



Kazakhstan Housing Company JSC

Unaudited 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 Kazakhstan Housing Company JSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Kazakhstan Housing Company JSC (the "Company") as at 30 June 2022, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the condensed interim financial information (the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with 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.

Conclusion

Based on our review, 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-month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard (IAS) 34 *Interim Financial Reporting*.



Madina Magomedova
Audit Director
KPMG Audit LLC
Almaty, Republic of Kazakhstan



1 August 2022

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Kazakhstan Housing Company JSC
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income for the six months ended 30 June 2022

	Note	Unaudited For the six months ended 30 June 2022 '000 KZT	Unaudited For the six months ended 30 June 2021 '000 KZT
Interest income calculated using the effective interest method		68,920,352	62,340,836
Other interest income		7,841,050	6,892,992
Interest expense		(50,788,761)	(49,479,588)
Net interest income	4	25,972,641	19,754,240
Fee and commission income		22,275	47,601
Fee and commission expense		(332,518)	(271,484)
Net fee and commission expense		(310,243)	(223,883)
Net foreign exchange (loss)/gain	15	(11,412,100)	12,580
Net (loss)/gain on investment securities measured at fair value through profit or loss		(48,595)	93,629
Net insurance premiums earned	6	1,401,783	825,290
Gain on recovery of provisions/(expense on charge of provisions) for guarantees issued		296,553	(820,057)
Other operating income	7	541,957	1,658,797
Operating income		16,441,996	21,300,596
Gain on reversal of impairment losses on debt financial instruments	5	754,469	1,282,801
Personnel expenses		(1,431,273)	(1,383,506)
General administrative expenses		(718,911)	(745,612)
Profit before income tax		15,046,281	20,454,279
Income tax expense	8	(1,920,956)	(1,936,211)
Profit and total comprehensive income for the period		13,125,325	18,518,068
Basic and diluted earnings per share, in KZT	18(б)	744	1,050

These condensed interim financial statements as set out on pages 4 to 42 were approved by management on 1 August 2022 and were signed on its behalf by:



B.D. Sagimkaidova
Deputy Chairman of the Board

A.T. Toktarkozha
Chief Accountant

The condensed interim statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Kazakhstan Housing Company JSC
Condensed Interim Statement of Financial Position as at 30 June 2022

	Note	Unaudited 30 June 2022 '000 KZT	31 December 2021 '000 KZT
ASSETS			
Cash and cash equivalents	9	302,202,938	100,684,841
Placements with banks and other financial institutions	10	18,163,519	80,722,166
Investment securities:			
- measured at fair value through profit or loss	11	2,030,997	2,079,816
- measured at amortised cost	11	838,779,728	928,960,811
Loans to customers and long-term receivables from sale of real estate under instalment agreements:			
- measured at fair value through profit or loss	12	4,688,595	3,599,878
- measured at amortised cost	12	119,669,699	135,649,359
Finance lease receivables	13	146,895,026	153,630,813
Current tax asset		3,866,329	3,485,872
Assets to be transferred under finance lease agreements		1,231,873	3,029,851
Construction-in-progress		175,716	986,751
Property, plant and equipment		3,591,378	3,627,824
Investment property		6,700,291	6,750,175
Non-current assets held for sale		217,765	240,529
Other assets		1,381,411	1,187,868
Total assets		1,449,595,265	1,424,636,554
LIABILITIES			
Debt securities issued	14	784,129,468	755,618,219
Other borrowed funds	15	236,849,708	218,164,832
Government grants	16	151,860,812	182,324,636
Deferred income and provision for guarantees issued	17	17,525,172	18,403,082
Deferred tax liability		22,023,263	20,102,307
Other liabilities		7,898,979	10,218,646
Total liabilities		1,220,287,402	1,204,831,722
EQUITY			
	18		
Share capital		193,432,016	193,432,016
Share premium		12,661	12,661
Treasury shares		(2,597,522)	(2,597,522)
Additional paid-in capital		3,389,392	3,389,392
Reserve capital		2,734,447	2,734,447
Retained earnings		32,336,869	22,833,838
Total equity		229,307,863	219,804,832
Total equity and liabilities		1,449,595,265	1,424,636,554

The condensed interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Kazakhstan Housing Company JSC
*Condensed Interim Statement of Cash Flows for the six months
ended 30 June 2022*

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	38,912,815	34,179,514
Interest payments	(15,008,845)	(9,679,918)
Fee and commission receipts	14,496	58,393
Fee and commission payments	(296,513)	(265,283)
Other (expenses)/ income (payments)/receipts	(273,751)	109,595
Personnel expenses payments	(1,364,917)	(1,262,783)
General and administrative expenses payments	(1,169,418)	(1,232,215)
	20,813,867	21,907,303
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	63,270,019	5,988,413
Financial assets measured at fair value through profit or loss	287	6,651
Loans to customers and long-term receivables from sales of real estate under instalment agreements	12,686,239	6,892,451
Assets to be transferred under finance lease agreements	(23,768)	(4,379,773)
Construction-in-progress	(8,368)	(17,413)
Finance lease receivables	8,791,664	8,031,901
Other assets	(385,624)	140,926
Increase/(decrease) in operating liabilities		
Government grants	(1,100,969)	159,009
Deferred income on guarantees issued	918,849	1,283,759
Other liabilities	1,929	(466,405)
Net cash flow from operating activities before income tax paid	104,964,125	39,546,822
Income tax paid	(59,684)	(52,140)
Cash flows from operating activities	104,904,441	39,494,682

The condensed interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Kazakhstan Housing Company JSC
*Condensed Interim Statement of Cash Flows for the six months
ended 30 June 2022*

	Unaudited Six months ended 30 June 2022 '000 KZT	Unaudited Six months ended 30 June 2021 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investment securities measured at amortised cost	(239,290,895)	(321,124,486)
Repayment of investment securities measured at amortised cost	338,446,473	407,323,267
Acquisition of property, plant and equipment and intangible assets	(131,175)	(74,143)
Proceeds from sale of investment property	-	70,700
Cash flows from investing activities	99,024,403	86,195,338
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase/repayment of debt securities issued	-	(65,000,000)
Proceeds from debt securities issued	1,257,977	30,467,812
Dividends paid	(3,622,294)	(6,051,678)
Cash flows used in financing activities	(2,364,317)	(40,583,866)
Net increase in cash and cash equivalents	201,564,527	85,106,154
Effect of movements in exchange rates on cash and cash equivalents	(43,357)	12,545
Effect of movements in ECL on cash and cash equivalents	(3,073)	(157,506)
Cash and cash equivalents at the beginning of the period	100,684,841	63,619,060
Cash and cash equivalents as at the end of the period (Note 9)	302,202,938	148,580,253

The condensed interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

Kazakhstan Housing Company JSC
Condensed Interim Statement of Changes in Equity for the six months ended 30 June 2022

‘000 KZT	Share capital	Share premium	Treasury shares	Additional paid-in capital	Reserve capital	(Accumulated losses)/ retained earnings	Total
Balance at 1 January 2021	<u>193,432,016</u>	<u>12,661</u>	<u>(2,597,522)</u>	<u>3,389,392</u>	<u>2,734,447</u>	<u>3,280,440</u>	<u>200,251,434</u>
Total comprehensive income and profit for the period							
Profit and total comprehensive income for the period, unaudited	-	-	-	-	-	18,518,068	18,518,068
Transactions with owners recorded directly in equity, unaudited							
Dividends declared and paid (Note 18(a))	-	-	-	-	-	(6,051,678)	(6,051,678)
Balance at 30 June 2021, unaudited	<u>193,432,016</u>	<u>12,661</u>	<u>(2,597,522)</u>	<u>3,389,392</u>	<u>2,734,447</u>	<u>15,746,830</u>	<u>212,717,824</u>
Balance at 1 January 2022	<u>193,432,016</u>	<u>12,661</u>	<u>(2,597,522)</u>	<u>3,389,392</u>	<u>2,734,447</u>	<u>22,833,838</u>	<u>219,804,832</u>
Total comprehensive income and profit for the period							
Profit and total comprehensive income for the period, unaudited	-	-	-	-	-	13,125,325	13,125,325
Transactions with owners recorded directly in equity, unaudited							
Dividends declared and paid (Note 18(a))	-	-	-	-	-	(3,622,294)	(3,622,294)
Balance at 30 June 2022, unaudited	<u>193,432,016</u>	<u>12,661</u>	<u>(2,597,522)</u>	<u>3,389,392</u>	<u>2,734,447</u>	<u>32,336,869</u>	<u>229,307,863</u>

The condensed interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed interim financial statements.

