company

Condensed Interim Financial Statements

for the six months ended 30 June 2022

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Independent Auditors' Report on Review of Condensed Interim Financial Information

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Agrarian Credit Corporation Joint Stock Company (the "Company") as at 30 June 2022, and the related condensed interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management of the Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim 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 condensed interim 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 31 December 2021, in the condensed interim statement of financial position for 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 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 effects of this departure from International Financial Reporting Standards on the condensed interim financial information have not been determined.

«КПМГ Аудит» ЖШС Қазақстан Республикасы заңнамасына сәйкес тіркелген компания, жауапкершілігі өз қатысушыларының кепілдіктерімен шектелген KPMG International Limited және/ағылшын компаниясының құрамына кіретін KPMG тәуелсіз фирмалары жаһандық ұйымының қатысушысы.

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Qualified Conclusion

Based on our review, except for the effect of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the condensed interim financial information as at 30 June 2022 and for the six months 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

5 August 2022

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**as at 30 June 2022***In '000 KZT*

	Note	30 June 2022 (unaudited)	31 December 2021
Assets			
Cash and cash equivalents	4	93,720,965	102,853,173
Loans to banks	5	32,662,170	12,708,512
Loans to customers	6	753,705,435	665,016,227
Finance lease receivables*	7	10,460,803	9,626,642
Assets classified as held for sale		1,248,084	1,601,806
Investment securities		629,620	839,325
Investment property		3,057,636	3,128,638
Property, plant and equipment		1,305,718	1,425,804
Intangible assets		564,073	624,683
Current corporate income tax assets		3,575,099	1,785,126
Other assets		6,688,787	6,875,042
Total assets		907,618,390	806,484,978
Liabilities			
Due to the Shareholder	8	99,720,800	94,260,422
Due to the Government of the Republic of Kazakhstan	9	100,841,147	–
Due to state and budget organisations		166,805,080	166,814,395
Debt securities issued		196,392,241	196,654,238
Current estimated liabilities		992,727	1,205,120
Deferred corporate income tax liabilities		7,349,761	6,614,451
Government grants	10	43,192,919	40,515,010
Other liabilities	11	9,342,881	29,731,901
Total liabilities		624,637,556	535,795,537
Equity			
Share capital	12	254,366,870	254,366,870
Reserve capital	12	13,846,278	11,237,766
Retained earnings		14,767,686	5,084,805
Total equity		282,980,834	270,689,441
Total liabilities and equity		907,618,390	806,484,978
Carrying value of one ordinary share (KZT)	12	1,115.65	1,066.85

* Finance lease receivables as at 30 June 2022 include amount receivable from lessees of KZT 1,691,457 thousand, which represents a value-added tax asset (31 December 2021: KZT 1,648,832 thousand).

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

Karnakova Nazgul Sholpankulovna

Deputy Chairperson of the Management Board, Member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

5 August 2022



The selected explanatory notes set out on pages 10 to 30 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

In '000 KZT

	Note	Unaudited	
		For the six months ended 30 June	
		2022*	2021
Interest income calculated using effective interest method			
Cash and cash equivalents		4,129,159	2,626,361
Loans to banks		1,720,210	1,776,270
Loans to customers		51,423,880	32,293,751
Investment securities		33,539	32,601
		57,306,788	36,728,983
Other interest income			
Other assets		–	118,944
Finance lease receivables		436,487	–
		57,743,275	36,847,927
Interest expense			
Due to the Shareholder		(3,831,173)	(6,321,015)
Due to the Government of the Republic of Kazakhstan		(2,611,695)	(2,339,241)
Due to state and budget organisations		(7,367,564)	(1,926,952)
Debt securities issued		(10,495,519)	(8,084,392)
Other liabilities		(6,991)	(13,579)
		(24,312,942)	(18,685,179)
Net interest income		33,430,333	18,162,748
Credit loss expenses	13	(7,403,151)	(7,872,080)
Net interest income net of expenses on credit losses		26,027,182	10,290,668
Net foreign exchange loss		(3,594)	(510)
Personnel expenses		(3,106,673)	(1,959,749)
Other operating expenses		(1,416,754)	(1,052,300)
Other income/(expense), net	14	234,174	(7,122,234)
Non-interest expense		(4,292,847)	(10,134,793)
Profit before income tax		21,734,335	155,875
Corporate income tax expense	15	(3,356,414)	(135,871)
Profit for the period		18,377,921	20,004

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

Kamakova Nazgul Sholpankulovna

Deputy Chairperson of the Management Board, Member of the Management Board

Zaitullayeva Jana Nikolayevna

Chief Accountant

5 August 2022



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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022

In '000 KZT

Note	Unaudited	
	For the six months ended 30 June	
	2022	2021
Profit for the period	18,377,921	20,004
Other comprehensive income for the period	-	-
Total comprehensive income for the period	18,377,921	20,004

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

Kamakova Nazgul Sholpankulovna Deputy Chairperson of the Management Board, Member of the Management Board

Zaitullayeva Irina Nikolayevna Chief Accountant

5 August 2022



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2022

In '000 KZT

	Note	Share capital	Reserve capital	Retained earnings/(accumulated loss)	Total
At 1 January 2021		167,809,534	5,339,751	(13,411,636)	159,737,649
Total comprehensive income for the period (unaudited)		-	-	20,004	20,004
Increase in share capital (unaudited)	12	6,186,092	-	-	6,186,092
Income from initial recognition and modification of loans received from the Shareholder at fair value, net of taxes (unaudited)	8	-	-	33,375,744	33,375,744
Increase in reserve capital (unaudited)	12	-	5,898,015	(5,898,015)	-
Distribution to the Shareholder (unaudited)		-	-	(4,744,781)	(4,744,781)
Dividends paid (unaudited)	12	-	-	(13,762,035)	(13,762,035)
At 30 June 2021*		173,995,626	11,237,766	(4,420,719)	180,812,673
At 31 December 2021 (audited)		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)	12	-	2,608,512	(2,608,512)	-
Dividends paid (unaudited)	12	-	-	(6,086,528)	(6,086,528)
At 30 June 2022*		254,366,870	13,846,278	14,767,686	282,980,834

* Unaudited

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

Karnakova Nazgul Sholpankulovna Deputy Chairperson of the Management Board, Member of the Management Board

Zaitullayeva Irina Nikolayevna Chief Accountant

5 August 2022



The selected explanatory notes set out on pages 10 to 30 form an integral part of these condensed interim financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022

In '000 KZT

	Note	Unaudited	
		For the six months ended 30 June	
		2022*	2021*
Cash flows from operating activities			
Interest received		26,667,489	17,555,509
Interest paid		(12,665,444)	(9,696,169)
Personnel expenses paid		(3,145,776)	(1,917,346)
Other operating expenses paid		(1,834,227)	(1,069,707)
Cash flows from operating activities before changes in operating assets and liabilities		9,022,042	4,872,287
<i>Net (increase)/ decrease in operating assets</i>			
Loans to banks		(31,820,494)	(30,138,295)
Loans to customers		(70,387,889)	(56,415,829)
Finance lease receivables		44,444	-
Other assets		1,177,051	(320,795)
<i>Net increase/ (decrease) in operating liabilities</i>			
Government grants		3,371,400	3,479,009
Other liabilities		1,858,251	107,268
Net cash used in operating activities before corporate income tax paid		(86,735,195)	(78,416,355)
Corporate income tax paid		(3,849,559)	(966,289)
Net cash used in operating activities		(90,584,754)	(79,382,644)
Cash flows from investing activities			
Proceeds from repayment of investment securities		232,000	-
Addition/acquisition of property, plant and equipment		(40,880)	(9,233)
Acquisition of intangible assets		(7,350)	(44,818)
Net cash from/(used in) investing activities		183,770	(54,051)
Cash flows from financing activities			
Proceeds from loans from the Government of the Republic of Kazakhstan	9	110,000,000	70,000,000
Proceeds from loans from the Shareholder		8,300,000	18,591,199
Repayment of loans from the Shareholder		(866,201)	(38,655,545)
Issue of debt securities		-	48,951,457
Repayment of debt securities issued		(22,940,000)	(7,651,521)
Proceeds from loans from state and budget organisations		500,000	7,070,000
Repayment of loans from state and budget organisations		(7,639,304)	(3,621,681)
Dividends paid	12	(6,086,528)	(13,762,035)
Net cash from financing activities		81,267,967	80,921,874
Effect of expected credit losses on cash and cash equivalents		809	(186)
Net movement in cash and cash equivalents		(9,132,208)	1,484,993
Cash and cash equivalents at the beginning of the period		102,853,173	75,643,105
Cash and cash equivalents at the end of the period	4	93,720,965	77,128,098

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

Kamakova Nazgul Sholpankulovna

Deputy Chairperson of the Management Board, Member of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

5 August 2022



The selected explanatory notes set out on pages 10 to 30 form an integral part of these condensed interim financial statements.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 implementation of the government programmes to support the agricultural (agrarian) sector; attraction of the domestic and foreign investments to implement its own projects in the agro-industrial complex; development and implementation of projects in the agro-industrial complex; sale of the pledge property and agricultural products received as repayment of the funds granted and to perform bank borrowing operations on the basis of the relevant license; performance of the leasing activities, 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 2022 and 31 December 2021, the Company had 17 registered branches in the Republic of Kazakhstan.

Prior to 18 March 2021, Baiterek National Managing Holding Joint Stock Company owned 100% of the Company's shares. In accordance with section 52 of the National Action Plan for Implementation of the Address of the President of Kazakhstan dated 1 September 2020 "Kazakhstan in a New Reality: Time for Action," approved by the Decree No.413 of the President of the Republic of Kazakhstan dated 14 September 2020, a single development institution has been established through the merger of Baiterek National Managing Holding Joint Stock Company and KazAgro National Managing Holding Joint Stock Company.

On 18 March 2021, 100% of the Company's shares were transferred to Baiterek National Managing Holding Joint Stock Company.

As at 30 June 2022, Baiterek National Managing Holding JSC 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, Nur-Sultan, Republic of Kazakhstan.

Kazakhstan business environment

The Company's operations are primarily located in the Republic of Kazakhstan (the "RK"). Consequently, the Company is exposed to the economic and financial markets risks of Kazakhstan, which display emerging-market characteristics. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

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.

Against the background of the aforementioned geopolitical events, the national currency of the Republic of Kazakhstan has weakened against world currencies.

In July 2022, the National Bank of Kazakhstan increased the base rate to 14.5% with a corridor of +/- 1%. According to press releases from the National Bank of Kazakhstan, the rapidly changing geopolitical and external economic environment in trading partner countries and the unprecedented level of uncertainty reduce significantly the possibility to make robust forecasts regarding the impact of the conflict on the economy of the Republic of Kazakhstan.

Management is in the process of quantitative assessment of further impact of said events on the Company's operations.

The condensed interim 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.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

2. Basis of preparation

Statement of compliance

These condensed interim financial statements for the six months ended 30 June 2022 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 financial statements as at 31 December 2021 and for the year then ended.

These condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

Basis of measurement

The condensed interim 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 condensed interim financial statements.

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

Use of estimates and judgments

Preparing the condensed interim financial statements requires management to make judgements, estimates assumptions that affect the application of accounting 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 statements.

The significant judgements described in Notes 5, 6, 7, 8, 9, 10 and 17 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 financial statements.

3. Significant accounting policies

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

The accounting policies applied in these condensed interim financial statements are the same as those the Company applied for preparation of the last annual financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022; they do not have a material effect on the Company’s condensed interim financial statements:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)*
- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)*
- *Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);*
- *Annual Improvements to IFRS Standards 2018–2020 Cycle – various standards.*
- *Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);*
- *Reference to Conceptual Framework (Amendments to IFRS 3);*
- *Classification of Liabilities as Current or Non-current (Amendments to IAS 1);*
- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);*
- *Definition of Accounting Estimates (Amendments to IAS 8).*

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

4. Cash and cash equivalents

	<i>30 June 2022 (unaudited)</i>	<i>31 December 2021</i>
Cash on current bank accounts with the Republican State Enterprise (RSE) "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan"	43,063,028	–
Cash on current bank accounts	25,489,750	59,149,641
Amount receivables under reverse repurchase agreements with original maturities of less than three months	25,153,841	–
Overnight deposits with other banks	16,127	14,218,696
Cash on hand	14	15
NBRK notes	–	29,487,425
	93,722,760	102,855,777
Allowance for expected credit losses	(1,795)	(2,604)
Cash and cash equivalents	93,720,965	102,853,173

As at 30 June 2022, cash and cash equivalents are not past due and categorised into Stage 1 (unaudited) (31 December 2021: cash and cash equivalents are not past due and categorised into Stage 1).

As at 30 June 2022 and 31 December 2021, the credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's or other agencies converted into Standard & Poor's scale as follows:

	<i>30 June 2022 (unaudited)</i>			
	<i>Current accounts</i>	<i>Current Republic of Kazakhstan"</i>	<i>Overnight deposits with other banks</i>	<i>Total</i>
Not overdue				
Cash on current account with RSE "The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan" (not rated)	–	43,063,028	–	43,063,028
- rated from BBB- to BBB+	19,883,837	–	–	19,883,837
- rated from B- to B+	348,653	–	–	348,653
- not rated	5,257,260	–	16,127	5,273,387
Total cash and cash equivalents, net of cash before deduction of impairment allowance	25,489,750	43,063,028	16,127	68,568,905
Allowance for expected credit losses	(490)	(716)	–	(1,206)
Total cash and cash equivalents, net of cash	25,489,260	43,062,312	16,127	68,567,699
	<i>31 December 2021</i>			
	<i>Current accounts</i>	<i>NBRK notes</i>	<i>Overnight deposits with other banks</i>	<i>Total</i>
Not overdue				
NBRK notes (not rated)	–	29,487,425	–	29,487,425
- rated from BBB- to BBB+	54,129,945	–	–	54,129,945
- rated from BB- to BB+	156,343	–	14,202,786	14,359,129
- rated from B- to B+	111,323	–	–	111,323
- not rated	4,752,030	–	15,910	4,767,940
Total cash and cash equivalents, net of cash before deduction of impairment allowance	59,149,641	29,487,425	14,218,696	102,855,762
Allowance for expected credit losses	(835)	(1,089)	(680)	(2,604)
Total cash and cash equivalents, net of cash	59,148,806	29,486,336	14,218,016	102,853,158

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

As at 30 June 2022, the balance of not rated cash and cash equivalents includes the balances with Citibank Kazakhstan JSC (unaudited) (31 December 2021: Citibank Kazakhstan JSC).