1 Reporting entity

(a) Organisation and operations

Kazakhstan Housing Company JSC (the “Company”) was established on 29 December 2000 as Mortgage Organisation Kazakhstan Mortgage Company JSC in accordance with the Resolution No.469 of the National Bank of the Republic of Kazakhstan (the “NBRK”) dated 20 December 2000. The principal activity of the Company is extension of the mortgage loans in accordance with the license for banking borrowing transactions issued by the authorised body. The Company may additionally perform trust, factoring, forfeiting and leasing operations. The Company is authorised to carry out the following activities:

- investment activity;
- financing and implementation of investment projects including by means of acquiring bonds issued by local executive bodies;
- conditional placements with the second-tier banks and extension of loans to other financial institutions;
- issue and placement of securities including bonds;
- lease of real estate properties including those with an option to purchase;
- granting guarantees for completion of the construction of a multi-storey residential building, its commissioning in the event of a guarantee event and the transfer of shares in the residential building to equity holders;
- extending loans to an authorised organisation designated in accordance with the Law of the Republic of Kazakhstan “On Shared Participation in Housing Construction”, and to legal entities which carry out construction as part of public housing programs;
- subsidising a part of interest rate for mortgage loans issued by second-tier banks to individuals.

On 16 February 2021 the Company obtained a banking license No.4.1.13 to carry out banking lending transactions.

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 registered office is: Building 55A, Mangilik El Ave., Nur-Sultan, Z05T3E2, Republic of Kazakhstan.

As part of implementation of the Order of the President of the Republic of Kazakhstan Kassym-Zhomart Tokayev dated 2 September 2019 to reduce the number of operators of the housing programmes, in accordance with the Order No.156 dated 20 March 2020 of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan, a decision was made to reorganise Mortgage Organisation Kazakhstan Mortgage Company Joint Stock Company and Baiterek Development Joint Stock Company (“BD JSC”) and Housing Guarantee Fund JSC (“HGF JSC”) through the Company’s takeover of BD JSC and HGF JSC. In accordance with the transfer and acceptance acts of 30 July 2020 and 16 November 2020, the assets and liabilities of BD JSC and HGF JSC were transferred respectively.

(b) Shareholders

As at 30 June 2022 and 31 December 2021 the Company is wholly owned by Baiterek National Management Holding JSC (the “Parent Company”). The party with ultimate control over the Company is the Government of the Republic of Kazakhstan.

(c) 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. Volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment. To continue as a going concern, the Company keeps carrying out its operations using a remote access and takes measures to protect health of the employees working on site, including provision of the individual protective devices, observance of distancing regime, and disinfection of the Company's premises.

In February 2022, because of the 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 February 2022, the National Bank of Kazakhstan increased the base rate to 14% 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 process of assessing the impact of the above mentioned events on the Company's operation in quantitative terms.

These 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.

2 Basis of accounting

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Reporting*. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for the year ended 31 December 2021.

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).

(b) Basis of measurement

The condensed interim financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss are stated at fair value.

(c) Use of estimates and judgments

In preparing these condensed interim financial statements, management has made judgements, estimates and 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.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for significant judgments and assumptions described in the following notes: investment securities (Note 11), loans to customers and long-term receivables from sales of real estate under instalment agreements (Note 12), finance lease receivables (Note 13), debt securities issued (Note 14), other borrowed funds (Note 15), fair value of financial assets and liabilities (Note 22).

(d) 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 Kazakhstan Tenge is also the presentation currency for the purposes of these condensed interim financial statements.

Except as indicated, financial information presented in KZT is rounded to the nearest thousand.

3 Significant accounting policies

The accounting policies applied in these condensed interim financial statements are the same as those applied in the financial statements for the year ended 31 December 2021.

A number of amendments to standards are effective for annual periods beginning on 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 Property, Plant and Equipment).*
- *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).*

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 with earlier application permitted. The Company has not early adopted them in preparing these condensed interim financial statements.

4 Net interest income

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Interest income calculated using the effective interest method		
Financial assets measured at amortised cost		
Investment securities measured at amortised cost	46,976,162	48,529,374
Reverse repurchase agreements	10,655,144	2,780,578
Loans to customers and long-term receivables from sales of property under instalment agreements	8,112,841	7,700,391
Placements with banks and other financial institutions	1,862,614	2,653,424
Cash and cash equivalents	1,310,691	593,083
Other assets	2,900	83,986
	68,920,352	62,340,836
Other interest income		
Finance lease receivables	6,654,693	6,751,284
Loans to customers measured at fair value through profit or loss	1,088,717	-
Investment securities measured at fair value through profit or loss	97,640	141,708
	7,841,050	6,892,992
Interest expense		
Debt securities issued	(42,207,159)	(41,812,232)
Other borrowed funds	(8,581,602)	(7,667,356)
	(50,788,761)	(49,479,588)
Net interest income	25,972,641	19,754,240

Interest income on finance lease receivables for the six months ended 30 June 2022 includes the amortisation of government grants of KZT 4,030,745 thousand, unaudited (for the six months ended 30 June 2021: KZT 3,983,035 thousand, unaudited) (Note 16).

5 Gain on reversal of impairment losses on debt financial instruments

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Loans to customers and long-term receivables from sales of property under instalment agreements (Note 12)	608,519	2,123,791
Investment securities measured at amortised cost	529,881	206,809
Placements with banks and other financial institutions	173,102	63,537
Other financial assets	15,944	(278,981)
Cash and cash equivalents	(3,073)	(157,506)
Finance lease receivables (Note 13)	(569,904)	(674,849)
	754,469	1,282,801

6 Net insurance premiums earned

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Fees under financial guarantee contracts related to construction contracts (insurance premium)	1,401,517	824,852
Financial guarantee fees	266	438
	1,401,783	825,290

Fees under financial guarantee contracts related to construction contracts recognised for the six months ended 30 June 2022 arise as a result of amortisation of fees received under guarantees related to construction companies.

7 Other operating income

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Loss on recognition of initial discount on acquired long-term securities (Note 11)	(19,447,719)	(9,579,717)
Loss on recognition of initial discount on loans to customers (Note 12)	(8,552,902)	-
Loss on derecognition of financial assets measured at amortised cost	(629,234)	-
Expenses on leasing out investment property	(262,442)	(212,654)
Net (loss)/gain related to operation of real estate properties	(204,938)	44,040
Losses arising on initial recognition of loans issued	(41,207)	-
Income from utilisation of government grants (Note 16)	29,208,471	9,754,053
Income from lease out of investment property	376,886	428,813
Income from repayment of placements with banks	70,449	-
Gain on recognition of initial discount on issued bonds	-	1,236,278
Other income/(expenses)	24,593	(12,016)
	541,957	1,658,797

During the six months ended 30 June 2022, the Company purchased bonds issued by local executive bodies in the amount of KZT 62,904,866 thousand (the six months ended 30 June 2021: KZT 62,904,866 thousand) (Note 11). On initial recognition the difference between the fair value and purchase value in the form of discount was KZT 19,447,719 thousand (the six months ended 30 June 2021: KZT 9,579,717 thousand), which was offset by utilising government grant in the equivalent amount.

During the six months ended 30 June 2022, the Company signed an addendum with Yelorda Kurylys Kompaniasy LLP and Akimat of Nur-Sultan city for extension of the loan maturity date taking into account the recommendations of the Council for National Fund Management. Considering a significant modification of the contractual terms, the Company derecognised the original loan and recognised a new financial asset. Therefore, the loan was recorded at fair value at the date of conclusion of the addendum using a market interest rate of 13.25% p.a., which resulted in recognition of the effect of terms modification of KZT 8,552,902 thousand through a government grant (Note 12).

8 Income tax expense

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Current year tax expense	-	-
Movement in deferred tax assets/deferred tax liabilities due to origination and reversal of temporary differences and movement in allowance	(1,920,956)	(1,936,211)
Total income tax expense	(1,920,956)	(1,936,211)

In the reporting period, the applicable tax rate for current and deferred tax is 20% (2021: 20%).

Reconciliation of effective tax rate for the six months ended 30 June:

	Unaudited Six months ended 30 June 2022		Unaudited Six months ended 30 June 2021	
	‘000 KZT	%	‘000 KZT	%
Profit before income tax	15,046,281	100	20,454,279	100
Income tax at the applicable tax rate	(3,009,256)	(20)	(4,090,856)	(20)
Non-taxable interest income on securities	1,183,520	8	2,444,267	12
Non-taxable impairment gain/(non-deductible impairment losses)	331,759	2	(286,121)	(1)
Other non-deductible expenses	(426,979)	(3)	(3,501)	-
	(1,920,956)	(13)	(1,936,211)	(9)

Income tax expense is recognised at an 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 interim financial statements may differ from management’s estimate of the effective tax rate for the annual financial statements.

9 Cash and cash equivalents

‘000 KZT	30 June 2022 (unaudited)			
	12-month expected credit losses (ECL)	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Nostro accounts with the NBRK	67,095,091	-	-	67,095,091
Nostro accounts with other banks				
rated BBB	21,598,878	-	-	21,598,878
rated BBB-	1,645,512	-	-	1,645,512
rated BB-	55,724	-	-	55,724
rated B+	1,274	-	-	1,274
rated B	33,737	-	-	33,737
rated B-	161	-	-	161
not rated	14,129	-	-	14,129
Total gross nostro accounts with banks	90,444,506	-	-	90,444,506
Loss allowance	(50,011)	-	-	(50,011)
Reverse repurchase agreements				
rated from BBB- to BBB+	211,808,443	-	-	211,808,443
Total cash and cash equivalents	302,202,938	-	-	302,202,938

‘000 KZT	31 December 2021			
	12-month expected credit losses (ECL)	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Nostro accounts with the NBRK	18,755,528	-	-	18,755,528
Nostro accounts with other banks				
rated BBB+	23,775	-	-	23,775
rated BBB	13,728,335	-	-	13,728,335
rated BBB-	141,005	-	-	141,005
rated BB+	44,549	-	-	44,549
rated BB-	861,641	-	-	861,641
rated B+	8	-	-	8
rated B	94,776	-	-	94,776
Total gross nostro accounts with banks	33,649,617	-	-	33,649,617
Loss allowance	(46,809)	-	-	(46,809)
Reverse repurchase agreements				
rated from BBB- to BBB+	67,082,033	-	-	67,082,033
Total cash and cash equivalents	100,684,841	-	-	100,684,841

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies.