As at 30 June 2022, the Company had one bank (unaudited) with aggregated cash and cash equivalent balances above 10.00% of equity: RSE “The Treasury Committee of the Ministry of Finance of the Republic of Kazakhstan” for the total amounts of KZT 43,063,028 thousand (unaudited) (31 December 2021: Eurasian Development Bank for the total amount of KZT 33,570,476 thousand and NBRK notes for KZT 29,487,425 thousand).

As at 30 June 2022, the Company entered into reverse repo agreements at Kazakhstan Stock Exchange. The subject of these agreements were the treasury notes of the Ministry of Finance of the Republic of Kazakhstan. Fair value of the pledged securities was KZT 25,499,677 thousand (unaudited) (31 December 2021: none).

5. Loans to banks

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loans to second-tier banks	32,692,760	12,618,972
Term deposits with maturity more than 90 days	–	108,779
	32,692,760	12,727,751
Allowance for expected credit losses	(30,590)	(19,239)
Loans to banks	32,662,170	12,708,512

As at 30 June 2022, loans to second-tier banks are not overdue and are categorised into Stage 1 (unaudited) (31 December 2021: loans to second-tier banks are not overdue and categorised into Stage 1).

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

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Not overdue		
- rated from BBB- to BBB+	29,775,877	1,298,136
- rated from BB- to BB+	–	11,328,459
- rated from B- to B+	2,916,883	101,156
	32,692,760	12,727,751
Allowance for expected credit losses	(30,590)	(19,239)
Loans to banks	32,662,170	12,708,512

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 Savings Bank JSC for the total amount of KZT 29,967,000 thousand (unaudited) (during the six months ended 30 June 2021: KZT 31,840,998 thousand (unaudited)), to First Heartland Jusan Bank - for the total amount of KZT 2,990,000 thousand (unaudited) (during the six months ended 30 June 2021: KZT 0 (unaudited)) at below market interest rate of 1.50% per annum (unaudited) (during the six months ended 30 June 2021: 1.50% per annum (unaudited)) and maturing on 1 December 2022 (during the six months ended 30 June 2021: 1 December 2021). The Company recognised a discount of KZT 2,776,745 thousand (unaudited) (during the six months ended 30 June 2021: KZT 1,954,546 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 1,082,370 thousand (unaudited) (during the six months ended 30 June 2021: KZT 782,992 thousand (unaudited)) in the condensed interim statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Company applied estimated market interest rates of 14.91% – 17.36% per annum (unaudited) (during the six months ended 30 June 2021: 10.19%-11.00% per annum (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 2022, due to a geopolitical situation in the regions, amounts due to SB Sberbank of Russian JSC and SB VTB Bank JSC (Kazakhstan) for the total amount of KZT 10,368,039 thousand (unaudited) were repaid ahead of schedule by means of signing the agreements for assignment of the rights of claim to the loans issued to the customers by the above-mentioned banks; Kazagrofinance JSC and three companies operating in the Republic of Kazakhstan are among the customers. The fair value of loans to customers received by the Company under agreements for assignment of the rights of claim amounted to KZT 10,883,701 thousand (unaudited), with the discount on their initial recognition amounting to KZT 1,109,969 thousand (unaudited), taking into account the use of estimated market interest rates ranging from 14.9% to 16.5% per annum. The Company recognised net income of KZT 538,642 thousand (unaudited) as a result of the derecognition of loans issued by SB Sberbank of Russia JSC and SB VTB Bank (Kazakhstan) JSC and recognition of new financial instruments as part of net other expenses in the condensed interim statement of profit or loss for the six months ended 30 June 2022.

As at 30 June 2022, the Company had a balance with 1 bank (unaudited) (31 December 2021: none), which exceeds 10.00% of equity: Halyk Bank of Kazakhstan JSC for the total amount of KZT 29,775,877 thousand (unaudited).

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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 2022 (unaudited)</i>	<i>31 December 2021</i>
Loans to legal entities	583,093,389	488,089,223
Loans to individuals	270,892,121	265,967,040
	853,985,510	754,056,263
Allowance for expected credit losses	(100,280,075)	(89,040,036)
Loans to customers	753,705,435	665,016,227

Impairment allowance for loans to customers

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

<i>Loans to legal entities</i>	<i>Unaudited</i>				<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	
ECL allowance as at 1 January 2022	2,326,168	188,856	62,564,653	647,430	65,727,107
New assets originated or purchased	1,351,352	–	2,563,565	–	3,914,917
Assets repaid	(17,780)	(5,024)	(360,779)	–	(383,583)
Transfer to Stage 1	2,613,365	(78,158)	(2,535,207)	–	–
Transfers to Stage 2	(8,473)	154,418	(145,945)	–	–
Transfer to Stage 3	(24,319)	(109,569)	133,888	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(2,065,587)	(42,802)	2,399,681	289,055	580,347
Changes provided for by agreement of cash flows from modification that does not result in derecognition	177	2	627,723	–	627,902
Unwinding of discount	–	–	2,925,571	–	2,925,571
At 30 June 2022	4,174,903	107,723	68,173,150	936,485	73,392,261

During the six months ended 30 June 2022, the high volume of loans to legal entities 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:

<i>Loans to individuals</i>	<i>Unaudited</i>				<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	
ECL allowance as 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)	–	–
Transfers 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	963,132	714,889	24,639,062	570,731	26,887,814

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for the six months ended 30 June 2022

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).

During the six months ended 30 June 2022 within “Ken-Dala” annual Government program on support of spring field works, the Company has provided loans for the total amount of KZT 36,143,000 thousand (unaudited) with below market interest rate at 1.50% p.a. and maturity on 5 April 2023. The Company recognised the discount of KZT 3,381,688 thousand (unaudited) at initial recognition and interest income on amortisation of discount of KZT 1,246,495 thousand in the condensed interim statement of profit or loss within other expenses and interest income on loans to customers, respectively. Loss from initial recognition of loans below market interest rates in the amount of KZT 3,381,688 thousand was partially compensated by the government grant received for the amount of KZT 3,381,688 thousand (*Note 10*). The Company used estimated market interest rates of 13.10% – 16.90% 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 2021 within “Ken-Dala” annual Government program on support of spring field works, the Company has provided loans for the total amount of KZT 38,159,002 thousand (unaudited) with below market interest rate at 2.00% p.a. and maturity on December 2021. The Company recognised the discount of KZT 4,027,401 thousand (unaudited) at initial recognition and interest income on amortisation of discount of KZT 2,533,631 thousand in the condensed interim statement of profit or loss within other expenses and interest income on loans to customers, respectively. Loss from initial recognition of loans below market interest rates in the amount of KZT 4,027,401 thousand was partially compensated by the government grant received for the amount of KZT 3,757,430 thousand (*Note 10*). The Company used estimated market interest rates of 13.70% – 14.40% 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 continues to issue and service loans issued under the State Program for the development of Productive Employment and Mass Entrepreneurship for 2017-2021 (“Isker”); KZT 12,388,460 thousand (unaudited) (during the six months ended 30 June 2021: KZT 3,213,453 thousand (unaudited)) of new loans were issued. The Company used estimated market interest rates of 13.40%-16.90% p.a. (during the six months ended 30 June 2021: 11.60%-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 2,916,543 thousand (unaudited) (during the six months ended 30 June 2021: KZT 1,158,492 thousand (unaudited)) was recognized within other expenses and was fully compensated by the government grant (*Note 10*).