As at 30 June 2022 the Company has two counterparties (31 December 2021: one counterparty), whose balances exceed 10% of equity. The gross value of these balances as at 30 June 2022 is KZT 278,903,534 thousand (31 December 2021: KZT 62,686,251 thousand).

During the six months ended 30 June 2022, the Company entered into the reverse repurchase agreements with counterparties at Kazakhstan Stock Exchange. These transactions are collateralised with the Treasury Bonds of the Ministry of Finance of the Republic of Kazakhstan. As at 30 June 2021 the fair value of financial assets collateralising reverse repurchase agreements is KZT 210,228,290 thousand, unaudited (31 December 2021: KZT 66,394,914 thousand).

10 Placements with banks and other financial institutions

‘000 KZT	30 June 2022 (unaudited)			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Term deposits				
rated BBB+	716,964	-	-	716,694
not rated	1,000	-	-	1,000
	717,964	-	-	717,964
Loans				
rated BBB-	17,454,463	-	-	17,454,463
Gross placements with banks and other financial institutions	18,172,427	-	-	18,172,427
Impairment allowance	(8,908)	-	-	(8,908)
Net placements with banks and other financial institutions	18,163,519	-	-	18,163,519

‘000 KZT	For the year ended 31 December 2021			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Term deposits				
rated BBB+	31,205,961	-	-	31,205,961
rated BBB-	680,325	-	-	680,325
rated BB+	27,049,882	-	-	27,049,882
rated BB-	5,005,000	-	-	5,005,000
	63,941,168	-	-	63,941,168
Loans				
rated BBB-	16,962,936	-	-	16,962,936
Gross placements with banks and other financial institutions	80,904,104	-	-	80,904,104
Impairment allowance	(181,938)	-	-	(181,938)
Net placements with banks and other financial institutions	80,722,166	-	-	80,722,166

The credit ratings are presented by reference to the credit ratings of Standard&Poor's credit ratings agency or analogues of similar international agencies. None of the balances of placements with banks and other financial institutions are past due.

As at 30 June 2022 the Company has no counterparties (31 December 2021: one counterparty), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2021 is KZT 31,205,961 thousand.

As at 30 June 2022 the Company placed term deposits with annual interest rates of 9.20%, 12.50% (2021: 9.00%, 9.25%) maturing in July and December 2022 (2021: June, September and December 2022).

As at 30 June 2022 the Company placed term deposit in USD with interest rate 0.70% p.a. (2021: 0.70%) maturing in July 2022 (2021: July 2022).

The amount of unamortised discount recognised with respect to placements with banks and other financial institutions placed at the below-market interest rates is included in interest income in the amount of KZT 491,527 thousand (the six months ended 30 June 2021: KZT 816,702 thousand).

11 Investment securities

‘000 KZT	30 June 2022 (unaudited) ‘000 KZT	31 December 2021 ‘000 KZT
Investment securities measured at fair value through profit or loss		
Corporate bonds rated B	2,030,997	2,079,816
	2,030,997	2,079,816

‘000 KZT	30 June 2022 (unaudited)			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit- impaired	Total
Investment securities measured at amortised cost				
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	1,515,327	-	-	1,515,327
Corporate bonds				
- rated B	10,972,636	-	-	10,972,636
Bonds of local executive bodies (LEB)	826,777,347	-	-	826,777,347
Corporate bonds not rated	-	-	1,117,796	1,117,796
	839,265,310	-	1,117,796	840,383,106
Loss allowance	(485,582)	-	(1,117,796)	(1,603,378)
Carrying amount	838,779,728	-	-	838,779,728

‘000 KZT	31 December 2021			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Investment securities measured at amortised cost				
Treasury bills of Ministry of Finance of the Republic of Kazakhstan	1,479,555	-	-	1,479,555
Notes of the National Bank of the RK	59,753,657	-	-	59,753,657
Corporate bonds issued by second-tier banks rated B	10,976,273	-	-	10,976,273
Bonds of local executive bodies (LEB)	857,766,789	-	-	857,766,789
Corporate bonds not rated	-	-	1,117,796	1,117,796
	929,976,274	-	1,117,796	931,094,070
Loss allowance	(1,015,463)	-	(1,117,796)	(2,133,259)
Carrying amount	928,960,811	-	-	928,960,811

The credit ratings are presented by reference to the credit ratings of Standard&Poor’s credit ratings agency or analogues of similar international agencies.

During the reporting period, the Company acquired 130,158,325 bonds of the local executive bodies at a price of KZT 1,000 per bond, which mature in the years of 2024. The bond coupon rate is 0.35% and 4.25% p.a. The bonds were recognised at the fair value of KZT 110,710,606 thousand; a discount on initial recognition was KZT 19,447,719 thousand calculated using market interest rates ranging from 10.74% to 13.33% p.a.

The discount was recognised in other operating expenses in the condensed interim statement of profit or loss and other comprehensive income (Note 7).

During the reporting period ended 30 June 2022, the local executive bodies redeemed bonds for the amount of KZT 168,446,473 thousand. The discount recalculated after the partial redemption of bonds of the local executive bodies for the amount of KZT 116,953 thousand amounted to KZT 39,333 thousand and was recognised as government grants (Note 16).

As at 30 June 2022 and 31 December 2021, corporate bonds consist of interest-bearing securities issued by Kazakhstan Kagazy JSC with the gross value of KZT 1,117,796 thousand. The Company considers these bonds to be fully impaired, as the Company believes, based on its assessment of the issuer's financial position, that future cash flows are no longer expected to occur on these assets.

12 Loans to customers and long-term receivables from sale of property under instalment agreements

	30 June 2022 '000 KZT (unaudited)	31 December 2021 '000 KZT
Loans and long-term receivables from sale of property under instalment agreements measured at amortised cost		
Loan from Yelorda Kurylys Kompaniyasy LLP	32,398,375	39,186,022
Long-term receivables from sale of property to legal entities under instalment agreements	30,190,477	31,640,460
Total loans and long-term receivables from sale of property to legal entities under instalment agreements	62,588,852	70,826,482
Mortgage loans to individuals	56,034,131	63,539,031
Long-term receivables from sale of property to individuals by instalments	11,313,029	12,159,438
Total mortgage loans and long-term receivables from sale of property to individuals under instalment agreements	67,347,160	75,698,469
	129,936,012	146,524,951
Loss allowance	(10,266,313)	(10,875,592)
Net loans to customers and long-term receivables from sale of property under instalment agreements, measured at amortised cost	119,669,699	135,649,359
Loans to customers measured at fair value through profit or loss	4,688,595	3,599,878
Total loans to customers and long-term receivables from sale of property under instalment agreements	124,358,294	139,249,237

During the six months ended 30 June 2022, the Company did not acquire mortgage loan portfolios from commercial banks (six months ended 30 June 2021: three commercial banks for the amount of KZT 1,306,844 thousand).

In accordance with the Instruction No. 11-04/05-2966 given by the Deputy Prime Minister of the Republic of Kazakhstan R.V. Sklyar of 2 December 2021, issued in pursuance of the Decree No. 21-5221 of the President of the Republic of Kazakhstan K.K. Tokayev of 4 December 2021, relevant government agencies were tasked with elaborating the issue to finance the G4 City urban development project in the Almaty region, including development of the G4 City land plots, through extending credit to CG Land LLP.

According to the extract from the Minutes of the Meeting of the State Commission on the Issues of Modernisation of the Economy of the Republic of Kazakhstan No. 17-04/11-42 of 15 December 2021, a decision was adopted to finance the G4 City urban development investment project from the Company's funds totalling up to KZT 31.1 billion.

In accordance with the Decree of the Government of the Republic of Kazakhstan No. 918 of 23 December 2021 (the “Decree”), the Decree of the Government of the Republic of Kazakhstan No. 6 of 13 January 2009 “On Approving the Action Plan to Implement the Joint Action Plan of the Government of the Republic of Kazakhstan, the National Bank of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and the Financial Organisations Intended to Stabilize the Economy and Financial System for 2009-2010” was amended. In accordance with the amended Decree, the Company's funds that have been early withdrawn from the bank deposit held with Halyk Savings Bank of Kazakhstan JSC (the current name “Halyk Bank of Kazakhstan JSC”) were partially allocated to finance the G4 City urban development project in the Almaty region, through providing funds to CG Land LLP totalling KZT 13.2 billion.