During the six months ended 30 June 2022 the Company issued and serviced loans issued under the state program for Agrobusiness development; KZT 3,673,462 thousand (unaudited) of new loans were issued. The Company used estimated market interest rates of 9.60% – 18.40% 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 1,055,269 thousand (unaudited) was recognized within other expenses. Also, during the six months ended 30 June 2022 the Company suffered from expected credit losses for the total amount of KZT 1,457,834 thousand (unaudited) on new and previously issued loans during 2018-2020 years within the abovementioned program. All these losses incurred during the six months ended 30 June 2021 were compensated by the government grant (*Note 10*).

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 the state programs “Enbek” and “Employment Road Map -2020”. All these losses incurred during the six months ended 30 June 2021 were compensated by the government grant (*Note 10*).

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 5,810,822 thousand (unaudited) (during the six months ended 30 June 2021: KZT 8,274,888 thousand (unaudited)) (*Note 14*) was recognized within other expenses, net. The Company used estimated market interest rates of 11.60% – 16.50% p.a. (unaudited) to measure the fair value of the loans at initial recognition by discounting their future contractual cash flows.

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The table below provides analysis of movements in the ECL allowance for loans to legal entities for the six months ended 30 June 2021:

<i>Loans to legal entities</i>	<i>Unaudited</i>				<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	
ECL allowance as at 1 January 2021	2,835,939	4,825	55,853,932	1,075,604	59,770,300
New assets originated or purchased	580,235	–	2,250,705	–	2,830,940
Assets repaid	(27,105)	(8)	(1,071,692)	–	(1,098,805)
Transfers to Stage 1	271,732	(11,928)	(259,804)	–	–
Transfers to Stage 2	(533,564)	564,189	(30,625)	–	–
Transfers to Stage 3	(108,936)	(2,044,200)	2,153,136	–	–
Movements in ECL for the period	(140,890)	1,616,425	2,450,403	161,697	4,087,635
Unwinding of discount	–	–	2,820,488	–	2,820,488
Amounts written off	–	–	(412,203)	–	(412,203)
At 30 June 2021	2,877,411	129,303	63,754,340	1,237,301	67,998,355

During the six months ended 30 June 2021, the high volume of loans to individuals originated resulted in the increase of the gross carrying amount of loans to customers by KZT 100,847,243 thousand (unaudited) with a corresponding increase in loss allowance by KZT 2,830,940 thousand (unaudited). During the six months ended 30 June 2021 loans to legal entities for the total amount of KZT 54,992,422 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 1,098,805 thousand (unaudited).

The table below provides analysis of movements in the ECL allowance for loans to individuals for the six months ended 30 June 2021:

<i>Loans to individuals</i>	<i>Unaudited</i>				<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	
ECL allowance as at 1 January 2021	433,995	222,487	4,862,371	85,876	5,604,729
New assets originated or purchased	208,002	–	–	–	208,002
Assets repaid	(6,524)	(77)	(150,422)	–	(157,023)
Transfers to Stage 1	583,251	(59,908)	(523,343)	–	–
Transfers to Stage 2	(33,602)	33,602	–	–	–
Transfers to Stage 3	(2,535)	(256,921)	259,456	–	–
Movements in ECL for the period	(355,795)	87,266	953,370	359,759	1,044,600
Unwinding of discount	–	–	182,193	–	182,193
Amounts written off	–	–	(44,776)	–	(44,776)
At 30 June 2021	826,792	26,449	5,538,849	445,635	6,837,725

During the six months ended 30 June 2021, the high volume of loans to individuals originated resulted in the increase of the gross carrying amount of loans to customers by KZT 15,386,750 thousand (unaudited) with a corresponding increase in loss allowance by KZT 208,002 thousand (unaudited). During the six months ended 30 June 2021 loans to individuals for the total amount of KZT 7,987,653 thousand were repaid (unaudited) with a corresponding decrease in loss allowance by KZT 157,023 thousand (unaudited).

The following table provides information on the credit quality of the loans to customers as at 30 June 2022 and 31 December 2021:

	<i>30 June 2022 (unaudited)</i>				<i>Total</i>
	<i>Stage 1 12-month ECL</i>	<i>Stage 2 Lifetime ECL for assets not credit-impaired</i>	<i>Stage 3 Lifetime ECL for assets not credit-impaired</i>	<i>POCI</i>	
<i>Legal entities</i>					
- not overdue	237,219,685	1,138,722	226,600,492	685,886	465,644,785
- overdue up to 30 days	2,724,151	417,979	11,880,037	–	15,022,167
- overdue more than 31 days and less than 60 days	–	2,456,250	2,544,107	–	5,000,357
- overdue more than 61 days and less than 90 days	–	–	6,385,613	–	6,385,613
- overdue more than 91 days and less than 360 days	–	–	62,729,761	1,568,020	64,297,781
- overdue more than 1 year	–	–	26,742,686	–	26,742,686
	239,943,836	4,012,951	336,882,696	2,253,906	583,093,389
Allowance for expected credit losses	(4,174,903)	(107,723)	(68,173,150)	(936,485)	(73,392,261)
	235,768,933	3,905,228	268,709,546	1,317,421	509,701,128

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	30 June 2022 (unaudited)				
	Stage 1 12- month ECL	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for assets not credit- impaired	POCI	Total
<i>Individuals</i>					
- not overdue	210,703,266	–	8,789,090	–	219,492,356
overdue up to 30 days	14,009,133	126,786	2,682,448	–	16,818,367
- overdue more than 31 days and less than 60 days	–	4,899,168	1,580,052	–	6,479,220
- overdue more than 61 days and less than 90 days	–	–	2,561,713	–	2,561,713
- overdue more than 91 days and less than 360 days	–	–	9,946,734	860,497	10,807,231
- overdue more than 1 year	–	–	14,733,234	–	14,733,234
	224,712,399	5,025,954	40,293,271	860,497	270,892,121
Allowance for expected credit losses	(963,132)	(714,889)	(24,639,062)	(570,731)	(26,887,814)
	223,749,267	4,311,065	15,654,209	289,766	244,004,307

	31 December 2021				
	Stage 1 12- month ECL	Stage 2 Lifetime ECL for assets not credit- impaired	Stage 3 Lifetime ECL for assets not credit- impaired	POCI	Total
<i>Legal entities</i>					
- not overdue	176,174,503	2,647,339	244,263,372	2,160,695	425,245,909
overdue up to 30 days	2,137,428	133,524	14,407,326	–	16,678,278
- overdue more than 31 days and less than 60 days	–	613,941	5,198,534	–	5,812,475
- overdue more than 61 days and less than 90 days	–	–	4,459,535	–	4,459,535
- overdue more than 91 days and less than 360 days	–	–	10,589,740	–	10,589,740
- overdue more than 1 year	–	–	25,303,286	–	25,303,286
	178,311,931	3,394,804	304,221,793	2,160,695	488,089,223
Allowance for expected credit losses	(2,326,168)	(188,856)	(62,564,653)	(647,430)	(65,727,107)
	175,985,763	3,205,948	241,657,140	1,513,265	422,362,116

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

As at 30 June 2022 the Company had no borrowers (unaudited) whose total balance exceeds 10% of equity (31 December 2021: no borrowers).