In December 2021, the Company provided two KZT- denominated tranches of long-term loans issued to CG Land LLP, totalling KZT 31,100,000 thousand. The loans bear nominal rates of 1.00% and 11.43% per annum, and mature in 2028 and 2029, respectively. The Company pledged a 200-hectare land plot in the Almaty region as collateral securing the performance of its obligations.

The money received by CG Land LLP from the Company was not fully used to finance the urban development investment project as planned. The major portion of funds was used other than for financing the G4 City project in the Almaty region, but to repay the outstanding loan received from Halyk Bank of Kazakhstan JSC.

Management assessed that contractual cash flows were not solely payments of principal and interest on the principal amount outstanding (the “SPPI criterion”) on these loans and designated it as measured at fair value through profit or loss.

The fair value of these loans on initial recognition was measured as the present value of all future cash flows discounted using a market interest rate of 23.74% per annum. The difference between the nominal and fair value of the loans at the date of initial recognition of KZT 27,512,212 thousand was recognised in the statement of profit or loss and other comprehensive income in the caption ‘Loss on initial recognition of loans to customers measured at fair value through profit or loss’.

During the six months ended 30 June 2022, the Company signed an addendum with Yelorda Kurylys Kompaniasy LLP and Akimat of Nur-Sultan city for extension of the loan maturity date taking into account the recommendations of the Council for National Fund Management. Considering a significant modification of the contractual terms, the Company derecognised the original loan and recognised a new financial asset. Therefore, the loan was recorded at fair value at the date of conclusion of the addendum using a market interest rate of 13.25% p.a., which resulted in recognition of the effect of terms modification of KZT 8,552,902 thousand through a government grant (Note 16).

(a) Credit quality of mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

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

30 June 2022 (unaudited)					
'000 KZT	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	Acquired assets, credit-impaired on initial recognition	Total
- not overdue	53,477,063	1,545,613	3,291,704	306,152	58,620,532
- overdue less than 30 days	1,384,988	728,856	549,293	55,732	2,718,869
- overdue 30-89 days	-	566,063	906,934	38,053	1,511,050
- overdue 90-179 days	-	-	1,536,000	13,868	1,549,868
- overdue 180-360 days	-	-	406,139	-	406,139
- overdue more than 360 days	-	-	2,531,377	9,325	2,540,702
	54,862,051	2,840,532	9,221,447	423,130	67,347,160
Loss allowance	(1,225,399)	(285,943)	(3,718,001)	(249,140)	(5,478,483)
Carrying amount	53,636,652	2,554,589	5,503,446	173,990	61,868,677
31 December 2021					
'000 KZT	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	Acquired assets, credit-impaired on initial recognition	Total
- not overdue	62,644,364	1,052,396	4,182,292	41,027	67,920,079
- overdue less than 30 days	1,974,246	713,466	289,419	32,511	3,009,642
- overdue 30-89 days	-	918,419	443,714	12,829	1,374,962
- overdue 90-179 days	-	-	605,246	-	605,246
- overdue 180-360 days	-	-	297,520	-	297,520
- overdue more than 360 days	-	-	2,491,020	-	2,491,020
	64,618,610	2,684,281	8,309,211	86,367	75,698,469
Loss allowance	(1,210,724)	(240,015)	(3,421,734)	(3,645)	(4,876,118)
Carrying amount	63,407,886	2,444,266	4,887,477	82,722	70,822,351

As at 30 June 2022, the carrying amount of loans with the seller's full-recourse option was KZT 3,302,154 thousand (31 December 2021: KZT 4,036,481 thousand).

In accordance with partial-recourse agreements, the recourse option does not exceed 20% of the total principal amount of mortgage loans at the date of purchase of those loans.

Key assumptions and judgements used to estimate loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

In determining the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements management used the following key assumptions:

- The 12-month PDs for groups of segments categorised into Stage 1 exposures were estimated at 3.0% - 29.1%; the lifetime PDs for groups of segments categorised into Stage 2 exposures were estimated at 3.3% - 79.8%, depending on the group of segments of the homogeneous mortgage portfolio.
- The LGD parameters for the segments of the homogeneous mortgage portfolio categorised into Stages 1 and 2 exposures were estimated at 0% to 49.9%, depending on the segments of the homogeneous mortgage portfolio.

Changes in these estimates could affect the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements as at 31 December 2022 would be KZT 1,856,060 thousand lower/higher (31 December 2021: KZT 2,124,671 thousand).

(b) Analysis of movements in loss allowance for mortgage loans and long-term receivables from sale of property to individuals under instalment agreements

Movements in the loan impairment allowance by classes of loans to individuals and by three ECL stages for the six months ended 30 June 2022 and 30 June 2021 are as follows:

	Six months ended 30 June 2022 (unaudited)				Total
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Acquired assets credit-impaired on initial recognition	
‘000 KZT					
Balance as at the beginning of the period	1,210,724	240,015	3,421,734	3,645	4,876,118
Transfer to Stage 1	14,220	(14,220)	-	-	-
Transfer to Stage 2	(36,517)	48,238	(11,721)	-	-
Transfer to Stage 3	(32,553)	(65,560)	98,113	-	-
Net remeasurement	80,330	76,900	157,055	67,076	381,361
New financial assets originated or purchased	43,351	-	-	178,413	221,764
Transfers of new originated loans to other stages	(54,157)	565	53,592	-	-
Unwinding of discount	1	5	(771)	5	(760)
Balance as at the end of the period	1,225,399	285,943	3,718,002	249,139	5,478,483

	Six months ended 30 June 2021 (unaudited)				Total
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Acquired assets credit-impaired on initial recognition	
‘000 KZT					
Balance as at the beginning of the period	3,938,914	473,743	3,970,716	188,896	8,572,269
Transfer to Stage 1	49,024	(44,207)	(4,817)	-	-
Transfer to Stage 2	(57,729)	129,187	(71,458)	-	-
Transfer to Stage 3	(59,631)	(74,552)	134,183	-	-
Net remeasurement	(2,876,853)	(284,204)	(188,620)	(49,716)	(3,399,393)
New financial assets originated or purchased	386,121	-	-	422,823	808,944
Transfers of new originated loans to other stages	(10,143)	3,253	6,890	-	-
Write-off and other changes	-	-	(204,585)	-	(204,585)
Unwinding of discount	225	(505)	87,634	125	87,479
Balance as at the end of the period	1,369,928	202,715	3,729,943	562,128	5,864,714

The significant changes in the gross carrying amount of the receivables of the mortgage loans and long-term receivables from sale of real estate to individuals under instalment agreements are presented below:

‘000 KZT	Six months ended 30 June 2022 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	64,618,610	2,684,281	8,309,211	86,367	75,698,469
Transferred to Stage 1	494,608	(494,608)	-	-	-
Transferred to Stage 2	(1,337,492)	1,493,886	(156,394)	-	-
Transferred to Stage 3	(951,996)	(644,927)	1,596,923	-	-
New financial assets originated or purchased	209,020	-	-	190,853	399,873
Transfers of new loans originated or purchased between stages	(30,412)	7,447	22,965	-	-
Repayments (early or partial repayment)	(8,140,286)	(205,541)	(552,029)	145,909	(8,751,947)
Unwinding of discount	(1)	(5)	771	-	765
Balance at 30 June	54,862,051	2,840,533	9,221,447	423,129	67,347,160

‘000 KZT	Six months ended 30 June 2021 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers					
Balance at 1 January	67,192,070	4,108,124	9,756,089	188,896	81,245,179
Transferred to Stage 1	2,600,076	(2,254,581)	(345,495)	-	-
Transferred to Stage 2	(701,039)	1,503,057	(802,018)	-	-
Transferred to Stage 3	(642,464)	(951,202)	1,593,666	-	-
New financial assets originated or purchased	14,705,027	-	-	422,823	15,127,850
Transfers of new loans originated or purchased between stages	(207,503)	179,853	27,650	-	-
Repayments (early or partial repayment)	(17,069,089)	(628,750)	(1,832,160)	(49,716)	(19,579,715)
Write-off and other changes	-	-	(204,585)	-	(204,585)
Unwinding of discount	225	(505)	87,634	125	87,479
Balance at 30 June	65,877,303	1,955,996	8,280,781	562,128	76,676,208

Repossessed collateral

The Company obtains certain assets by taking possession of collateral for loans to retail customers. As at 30 June 2022, the carrying amount of such assets was KZT 222,755 thousand (2021: KZT 222,755 thousand).

The Company’s policy is to sell these assets within a very short time.

(a) Credit quality of loans to customers and long-term receivables from sale of real estate to legal entities under instalment agreements

	30 June 2022, unaudited			Total
	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loans issued				
Yelorda Kurylys Kompaniyasy LLP - internally rated BBB	-	32,398,375	-	32,398,375
Receivables under instalment agreements				
Mega Plaza LLP - internally rated CCC	-	26,206,764	-	26,206,764
Long-term receivables from sale of apartments located on the grounds of ISE EXPO-2017				
Astana IT University LLP - internally rated CCC	3,394,258	-	-	3,394,258
Non-profit organisation "Umit Fund" - internally rated D	-	-	589,455	589,455
Total loans issued and receivables from sale of property under instalment agreements	3,394,258	58,605,139	589,455	62,588,852
Loss allowance	(82,589)	(4,447,472)	(257,769)	(4,787,830)
	3,311,669	54,157,667	331,686	57,801,022

	31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Loans issued				
Yelorda Kurylys Kompaniyasy LLP - internally rated BBB	39,186,022	-	-	39,186,022
Receivables under instalment agreements				
Mega Plaza LLP - internally rated CCC	-	27,534,795	-	27,534,795
Long-term receivables from sale of apartments located on the grounds of ISE EXPO-2017				
Astana IT University LLP - internally rated CCC	3,537,490	-	-	3,537,490
Non-profit organisation "Umit Fund" - internally rated D	-	-	568,175	568,175
Total loans issued and receivables from sale of property under instalment agreements	42,723,512	27,534,795	568,175	70,826,482
Loss allowance	(166,698)	(5,584,314)	(248,462)	(5,999,474)
	42,556,814	21,950,481	319,713	64,827,008

During the six months ended 30 June 2022, Mega Plaza LLP made partial repayment of principal and interest in the amount KZT of 3,712,445 thousand related to accounts receivable on payments under instalment agreements (2021: KZT 1,441,752 thousand) in accordance with the repayment schedule and addendum dated 27 May 2022. Recalculation of discount due to partial early repayment of the loan amounted to KZT 1,528,209 thousand and was recognised in the form of government grants (Note 16).

Sale of apartments located on the grounds of ISE EXPO-2017 to individuals and legal entities under instalment agreements provides for that long-term receivables are to be secured by the sold real estate (apartments, parking lots) registered as collateral.

By-instalments sale to individuals is subject to the following terms: a down payment makes up at least 20% of the loan value; a guarantee deposit makes up at least three monthly payments; the loan carries an annual interest rate of 3% and matures in 12 years; the contract provides for an early partial repayment and early full repayment of the loan, without a commission fee being charged.

By-instalments sale to legal entities is subject to the following terms: a loan carries an annual interest rate of 2% and matures in 10 years; the contract provides for an early partial repayment and early full repayment of the loan, without a commission fee being charged.

To discount cash flows from instalment agreements concluded with individuals, the Company uses an average interest rate applied by second-tier banks for mortgage loans to individuals, using a market interest rate of 14.3% on initial recognition.

To discount cash flows from instalment agreements concluded with legal entities, the Company uses the statistics of the RSE “National Bank of the RK” on long-term loans issued to banks, by types of economic activities in education for August 2019, and uses a market interest rate of 14.02% on initial recognition.

As at 30 June 2022 and 31 December 2021, the loans issued and long-term receivables from legal entities were not overdue, except for long-term receivables from NCO Unit Fund of KZT 589,455 thousand overdue 673 days (31 December 2021: KZT 568,175 thousand were overdue 492 days).

The movement in balances of loss allowance for loans issued and receivables from sale of property to legal entities under instalment agreements are as follows:

‘000 KZT	Six months ended 30 June 2022, unaudited			
	12-month expected credit losses (ECL)	Lifetime ECL – not credit- impaired	Lifetime ECL credit-impaired	Total
<i>Loans and long-term receivables from sale of property to legal entities under instalment agreements</i>				
Balance at beginning of the year	166,698	5,584,314	248,462	5,999,474
Transfer to Stage 2	(37,147)	37,147	-	-
Net remeasurement of loss allowance	(46,962)	(1,173,989)	9,307	(1,211,644)
Balance at the end of the year	82,589	4,447,472	257,769	4,787,830

‘000 KZT	Six months ended 30 June 2021, unaudited			
	12-month expected credit losses (ECL)	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
<i>Loans and long-term receivables from sale of property to legal entities under instalment agreements</i>				
Balance at beginning of the year	2,553,827	2,261,569	219,253	5,034,649
Net remeasurement of loss allowance	(1,816,354)	2,270,387	12,625	466,658
Balance at the end of the year	737,473	4,531,956	231,878	5,501,307

(d) Key assumptions and judgments used to estimate loss allowance for loans and long-term receivables from sale of property to legal entities and individuals under instalment agreement

In determining the loss allowance for loans and long-term receivables from sale of property to legal entities under instalment agreements, management used the following key assumptions:

- A delay in obtaining proceeds from the foreclosure of collateral for receivables under instalment agreement with Mega Plaza LLP is 36 months;
- The LGD parameters for loans and long-term receivables categorised into Stages 1 and 2 credit exposures were estimated from 24.72% to 56.00%;
- The LGD parameter for long-term receivables from sale of apartments under the agreement with the non-profit organisation 'Umit Fund', categorised into Stage 3 credit exposures was estimated at 43.7%.
- The PD on the loan categorised into Stage 2 credit exposures was estimated at 0.16% and for receivables categorised into Stages 1 and 2 credit exposures - from 5.56% to 68.07%, depending on a borrower's internal rating.

Changes in these estimates could affect the loss allowance for expected credit losses on loans. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loss allowance for loans and long-term receivables from sale of property to legal entities under instalment agreements as at 30 June 2022 would be KZT 578,010 thousand lower/higher (31 December 2021: KZT 648,270 thousand).

At the reporting date, the Company's estimates of the loss allowance were adjusted as follows:

- receivables under the instalment agreement with Mega Plaza LLP were partially repaid ahead of schedule in the amount of 3,712,445 thousand, which resulted in decreased in expected credit losses on Stage 2 exposures.

Incorporating of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company uses expert judgment in assessment of forward-looking information. This assessment is based also on external information.

External information may include economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, such as the National Bank of the Republic of Kazakhstan, the Ministry of National Economy, and selected private sector and academic forecasters.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variable and credit risk and credit losses.

Given the lack of sufficient historical default data, the Company determined that the data provided by rating agencies would serve as a source of information for economic scenarios. Scenarios are updated on a regular basis and used in assessment of credit risks.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysis of historical data of rating agencies for last 30-40 years.

13 Finance lease receivables

The components of net investments in finance lease as at 30 June 2022 and 31 December 2021 are as follows:

	Unaudited 30 June 2022	31 December 2021
	‘000 KZT	‘000 KZT
Less than 1 year	12,966,795	13,224,021
From 1 to 2 years	12,945,119	13,137,313
From 2 to 3 years	12,940,086	13,135,739
From 3 to 4 years	12,934,771	13,128,349
From 4 to 5 years	12,917,335	13,123,412
More than 5 years	126,776,383	134,623,193
Minimum lease payments	191,480,489	200,372,027
Less unearned finance income		
Less than 1 year	(4,288,485)	(4,470,977)
From 1 year to 5 years	(16,075,280)	(16,841,717)
More than 5 years	(18,059,411)	(19,835,824)
Less unearned finance income, total	(38,423,176)	(41,148,518)
Less: Loss allowance	(6,162,287)	(5,592,696)
Net investment in finance lease	146,895,026	153,630,813

The Company leases out finished apartments under Nurly Zher Programme and Own Programme.

These lease agreements are classified as finance lease under IFRS 16 because ownership of the assets gets transferred to lessees by the end of the lease term, and at the inception the present value of the minimum lease payments amounts to substantially all of the fair value of the leased assets.

The finance lease agreements under Own Programme have a maturity term up to 20 years and bear nominal interest rates of 11.50% and 13.00%. The finance lease agreements for Nurly Zher Programme have a maturity term of 20 years and monthly lease payments limited to KZT 1,120 per square meter for Almaty and Astana cities and KZT 924 per square meter in other regions. The interest rate implicit in the lease agreements under Nurly Zher Programme is 3.1%.

Credit quality of finance lease receivables

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

‘000 KZT	30 June 2022 (unaudited)			
	12-month ECL	Lifetime ECL - not credit- impaired	Lifetime ECL - credit-impaired	Total
Not overdue	118,271,929	8,639,431	4,958,580	131,869,940
Overdue less than 30 days	4,528,094	2,647,003	1,815,639	8,990,736
Overdue 30-89 days	-	3,362,671	2,239,536	5,602,207
Overdue 90-179 days	-	-	4,152,510	4,152,510
Overdue more than 180-360 days	-	-	1,327,024	1,327,024
Overdue more than 360 days	-	-	1,114,896	1,114,896
	122,800,023	14,649,105	15,608,185	153,057,313
Loss allowance	(1,331,547)	(1,553,811)	(3,276,929)	(6,162,287)
Carrying amount	121,468,476	13,095,294	12,331,256	146,895,026

31 December 2021				
‘000 KZT	Lifetime ECL --			
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	Total
- not overdue	126,597,218	6,659,817	3,134,500	136,391,535
- overdue up to 30 days	5,437,691	2,850,773	1,648,378	9,936,842
- overdue 30-89 days	-	3,276,217	2,329,817	5,606,034
- overdue 90-179 days	-	-	3,736,971	3,736,971
- overdue 180-360 days	-	-	2,076,541	2,076,541
- overdue more than 360 days	-	-	1,475,586	1,475,586
	132,034,909	12,786,807	14,401,793	159,223,509
Loss allowance	(1,349,939)	(1,341,991)	(2,900,766)	(5,592,696)
Carrying amount	130,684,970	11,444,816	11,501,027	153,630,813