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7. Finance lease receivables

The analysis of finance lease receivables at 30 June 2022 and 31 December 2021 is as follows:

	30 June 2022 (unaudited)			Total
	Up to 1 year	From 1 to 5 years	More than 5 years	
Gross investments in finance lease	2,276,678	9,301,410	9,077,110	20,655,198
Unearned deferred finance income from finance lease	(266,736)	(1,163,715)	(3,437,814)	(4,868,265)
Investments in finance lease	2,009,942	8,137,695	5,639,296	15,786,933
ECL allowance	(587,062)	(2,398,453)	(2,340,615)	(5,326,130)
Finance lease receivables	1,422,880	5,739,242	3,298,681	10,460,803
	31 December 2021			
	Up to 1 year	From 1 to 5 years	More than 5 years	Total
Gross investments in finance lease	1,788,954	8,917,345	9,970,117	20,676,416
Unearned deferred finance income from finance lease	(257,466)	(1,359,463)	(3,670,388)	(5,287,317)
Investments in finance lease	1,531,488	7,557,882	6,299,729	15,389,099
ECL allowance	(498,507)	(2,495,731)	(2,768,219)	(5,762,457)
Finance lease receivables	1,032,981	5,062,151	3,531,510	9,626,642

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 30 June 2022 and 31 December 2021:

	30 June 2022 (unaudited)			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL for assets not credit-impaired	Stage 3 Lifetime ECL for assets credit-impaired	
- not overdue	-	4,458,876	6,483,859	10,942,735
- overdue up to 30 days	-	753,961	166,569	920,530
- overdue more than 31 days and less than 90 days	-	-	-	-
- overdue more than 91 days and less than 180 days	-	-	227,682	227,682
- overdue more than 181 days and less than 1 year	-	-	1,265,625	1,265,625
- overdue more than 1 year	-	-	2,430,361	2,430,361
Loss allowance	-	5,212,837	10,574,096	15,786,933
	-	(330,345)	(4,995,785)	(5,326,130)
Total finance lease receivables	-	4,882,492	5,578,311	10,460,803

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

8. Payables to the Shareholder

	Due date	Nominal interest rate per annum,		30 June 2022 (unaudited)	31 December 2021
		%	Currency		
Loan under Agreement No. 32	14 December 2032	1.00%	KZT	15,748,112	15,276,780
Loan under Agreement No. 26	10 February 2041	1.02%	KZT	15,239,871	14,760,800
Loan under Agreement No. 101	14 December 2033	1.00%	KZT	12,024,179	11,667,415
Loan under Agreement No. 76	14 December 2025	1.00%	KZT	10,132,821	9,824,432
Loan under Agreement No. 135	14 December 2032	1.00%	KZT	8,473,170	8,215,517
Loan under Agreement No. 136	14 December 2032	1.00%	KZT	8,473,170	8,215,517
Loan under Agreement No. 85	14 December 2025	1.00%	KZT	7,644,452	7,423,489
Loan under Agreement No. 112	14 December 2025	1.00%	KZT	7,605,326	7,380,123
Loan under Agreement No. 20	31 January 2034	1.00%	KZT	5,983,805	6,515,629
Loan under Agreement No. 34	28 September 2034	1.00%	KZT	2,871,370	2,792,169
Amount payable under assignment contract of 3 July 2018	20 December 2024	5.00%	KZT	1,532,155	1,477,788
Amount payable under debt transfer agreement of 3 July 2018	9 December 2024	3.00%	KZT	533,800	634,387
Loan under Agreement No. 124	1 December 2022	10.00%	KZT	38,935	76,376
Loan under Agreement No. 43	21 June 2034	0.28%	KZT	3,419,634	-
				99,720,800	94,260,422

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 recognized as a liability on government grant (unaudited). As at 30 June 2022 the carrying amount of this loan was KZT 3,419,634 thousand (unaudited).

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

During six-month period ended 30 June 2021 as part of the optimisation of the structure of the loan previously provided by KazAgro Holding to the Company from the National Fund of the Republic of Kazakhstan, by combining the amounts due under the agreements previously concluded with the total nominal value as of the date of combination of KZT 58,451,625 thousand (unaudited) and issuance of additional tranche in amount of KZT 11,548,375 thousand (unaudited), a Loan Agreement No. 26 of 16 June 2021 was signed. The total amount of the loan is KZT 70,000,000 thousand, with maturity on 10 February 2041, nominal interest rate - 1.02% per annum, effective interest rate - 11.98% per annum. The purpose of the loan is financing of investment projects on various directions agricultural sector development, such as creation of milk farms, development of feedlots, creation of storages for different agricultural products and others. The conclusion of this agreement resulted in the derecognition of the agreements (including agreements No. 36, 61, 24 and 70) and which were entered into previously, funded from the resources of the National Fund of the Republic of Kazakhstan, and the recognition of a new liability under Loan Agreement No. 26 dated 16 June 2021. The discount at initial recognition on KZT 70,000,000 thousand loan is amounted to KZT 44,572,072 thousand (unaudited) (excluding tax effect in the amount of KZT 11,143,018 thousand, unaudited) and it was recognized directly in equity within accumulated losses, whereas previously discount in amount of KZT 11,196,328 thousand (unaudited) (excluding tax effect in the amount of KZT 2,799,082 thousand, unaudited) was derecognized to reflect the new terms negotiated with the controlling party. As at 30 June 2021, the carrying amount of the loan is KZT 14,372,524 thousand (unaudited).

As at 30 June 2022 and 31 December 2021 the Company meets the requirements related to compliance with the restrictive covenants under the agreements with the creditors.

9. Payables to the Government of the Republic of Kazakhstan

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 the total amount of KZT 110,000,000 thousand (unaudited), with a nominal interest rate of 0.01% per annum and maturing on 15 December 2022 and 30 March 2023. This loan was received within “Ken-Dala” Government support program dedicated for support entities on 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, First Heartland Jusan Bank for the total amount of KZT 2,990,000 thousand (*Note 5*) with a condition of further special purpose prescribed under the abovementioned program 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 10*). An amortisation of discount in the amount of KZT 2,609,450 thousand (unaudited) was recognized 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.

As at 30 June 2022, the carrying amount of loans received was KZT 100,841,147 thousand (unaudited), including accrued interest of KZT 2,245 thousand (unaudited).