Movements in the loan impairment allowance by classes of finance lease receivables and three ECL stages for the six months ended 30 June 2022 and 30 June 2021 are as follows:

Six months ended 30 June 2022, unaudited				
	Lifetime ECL -			‘000 KZT
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	
Loss allowance as at the beginning of the period, unaudited	1,349,939	1,341,991	2,900,766	5,592,696
Transfer to Stage 1	3,522	(3,430)	(92)	-
Transfer to Stage 2	(42,835)	49,986	(7,151)	-
Transfer to Stage 3	(4,804)	(147,804)	152,608	-
Net charge	9,328	281,618	197,545	488,491
New financial assets originated or purchased, including transfers between stages	16,397	31,450	33,566	81,413
Other changes	-	-	(313)	(313)
Loss allowance as at the end of the period, unaudited	1,331,547	1,553,811	3,276,929	6,162,287

Six months ended 30 June 2021, unaudited				
	Lifetime ECL -			‘000 KZT
	12-month ECL	not credit- impaired	Lifetime ECL - credit-impaired	
Loss allowance as at the beginning of the period, unaudited	913,399	1,109,071	1,199,617	3,222,087
Transfer to Stage 1	63,915	(58,620)	(5,295)	-
Transfer to Stage 2	(47,458)	253,308	(205,850)	-
Transfer to Stage 3	(12,289)	(200,290)	212,579	-
Net charge	239,333	(69,322)	466,953	636,964
New financial assets originated or purchased, including transfers between stages	31,904	5,981	-	37,885
Other changes	7,256	244	3,099	10,599
Loss allowance as at the end of the period, unaudited	1,196,060	1,040,372	1,671,103	3,907,535

The significant changes in the gross carrying amount of the finance lease receivables are further explained below:

‘000 KZT	Six months ended 30 June 2022, unaudited			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	132,034,909	12,786,807	14,401,793	159,223,509
Transfer to Stage 1	238,955	(230,830)	(8,125)	-
Transfer to Stage 2	(3,859,153)	3,925,670	(66,517)	-
Transfer to Stage 3	(462,357)	(1,375,741)	1,838,098	-
New financial assets originated or purchased, including transfers between stages	2,012,370	342,339	220,471	2,575,180
Derecognised financial assets	(7,164,701)	(799,140)	(777,110)	(8,740,951)
Other changes	-	-	(425)	(425)
Balance at 30 June	122,800,023	14,649,105	15,608,185	153,057,313

‘000 KZT	Six months ended 30 June 2021, unaudited			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables				
Balance at 1 January	142,449,024	12,131,438	12,912,190	167,492,652
Transfer to Stage 1	6,871,275	(6,501,774)	(369,501)	-
Transfer to Stage 2	(6,978,985)	9,611,268	(2,632,283)	-
Transfer to Stage 3	(1,507,884)	(2,275,535)	3,783,419	-
New financial assets originated or purchased, including transfers between stages	5,201,816	77,139	-	5,278,955
Derecognised financial assets	(6,699,414)	(281,335)	(1,018,306)	(7,999,055)
Other changes	128	244	3,099	3,471
Balance at 30 June	139,335,960	12,761,445	12,678,618	164,776,023

14 Debt securities issued

Debt securities issued as at 30 June 2022 and 31 December 2021 comprised KZT-denominated bonds.

Issue	Maturity date	Nominal coupon rate	Effective interest rate	Unaudited	31 December
				30 June 2022	2021
				‘000 KZT	‘000 KZT
KZ2C00006641	09.04.2024	4.05%	10.64%	163,544,410	159,092,838
KZ2C00006807	25.06.2030	6.02%	12.94%	145,639,626	137,130,083
KZ2C00006815	14.08.2031	6.02%	12.45%	142,530,211	134,473,473
KZ2C00007094	29.12.2032	6.02%	11.41%	70,837,785	73,161,133
KZ2C00006823	22.10.2032	6.02%	12.17%	68,937,755	65,120,280
KZ2C00006831	22.10.2032	6.02%	12.17%	68,937,755	65,120,280
KZ2C00007839	27.10.2031	7.02%	10.75%	41,664,284	39,601,636
KZ2C0Y10F013/					
KZ2C00003333	15.12.2027	10.50%	10.28%	30,385,577	30,402,196
KZ2C00006393	24.02.2026	10.25%	11.00%	30,355,008	30,276,668
KZX000000054	28.12.2033	9.58%	9.58%	20,973,967	20,973,967
KZ2C00004356/					
KZ2C0Y20F889	21.06.2049	2.99%	12.09%	173,964	172,931
KZ2C00007086	01.04.2051	0,10%	11.07%	75,073	71,883
KZ2C00007631	04.02.2052	0.10%	12.17%	52,204	-
KZ2C00004349	06.08.2050	0.10%	12.41%	21,849	20,851
				784,129,468	755,618,219

During the period ended 30 June 2022, in accordance with the Program for Refinancing Mortgage Housing Loans (Mortgage Loans) approved by the Resolution No.69 of the Management Board of the National Bank of Kazakhstan dated 24 April 2015, the Company placed coupon bonds in the amount of KZT 1,257,977 thousand at a fixed rate of 0.1% per annum. The bonds were recognised at fair value of KZT 50,128 thousand, calculated using the market rate of 12.17% per annum, and the difference between the par value and fair value of KZT 1,207,850 thousand was recognised as a government grant in the reporting period (Note 16).

15 Other borrowed funds

	Unaudited	
	30 June 2022	31 December 2021
	‘000 KZT	‘000 KZT
Loan from Baiterek National Management Holding JSC	199,132,905	192,013,579
Long-term loans received from international financial organisations	31,609,600	20,279,400
Due to the Government of the Republic of Kazakhstan	5,953,095	5,724,636
Due to Akimat of the city of Nur-Sultan	154,108	147,217
	236,849,708	218,164,832

As at 30 June 2022 and 31 December 2021, other borrowed funds comprised loans from the Baiterek NMC JSC received under the State Programme of Infrastructure Development “Nurly Zhol” for 2015-2019 adopted in accordance with the Edict of the President of the RK dated 6 April 2015, No.1030, and “Regions Development Programme till 2020” approved by the Decree No.728 of the Government of the Republic of Kazakhstan dated 28 June 2014, which were integrated with the Programme of Housing Construction “Nurly Zher” with regard to construction and acquisition of the leased and credit housing properties.

As set out in the Nurly Zher programme, the purpose of the loans is to finance construction and acquisition of housing real estate to be further leased out under finance lease contracts. The loans bear a nominal interest rate of 0.15% per annum and mature in January 2045, January 2046 and June 2046. The principal is repayable at maturity. On initial recognition the loans were recognised at fair value calculated by discounting the contractual future cash flows and applying the relevant estimated market interest rates ranging from 6.9% to 8.0%. The discount on these loans was recognised as a government grant (Note 16).

During 2021, to finance arrangements aimed at providing the population with the affordable housing and purchase bonds issued by the local executive bodies as part of the implementation of the state and government programmes, the Company raised loans denominated in Russian roubles from Eurasian Development Bank in the total amount of RUB 3,500,000 thousand bearing an annual interest rate of 7.5% and maturing in November and December 2026. Due to the increase in the exchange rate of the Russian rouble against the Kazakhstan tenge during the six months ended June 30, 2022, the Company recognized a revaluation loss on these loans in the condensed interim statement of profit or loss and other comprehensive income in the item “Net foreign exchange (loss)/gain” for the total amount of KZT 11,430,148 thousand.

16 Government grants

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Balance at the beginning of the period	182,324,636	197,563,476
Origination of a government grant in the form of discount on debt securities issued (Note 14)	1,207,850	-
Utilisation of a government grant for bonds of local executive bodies (Notes 7 and 11)	(19,447,719)	(9,754,053)
Utilisation of a government grant for bonds issued (Notes 7 and 14)	(1,207,850)	-
Utilisation of a government grant for loans issued (Notes 7 and 12)	(8,552,902)	-
Discount recalculated due to early partial redemption of bonds issued by the local executive bodies (Note 11)	39,333	-
Discount recalculated due to early partial repayment of loan (Note 12)	1,528,209	-
Amortisation for the period	(4,030,745)	(3,983,036)
Balance at the end of the period	151,860,812	183,826,387

Government grant liabilities on financing Nurly Zher Programme and Employment Roadmap for 2020-2021 will be utilised as far as discount on purchase of local executive bodies’ bonds at a low interest rate is recognised, and a part of government grants will be amortised in other income as interest under hire-purchase contracts, on a straight-line basis over the period of 20 years as far as finished apartments are recorded on the Company’s balance sheet.