During the six months ended 30 June 2021 the Company received a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for a total nominal amount of KZT 70,000,000 thousand (unaudited) with nominal interest rate of 0.01% p.a. and maturity on 20 December 2021. This loan was received within “Ken-Dala” Government support program dedicated for support entities on their spring field and harvesting works. Loan received was distributed in full to Halyk Savings Bank JSC for a total amount of KZT 31,840,998 thousand (*Note 5*) with a condition of further special purpose prescribed under the abovementioned program and directly to customers for the total amount of KZT 38,159,002 thousand (*Note 6*) (unaudited).

10. Government grants

	<i>30 June 2022</i> <i>(unaudited)</i>	<i>31 December 2021</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 program	37,930,901	33,641,832
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	5,262,018	6,873,178
Government grants	43,192,919	40,515,010

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022***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</i>	
	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
At 1 January	33,641,832	9,158,681
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the from local executive bodies	218,008	3,397,920
Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Ministry of Finance (Note 9)	11,770,548	5,711,976
Government grants received from the Shareholder by means of a loan (Note 8)	4,891,183	-
Utilisation of government grant for upon issuance of loans to borrowers under the State Program for the development of Productive Employment and Mass Entrepreneurship for 2017-2021 ("Isker") (Note 6)	(2,916,543)	(1,158,492)
Utilisation of government grant for upon issuance of loans to banks under the State Program "Ken-Dala" (Note 5)	(2,776,745)	(1,954,546)
Utilisation of government grant for upon issuance of loans to customers borrowers under the State Program "Ken-Dala" (Note 6) (compensated part)	(3,381,688)	(3,757,430)
Utilisation of government grant upon issuance of loans to customers borrowers under Agrobusiness Development Program (Note 6)	-	(1,055,269)
Utilisation of government grant (Note 6)	(2,313,591)	(1,457,834)
Amortisation for the period	(1,202,103)	(641,316)
At 30 June (unaudited)	37,930,901	8,243,690

Government grants received from the Government of the Republic of Kazakhstan by means of a loan from the Ministry of Finance

During the six months ended 30 June 2022 the Company received a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for a total nominal amount of KZT 110,000,000 thousand with nominal interest rate of 0.01% p.a. and maturity on 15 December 2022 and 30 March 2023. This loan was received within "Ken-Dala" Government support program dedicated for support entities on 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 (Note 5), First Heartland Jusan Bank JSC for the total amount of KZT 2,990,000 thousand with a condition of further special purpose prescribed under the abovementioned program and directly to customers for the total amount of KZT 36,143,000 thousand (Note 6).

The discount of KZT 11,770,548 thousand 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. An amortisation of discount in the amount of KZT 2,609,450 thousand was recognized 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.

During the six months ended 30 June 2022 the government grants transferred to profit or loss (Note 14) amounted to KZT 12,590,670 thousand and were included in other income/(expenses), net (during the six months ended 30 June 2021: KZT 10,024,887 thousand).

Government grants received from the Ministry of Agriculture

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
At 1 January		
Received for the period	6,873,178	3,312,883
Returned due to expired availability period	8,535,993	6,983,946
Utilisation by means of transfer for particular borrowers which have met special conditions	(5,164,593)	(2,711,307)
	(4,982,560)	(2,650,584)
At 30 June (unaudited)	5,262,018	4,934,938

Government grants received from the Ministry of Agriculture are utilised for partial repayment of principal and interest of the borrowers which received loans for investment projects and acquisition of new or previously unused machinery and equipment. Certain conditions should be fulfilled by the borrowers in order to receive these grants.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

11. Other liabilities

Other non-financial assets comprise the following items:

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	
Other taxes payable	196,756	1,373,656
Other	202,449	130,431
Other non-financial liabilities	399,205	1,504,087

Other financial assets comprise the following items:

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	
Rural mortgages	6,909,482	2,076,435
ECL allowance for contingent liabilities (<i>Note 16</i>)	1,254,118	1,092,195
Accounts payable	543,119	930,066
Amount payable under an assignment contract	216,307	188,930
Loans received from the UN	20,650	25,238
Liabilities on redemption of debt securities issued	-	23,914,950
Other financial liabilities	8,943,676	28,227,814

Liabilities on redemption of debt securities issued

The outstanding securities of the 1st bond issue under the 3rd bond program, AGKKb6 (NIN KZ2C00003507), with a redemption date of 30 December 2021 for the total amount of KZT 23,914,950 thousand were repaid on 10 January 2022. As at 31 December 2021 payables on payments on these bonds were classified as other liabilities as their maturity under the contract expired.

Rural mortgages

The Company acts as an Authorized Agent in the state program for financing mortgages in rural areas and receives a fee for managing funds, which ranges from 2.5% to 3.0% p.a. of the amount of debt on loans issued to customers. As at 30 June 2022, the total amount of mortgage loans issued by the Company on behalf of local executive bodies for the entire period when the Company acted as an agent was KZT 129,120,398 thousand (unaudited) (31 December 2021: KZT 124,522,138 thousand). For the period ended 30 June 2022, the Company's rural mortgage fee was KZT 936,182 thousand (unaudited) (for the period ended 30 June 2021: n/a, as the Company was appointed as an Authorized Agent on 1 December 2021 as a result of the merger with Fund for Financial Support of Agriculture JSC).

12. Equity

Share capital

In June 2022, in accordance with Decision No. 25/22 of the Sole Shareholder dated 8 June 2022, the number of authorized ordinary shares of the Company was increased through additional issue of 144,964,639 shares. As at 30 June 2022, this issue is not paid in full.

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

In March 2021, in accordance with Resolution of the Government of the Republic of Kazakhstan No. 952 of 31 December 2020, contract of adhesion of 26 February 2021 and the certificate of transfer between Baiterek and KazAgro, 100% interest of the Company of 180,758,928 ordinary shares have been transferred to Baiterek.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022**

As at 30 June 2022 407,059,079 authorised and issued ordinary shares of the Company (unaudited), 253,141,225 (unaudited) of which have been paid in full by the Sole Shareholder (31 December 2021: 262,094,440 shares and 253,141,225 shares, respectively).

Reserve capital

During six-month period ended 30 June 2022 the Company increased reserve capital for KZT 2,608,512 thousand (unaudited) (during the six months ended 30 June 2021: KZT 5,898,015 thousand). According to the Company's policy, reserve capital is built up for general risks including future losses and other unexpected risks and circumstances. Reserve capital is subject to distribution based on the decision of the Shareholder.

Dividends

During six-month period 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. They were paid on 16 June 2022.

During six-month period ended 30 June 2021, in accordance with the decision of the Sole Shareholder of 12 March 2021, the Company declared and paid dividends of KZT 13,762,035 thousand (unaudited) or KZT 78.95 per ordinary share for the year ended 31 December 2020. They were paid on 8 June 2021.