17 Deferred income on financial guarantees provisions

	Unaudited 30 June 2022 ‘000 KZT	31 December 2021 ‘000 KZT
Deferred income from financial guarantee contracts under the construction projects	1,450,626	2,031,711
Deferred income on financial guarantees	459	731
Total deferred income on financial guarantees	1,451,085	2,032,442
Provision for losses incurred but not reported under contracts for guarantees for construction projects	16,072,930	16,369,499
Provision for claims on financial guarantees	1,157	1,141
Total provision for guarantees issued	16,074,087	16,370,640
	17,525,172	18,403,082

Deferred income on financial guarantees

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Balance at the beginning of the period	2,032,442	1,068,742
Financial guarantee commission earned	(266)	(438)
Financial guarantee commission written off	-	(31,838)
Earned commission from financial guarantee contracts related to construction projects (insurance premium)	(1,401,517)	(824,852)
Commission from financial guarantee contracts related to construction projects received	918,884	1,290,098
Financial guarantee commission	25	40
Commission from financial guarantee contracts related to construction projects repaid	-	(6,339)
VAT payable on income	(98,483)	(138,277)
Balance at the end of the period	1,451,085	1,357,136

Deferred income on guarantees issued includes a proportion of financial guarantee fees and a proportion of the commissions for contracts for the provision of a completion guarantee for construction projects that are estimated to be earned in the next or subsequent financial years, calculated separately for each financial guarantee contract and each contract for the provision of guarantees for the project completion of construction, using a proportional method.

Analysis of movements in provisions for claims on financial guarantees under construction projects

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Balance at the end of the period	16,369,499	12,386,342
Movements in provisions under contracts for granting guarantees for construction projects	(296,569)	820,426
Balance at the end of the period	16,072,930	13,206,768

Key assumptions used to calculate provisions under contracts for granting guarantees for construction projects

Assumptions used to assess insurance assets and liabilities are adopted for more accurate estimation of reserves needed to cover any future liabilities for insurance contracts.

As of the reporting date, the Company created a reserve for the estimated amount necessary to fully settle the losses that were incurred as a result of the occurrence of insured events before that date, regardless of whether they were declared or not.

The assumptions are checked to ensure that they are consistent with observable market information or other published information. There is, however, a general lack of publicly available information on the Kazakhstan insurance market that would be relevant to identification of assumptions and sensitivities. The estimation of the reserve of incurred, but not reported losses usually involves a greater degree of uncertainty than an estimate of the provision for claims.

To determine the probability of occurrence of an insured event, the Company uses the assigned rating of an authorised company/developer, which determines the level of risk. The rating takes into account both the quantitative and qualitative indicators of the authorised company/developer: return on sales, return on assets, quick liquidity ratio, solvency ratio, interest coverage ratio, current-to-assets ratio, total liabilities to equity, commissioned square meters of the total area of housing, the category of license of the general contractor, technical equipment.

The factor indicating the increased probability of insured event to occur is the fact that the authorised company/developer has applied to extend guarantee period due to delays in construction and assembly works and failure to meet apartment target sales.

Taking into account that fulfilment of obligations by the developer and construction company are secured by the pledged share of participation of the developer in the authorised company and the pledged land plot (rights to it), the amount of actual compensation in the event of an insured event as assessed by the Company depend on the completion stage and value of construction project and changes in market prices of real property.

Estimation of expected losses is reassessed as the Company accumulates statistical data.

The management of the Company believes that the reserves on the portfolio of guarantee contracts for construction projects are sensitive, mainly to changes in the estimated probability of occurrence of an insured event and estimated compensation in the event of an insured event. The Company regularly reassesses its estimates based on the latest values of the above variables.

If a probability of occurrence of an insured event changes by plus/minus one percent, the size of insurance reserves would be higher/lower by KZT 160,729 thousand (31 December 2021: KZT 163,695 thousand) higher/lower.

If the amount of actual compensation in case of the insured event changes by plus/minus 5% of the amount of the claim, the amount of insurance premiums would be KZT 419,298 thousand higher/lower (31 December 2021: KZT 811,363 thousand) lower/higher.

18 Equity

(a) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or profit for the reporting period if there is an accumulated loss brought forward. A distribution cannot be made if this would result in negative equity or the Company's insolvency.

During the six months ended 30 June 2022, the Company declared and paid dividends of KZT 3,622,293 thousand (KZT 205.45 per share), unaudited (during the six months ended 30 June 2021 the Company declared dividends of KZT 6,051,678 thousand (KZT 343.24 per share), unaudited.

(b) Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2021
Profit for the year, in thousands of KZT	13,125,325	18,518,068
Weighted average number of ordinary shares	17,631,022	17,631,022
Basic and diluted earnings per share, in KZT	744	1,050

19 Risk management

Management of risk is fundamental to the mortgage lending business and 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 were no significant changes in respect of market risk and liquidity risk since 31 December 2021, except as stated below.

To adequately reflect the uncertainties related to geopolitical situation, the Company updated the forward-looking information used in ECL models including forecast macroeconomic indicators for the first six months of 2022, considering the updated forecasts for oil prices and GDP of the country.

The maximum exposure to credit risk from financial assets at the review date is as follows:

	Unaudited 30 June 2022 '000 KZT	31 December 2021 '000 KZT
ASSETS		
Cash and cash equivalents	302,202,938	100,684,841
Amounts due from banks and other financial institutions	18,163,519	80,722,166
Investment securities:		
- at fair value through profit or loss	2,030,997	2,079,816
- at amortised cost	838,779,728	928,960,811
Loans to customers and long-term receivables from sale of property under instalment agreements		
- at fair value through profit or loss	4,688,595	3,599,878
- at amortised cost	119,669,699	135,649,359
Finance lease receivables	146,895,026	153,630,813
Other financial assets	366,891	35,926
Total maximum exposure to credit risk	1,432,797,393	1,405,363,610

Insurance risk management

The Company enters into contracts for the provision of guarantees for the completion of construction. The Company guarantees the completion of the construction of a residential house in the event of an insured event and the transfer of interests in a residential building to equity holders.

As of 30 June 2022 the Company had 65 valid guarantee contracts (31 December 2021: 66 valid guarantee contracts).

As at 31 December 2022 the maximum amount of liabilities under the valid guarantees issued by the Company was KZT 387,901,910 thousand (31 December 2021: KZT 380,005,445 thousand).

The main risk that the Company faces under construction guarantee contracts is that the actual payments for warranty cases or the time of their payment may differ from those expected. Thus, the Company's goal is to accumulate sufficient reserves to pay for these liabilities.

Insurance risk is mainly managed through the assessment of financial and legal risks associated with the developer. The Company assesses the financial condition of the developer, performs analysis of the sources of financing the project, and conducts analysis of the adequacy of the price policy of the construction company. In addition, the Company also conducts legal assessment to establish legal and reputational risks for the project. To secure the customer's liability to complete construction of a residential house the Company accepts 100% interest in the authorised company and land plot with construction in progress as a security.

20 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Company property or related to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigations

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions or the results of future operations of the Company.

(c) Taxation contingencies in Kazakhstan

The taxation system in Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities, in particular recognition of income, expenses and other items of the financial statements under IFRS. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in Kazakhstan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

21 Related party transactions

(a) Transactions with the members of the Management Board and Board of Directors

Total remuneration to the members of the Management Board and the Board of Directors is as follows:

	Unaudited Six months ended 30 June 2022 ‘000 KZT	Unaudited Six months ended 30 June 2021 ‘000 KZT
Members of the Board of Directors	21,037	9,706
Members of the Management Board	151,753	141,414
	172,790	151,120

The outstanding balances as at 30 June 2022 and 31 December 2021 for transactions with the members of the Management Board and the Board of Directors are as follows:

	Unaudited 30 June 2022 ‘000 KZT	Unaudited Average interest rate	31 December 2021 ‘000 KZT	Average interest rate
Condensed Interim Statement of Financial Position				
Loans to customers	32,816	3.00	36,242	3.00
Other liabilities	45,918	-	77,760	-

(b) Transactions with other related parties

Other related parties include Baiterek NMH JSC and other state organisations.