Carrying value of one ordinary share calculated in accordance with the methodology of Kazakhstan Stock Exchange is as follows:

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	
Assets	907,618,390	806,484,978
Less intangible assets	(564,073)	(624,683)
Less liabilities	(624,637,556)	(535,795,537)
Net assets	282,416,761	270,064,758
Number of ordinary shares, shares	253,141,225	253,141,225
Carrying amount of one ordinary share (in KZT)	1,115.65	1,066.85

13. Expenses on credit losses

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
Loans to customers (Note 6)	(7,891,714)	(6,915,349)
Other financial assets	224,693	(1,038,374)
Loans to second-tier banks	(11,351)	(9,331)
Finance lease receivables	436,327	-
Cash and cash equivalents	809	(186)
Investment securities	8	510
Loan commitments	(161,923)	90,650
Expenses on credit losses	(7,403,151)	(7,872,080)

14. Other income/(expenses), net

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021</i>
Other income from utilisation of government grants (Note 10)	11,388,567	9,383,571
Amortisation of government grant (Note 10)	1,202,103	641,316
Loss at initial recognition on loans to banks within "Ken-Dala" program (Note 5)	(2,776,745)	(1,954,546)
Loss at initial recognition on loans to customers issued within "Ken-Dala" program (Note 6)	(3,381,688)	(4,027,401)
Loss at initial recognition on loans to customers issued within "Isker" program (Note 6)	(2,916,543)	(1,158,492)
Loss at initial recognition on loans to customers issued within Agrobusiness Development Program	-	(1,055,269)
Loss at initial recognition on other loans to customers	(5,810,822)	(8,274,888)
Agency fee on rural mortgages (Note 11)	936,182	-
Other income/(expenses)	1,593,120	(676,525)
Other income/(expense), net	234,174	(7,122,234)

Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programs (Note 10).

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

15. Corporate income tax

	<i>Unaudited</i>	
	<i>Six months ended 30 June 2022</i>	<i>Six months ended 30 June 2021</i>
Current corporate income tax expense	(3,096,477)	(587,343)
Current tax expense overprovided in prior years	475,373	-
Deferred corporate income tax savings/(expenses) – origination of and decrease in temporary differences	(735,310)	451,472
Corporate income tax expense	(3,356,414)	(135,871)
Deferred income tax recognised within profit or loss	(735,310)	451,472
Deferred income tax recognised within equity	-	(7,172,022)
Deferred corporate income tax expenses – origination of and decrease in temporary differences	(735,310)	(6,720,550)

The Company's applicable tax rate for current and deferred tax is 20% (2021: 20%).

Income tax expense is recognised in the amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the condensed interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

Reconciliation of effective tax rate:

	<i>Six months ended 30 June 2022 KZT'000 (unaudited)</i>		<i>Six months ended 30 June 2021 KZT'000</i>	
Profit before income tax	21,734,335	100	155,875	100
Income tax at the applicable tax rate	(4,346,867)	(20.00)	(31,175)	(20.00)
Non-taxable interest income on government investment securities	502,126	2.31	235,406	151.02
Non-taxable income on credit losses write-back/(charge), non-deductible	99,976	0.46	(162,965)	(104.55)
Other non-taxable income	-	-	43,443	27.87
Other non-deductible expense	(87,022)	(0.40)	(220,580)	(141.51)
Current tax expense overprovided in prior years	475,373	2.19	-	-
Corporate income tax expense	(3,356,414)	(15.44)	(135,871)	(87.18)

16. 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 considers that all necessary tax accruals were fulfilled and, correspondingly, there were no allowances charged in the statements. Tax periods remain open for 5 (five) years. Management believes that its interpretation of the legislation as at 30 June 2022 and 31 December 2021 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 or pending and threatened claims against the Company.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022****Credit related commitments**

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

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	
Credit related commitments		
Loan commitments	120,861,460	155,298,995
Allowance for expected credit losses	(1,254,118)	(1,092,195)
	119,607,342	154,206,800
Operating lease commitments		
Up to 1 year	41,074	46,402
Commitments and contingencies	119,648,416	154,253,202

Credit related commitments

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

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 counterparties on loan commitments as at 30 June 2022 (unaudited) and 31 December 2021, are current borrowers of the Company, agro-industrial enterprises with no credit rating assigned and classified into Stage 1, who are not behind on principal and interest payments as at the reporting date.

The following is an analysis of changes in ECL allowances:

<i>Loan commitments</i>	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2022</i>	<i>2021*</i>
At 1 January	<i>Stage 1</i>	<i>Stage 1</i>
Changes in ECL for the year	1,092,195	1,045,045
30 June	161,923	(90,650)
	1,254,118	954,395

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

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022**

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

	<i>Valuation date</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Input data of Level 1</i>	<i>Input data of Level 2</i>	<i>Input data of Level 3</i>	
30 June 2022 (unaudited)					
Assets with a disclosed fair value					
Cash and cash equivalents	30 June 2022	–	93,720,965	–	93,720,965
Loans to banks	30 June 2022	–	32,607,757	–	32,607,757
Loans to customers	30 June 2022	–	453,597,894	194,459,780	648,057,674
Finance lease receivables	30 June 2022	–	3,792,364	5,578,311	9,370,675
Investment securities	30 June 2022	–	546,533	–	546,533
Other financial assets	30 June 2022	–	5,127,651	–	5,127,651
Liabilities with a disclosed fair value					
Payables to the Shareholder	30 June 2022	–	80,494,406	–	80,494,406
Payables to the Government of the Republic of Kazakhstan	30 June 2022	–	100,841,117	–	100,841,117
Payables to state and budget organisations	30 June 2022	–	138,731,528	–	138,731,528
Debt securities issued	30 June 2022	–	167,247,897	–	167,247,897
Other financial liabilities	30 June 2022	–	8,943,676	–	8,943,676
At 31 December 2021					
Assets with a disclosed fair value					
Cash and cash equivalents	31 December 2021	–	102,853,173	–	102,853,173
Loans to banks	31 December 2021	–	13,650,671	–	13,650,671
Loans to customers	31 December 2021	–	386,861,953	191,427,526	578,289,479
Finance lease receivables	31 December 2021	–	3,839,375	4,291,425	8,130,800
Investment securities	31 December 2021	–	835,891	–	835,891
Other financial assets	31 December 2021	–	4,966,637	–	4,966,637
Liabilities with a disclosed fair value					
Payables to the Shareholder	31 December 2021	–	87,047,530	–	87,047,530
Payables to state and budget organisations	31 December 2021	–	160,515,209	–	160,515,209
Debt securities issued	31 December 2021	–	197,086,612	–	197,086,612
Government grants	31 December 2021	–	6,873,178	–	6,873,178
Other financial liabilities	31 December 2021	–	28,227,814	–	28,227,814

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

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

	30 June 2022 (unaudited)		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised profit/(loss)</i>
Financial assets			
Cash and cash equivalents	93,720,965	93,720,965	–
Loans to banks	32,662,170	32,607,757	(54,413)
Loans to customers	753,705,435	648,057,674	(105,647,761)
Finance lease receivables	10,460,803	9,370,675	(1,090,128)
Investment securities	629,620	546,533	(83,087)
Other financial assets	5,127,651	5,127,651	–
Financial liabilities			
Payables to the Shareholder	99,720,800	80,494,406	19,226,394
Payables to the Government of the Republic of Kazakhstan	100,841,147	100,841,117	30
Payables to state and budget organisations	166,805,080	138,731,528	28,073,552
Debt securities issued	196,392,241	167,247,897	29,144,344
Other financial liabilities	8,943,676	8,943,676	–
Total unrecognised change in unrealised fair value			(30,431,069)

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

	31 December 2021		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognised profit/(loss)</i>
Financial assets			
Cash and cash equivalents	102,853,173	102,853,173	-
Loans to banks	12,708,512	13,650,671	942,159
Loans to customers	665,016,227	578,289,479	(86,726,748)
Finance lease receivables	9,626,642	8,130,800	(1,495,842)
Investment securities	839,325	835,891	(3,434)
Other financial assets	4,966,637	4,966,637	-
Financial liabilities			
Payables to the Shareholder	94,260,422	87,047,530	7,212,892
Payables to state and budget organisations	166,814,395	160,515,209	6,299,186
Debt securities issued	196,654,238	197,086,612	(432,374)
Other financial liabilities	28,227,814	28,227,814	-
Total unrecognised change in unrealised fair value			(74,204,161)

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

Fixed 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 and credit spread for the borrower rating adjusted for maturity that is calculated using an average market rate of financial instruments with similar maturities and credit rating. As at 30 June 2022, an average market rate was 14.91% - 16.47% p.a. (unaudited) (31 December 2021: 10.54-16.70% p.a.).

For liabilities whose fair value is disclosed in the financial statements, future cash flows are discounted at the market rate calculated using a build-up model based on all observable inputs such as KASE yield curve and credit spread for the Company rating adjusted for maturity that is calculated using an average market rate of financial instruments with similar maturities and credit rating. As at 30 June 2022, the market rate used to measure the fair value of loans raised, investment securities was 14.70%-15.70% p.a. (unaudited) (31 December 2021: 10.42-12.47% p.a.). Future cash flows include repayment of a principal debt and interest calculated at the contractual interest rate applied to the principal debt.

18. 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 2022, there have been no significant changes in the liquidity risk since 31 December 2021. As at 30 June 2022 the Company has no exposure (unaudited) to currency risk (31 December 2021 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 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.

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

for the six months ended 30 June 2022

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. Interest rates on assets and liabilities of the Company are fixed. During the reporting period there were no significant changes in the Company's exposure to interest rate risk.

19. 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, only receives and reviews the information on the Company as a whole.

20. 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.

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

	30 June 2022 (unaudited)				31 December 2021			
	Rate (%)	Shareholder	Entities under common control of the Shareholder	Government related organisations	Rate (%)	Shareholder	Entities under common control of the Shareholder	Government related organisations
Assets								
Cash and cash equivalents		–	–	68,216,868		–	–	29,486,336
Investment securities	9.70-12.00	–	629,620	–	9.70-12.00	–	597,255	242,070
Loans to customers	11.75	–	16,990,918	–	5.00	–	11,282,534	–
Current corporate income tax assets		–	–	3,575,099		–	–	1,785,126
Liabilities								
Payables to the Shareholder	1.00-5.00	99,720,800	–	–	1.00-5.00	94,260,422	–	–
Payables to the Government of the Republic of Kazakhstan	0.01	–	–	100,841,147	–	–	–	–
Payables to state and budget organisations	0.01 – 1.00	–	–	166,805,080	0.01 – 7.10	–	–	166,814,395
Debt securities issued	15.00	114,924,493	–	71,995,579	15.00	115,185,764	–	71,996,304
Deferred corporate income tax liabilities		–	–	7,349,761		–	–	6,614,451
Government grants		–	–	43,192,919		–	–	40,515,010
Other liabilities		–	–	6,909,482		–	–	25,991,385

SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022**

	<i>Six months ended 30 June 2022 (unaudited)</i>			<i>Six months ended 30 June 2021 (unaudited)</i>		
	<i>Shareholder</i>	<i>Entities under common control of the Shareholder</i>		<i>Shareholder</i>	<i>Entities under common control of the Shareholder</i>	
		<i>Government related organisations</i>	<i>Government related organisations</i>		<i>Government related organisations</i>	<i>Government related organisations</i>
Interest income on cash and cash equivalents	-	-	2,426,454	-	-	1,142,314
Interest income on investment securities	-	32,361	-	-	32,601	-
Interest income on loans to customers	-	960,908	-	-	879,942	-
Interest expense on loans received	(3,831,173)	-	(9,979,258)	(6,321,015)	-	(4,266,193)
Interest expense on debt securities issued	(6,196,816)	-	(3,760,228)	(2,536,369)	(31,797)	(5,301,859)
Expenses on credit losses	-	(608,176)	(201)	-	133,084	-
Other expenses, net	-	(334,726)	13,517,923	-	-	10,024,887
Corporate income tax expense	-	-	(3,356,414)	-	-	(135,871)

Key management remuneration

Key management remuneration comprises the following:

	<i>Six months ended 30 June</i>	
	<i>2022 (unaudited)</i>	<i>2021 (unaudited)</i>
Salaries and other short-term benefits	70,624	107,009
Remuneration of the Board of Directors	17,228	13,088
Administrative expense of the Board of Directors	6,710	1,962
Social contributions	8,207	10,639
Total key management remuneration	102,769	132,698

21. Capital adequacy

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

As at 30 June 2022 and 31 December 2021, 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 CONDENSED INTERIM FINANCIAL STATEMENTS**for the six months ended 30 June 2022**

As at 30 June 2022 and 31 December 2021, the Company's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>(unaudited)</i>	
Tier 1 capital	264,132,198	261,475,207
Tier 2 capital	18,377,921	8,695,040
Total equity	282,510,119	270,170,247
Risk-weighted assets	874,833,671	770,484,968
Contingent liabilities and commitments	60,430,730	77,649,498
Operational risk	21,865,173	21,785,778
Capital adequacy ratio (k1)	29.10%	32.42%
Capital adequacy ratio (k1-2)	28.24%	30.83%
Capital adequacy ratio (k1-3)	29.52%	31.06%

22. Subsequent events

As part of the actions that the Shareholder planned in 2021 with regard to transfer to the Company of 100% ordinary shares of KazAgroFinance JSC, on 15 July 2022, at the meeting in absentia of the Board of Directors of the Sole Shareholder of the Company, a decision was made to transfer 100% ordinary shares of KazAgroFinance JSC owned by the Shareholder as payment for 147,470,014 previously declared ordinary shares at the share offering price of KZT 1,000 per one ordinary share. In accordance with the condensed interim financial statements of KazAgroFinance JSC for the six months ended 30 June 2022, the total assets and total liabilities amounted to KZT 404,494,945 thousand (unaudited) and KZT 256,930,125 thousand (unaudited), respectively.

As part of the current loan agreement with the Ministry of Finance of the RK (Note 9), on 25 July 2022 an additional tranche of KZT 15,000,000 thousand was received (unaudited).

On 22 July 2022 and 27 July 2022, as part of the Master Agreement dated 23 December 2019 the Company raised borrowings of KZT 2,140,000 thousand (unaudited) and KZT 2,560,000 thousand (unaudited), respectively, from Citibank Kazakhstan JSC, bearing an interest rate of 16.8% per annum and maturing in January 2023.