The amounts below are included in the condensed interim statements of profit or loss and other comprehensive income for the six months ended 30 June 2022 and 30 June 2021:

	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2022	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2021
	Baiterek Group	Other government institutions	Baiterek Group	Other government institutions
Condensed interim statement of profit or loss				
Interest income	1,705,527	62,848,092	1,088,030	54,425,932
Interest expense	(46,556,783)	(856,104)	(46,622,680)	(838,037)
Other operating income, net	356,670	1,049,125	419,889	44,345
Fee and commission expense	-	(1,419)	-	(1,139)
General administrative expenses	-	(182,055)	-	(334,829)
Income from recovery of impairment losses	10,351	513,176	9,192	205,930
Income tax expense	-	(1,920,956)	-	(1,936,211)

The balances with other related parties as at 30 June 2022 include:

	Unaudited Baiterek Group		Unaudited Other government institutions	
	‘000 KZT	Average interest rate, %	‘000 KZT	Average interest rate, %
Cash and cash equivalents	21,586,932	7.5	278,871,367	13.34
Amounts due from banks and other financial institutions	17,446,421	1.00	-	
Investment securities measured at amortised cost	-	-	827,812,675	5.14
Loans to customers	-	-	32,361,228	0.4
Current tax asset	-	-	3,866,329	-
Other assets	51,488	-	98,347	-
Debt securities issued	723,115,173	5.74	12,072,179	10.26
Other borrowed funds	199,132,906	0.17	6,107,202	0.10
Government grants	-	-	151,860,812	-
Deferred tax liability	-	-	22,023,263	-
Other liabilities	-	-	743,261	-

The balances with other related parties as at 31 December 2021 include:

	Baiterek Group		Government institutions	
	‘000 KZT	Average interest rate, %	‘000 KZT	Average interest rate, %
Cash and cash equivalents	13,713,298	7.75	85,817,017	7.82
Due from banks and other financial institutions	16,947,634	1.00		
Investment securities measured at amortised cost	-	-	917,993,404	5.44
Loans to customers	-	-	39,150,674	0.40
Current tax asset	-	-	3,485,872	-
Other assets	107,024	-	75,702	-
Debt securities issued	694,724,816	5.73	12,808,553	10.31
Other borrowed funds	192,013,579	0.17	5,871,853	0.10
Government grants	-	-	182,324,636	-
Deferred tax liability	-	-	20,102,307	-
Other liabilities	-	-	361,008	-

22 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2022:

Unaudited ‘000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	302,202,938	-	302,202,938	302,202,938
Amounts due from banks and other financial institutions	18,163,519	-	18,163,519	15,676,485
Investment securities:				
- at fair value through profit or loss	-	2,030,997	2,030,997	2,030,997
- at amortised cost	838,779,728	-	838,779,728	841,807,096
Loans to customers and long-term receivables from sales of real estate under instalment agreements				
- at amortised cost	119,669,699	-	119,669,699	84,430,285
- at fair value through profit or loss	-	4,688,595	4,688,595	4,688,595
Finance lease receivables	146,895,026	-	146,895,026	81,719,263
Other financial assets	366,891	-	366,891	366,891
	1,426,077,801	6,719,592	1,432,797,393	1,332,922,550
Debt securities issued	784,129,468	-	784,129,468	719,138,628
Other borrowed funds	236,849,708	-	236,849,708	142,861,570
Other financial liabilities	4,883,475	-	4,883,475	4,883,475
	1,025,862,651	-	1,025,862,651	866,883,673

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2021:

‘000 KZT	Amortised cost	FVTPL	Total carrying amount	Fair value
Cash and cash equivalents	100,684,841	-	100,684,841	100,684,841
Amounts due from banks and other financial institutions	80,722,166	-	80,722,166	78,339,456
Investment securities:				
- at amortised cost	928,960,811	-	928,960,811	954,242,866
- at fair value through profit or loss	-	2,079,816	2,079,816	2,079,816
Loans to customers and long-term receivables from sales of real estate under instalment agreements				
- at amortised cost	135,649,359	-	135,649,359	102,733,371
- at fair value through profit or loss	-	3,599,878	3,599,878	3,599,878
Finance lease receivables	153,630,813	-	153,630,813	94,263,284
Other financial assets	35,926	-	35,926	35,637
	1,399,683,916	5,679,694	1,405,363,610	1,335,979,149
Debt securities issued	755,618,219	-	755,618,219	719,456,192
Other borrowed funds	218,164,832	-	218,164,832	167,532,317
Other financial liabilities	6,681,054	-	6,681,054	6,681,054
	980,464,105	-	980,464,105	893,669,563

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market-observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

For more complex instruments, the Company uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rate of 14.4% is used to discount future cash flows from amounts due from banks (2021: 13.1%);
- discount rates of 11.6% - 15.1% are used to discount future cash flows on investment securities measured at amortised cost (2021: 10.2% - 11.2%);
- discount rates of 13.6% - 23.0% are used to discount future cash flows from loans to customers and receivables from sales of real estate by instalments (2021: 11.3% - 20.7%);
- discount rate of 12.1% is used to discount future cash flows from finance lease receivables (2021: 10.3%).
- discount rates of 7.5% and 12.3% - 14.5% are used to discount future cash inflows/outflows from debt securities issued and other borrowed funds denominated in RUB and KZT, respectively (2021: 7.5% and 10.3% - 14.4%);

(b) Fair value hierarchy

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

The table below analyses financial instruments measured at fair value in the condensed interim statement of financial position as at 30 June 2022 and statement of financial position as at 31 December 2021, by the level in the fair value hierarchy into which the fair value measurement is categorised.

30 June 2022

Financial assets	Level 2	Level 3	Total
Investment securities measured at fair value through profit or loss	2,030,997	-	2,030,997
Loans to customers measured at fair value through profit or loss	-	4,688,595	4,688,595
	2,030,997	4,688,595	6,719,592

31 December 2021

Financial assets	Level 2	Level 3	Total
Investment securities measured at fair value through profit or loss	2,079,816	-	2,079,816
Loans to customers measured at fair value through profit or loss	-	3,599,878	3,599,878
	2,079,816	3,599,878	5,679,694

Changes in fair value measurements of financial instruments at fair value through profit or loss categorised to Level 3 in the fair value hierarchy are as follows:

Financial assets	30 June 2022	30 June 2021
Balance at the beginning of the period	3,599,878	979,940
Accrued interest	1,088,717	-
Net loss on investment securities at fair value through profit or loss	-	(108,980)
Balance at the end of the period	4,688,595	865,960

The following table provides information on significant unobservable inputs used at the period in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 30 June 2022:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans to customers at fair value through profit or loss	4,688,595	Discounted cash flows	Discount rate of 23.74%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.
Securities measured at fair value through profit or loss	2,030,997	Discounted cash flows	Discount rate of 17.85%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.

The table below sets out information about significant unobservable inputs used at year end in the measuring financial instruments categorised as Level 3 in the fair value hierarchy as at 31 December 2021:

Type of instrument	Fair value	Valuation technique	Significant unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Loans to customers at fair value through profit or loss	3,599,878	Discounted cash flows	Discount rate of 23.74%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.
Securities measured at fair value through profit or loss	2,079,816	Discounted cash flows	Discount rate of 17.85%	Significant increase in any of the input data separately will result in decrease of fair value. Significant decrease would result in higher fair value.

The following table analyses the fair value of financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised as at 30 June 2022:

Unaudited '000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	302,202,938	-	302,202,938	302,202,938
Amounts due from banks and other financial institutions	15,676,485	-	15,676,485	18,163,519
Investment securities measured at amortised cost	841,807,096	-	841,807,096	838,779,728
Loans to customers and long-term receivables from sales of real estate under instalment agreements	82,372,382	2,057,903	84,430,285	119,669,699
Finance lease receivables	76,037,334	5,681,929	81,719,263	146,895,026
Other financial assets	366,891	-	366,891	366,891
Liabilities				
Debt securities issued	719,138,628	-	719,138,628	784,129,468
Other borrowed funds	142,861,570	-	142,861,570	236,849,708
Other financial liabilities	4,883,475	-	4,883,475	4,883,475

The following table analyses the fair value of financial instruments not measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2021.

‘000 KZT	Level 2	Level 3	Total fair values	Total carrying amount
Assets				
Cash and cash equivalents	100,684,841	-	100,684,841	100,684,841
Amounts due from banks and other financial institutions	78,339,456	-	78,339,456	80,722,166
Investment securities measured at amortised cost	954,242,866	-	954,242,866	928,960,811
Loans to customers and long-term receivables from sales of real estate under instalment agreements	101,039,782	1,693,588	102,733,371	135,649,359
Finance lease receivables	88,509,753	5,753,531	94,263,284	153,630,813
Other financial assets	35,637	-	35,637	35,926
Liabilities				
Debt securities issued	719,456,192	-	719,456,192	755,618,219
Other borrowed funds	167,532,317	-	167,532,317	218,164,832
Other financial liabilities	6,681,054	-	6,681,054	6,681,054

23 Capital management

	Unaudited 30 June 2022	31 December 2021 ‘000 KZT
Tier 1 capital		
Share capital	190,847,155	190,847,155
General reserves	2,734,447	2,734,447
Additional paid-in capital	3,389,392	3,389,392
Intangible assets	(20,748)	(28,465)
Retained earnings/(loss) of prior years	8,059,327	6,507,008
Total tier 1 capital	205,009,573	203,449,537
Tier 2 capital		
Total reserves (provisions) included in calculation of equity in the amount not exceeding 1.25% of credit-risk weighted assets	6,125,554	7,010,785
Net profit for the year in accordance with the NBRK requirements	15,891,592	99,504
Total tier 2 capital	22,017,146	7,110,289
Total capital	227,026,719	210,559,826
Total statutory assets		
	1,449,595,265	1,424,636,554
Credit risk weighted assets and contingent liabilities	490,044,281	560,862,812
Credit risk-weighted contingent liabilities	371,827,823	363,910,022
Operational risk	14,483,556	13,460,303
Total credit risk weighted assets and contingent liabilities plus operational risk	876,355,660	938,233,137
Total reserves (provisions) not included in calculation of equity		
	2,260,396	9,216,541
k1	14%	14%
k1-2	24%	22%
k1-3	26%	23%

The table above shows the capital structure of the Company calculated in accordance with the NBRK statutory requirements.

As at 30 June 2022 and 31 December 2021 the minimum level of ratios as applicable to the Company are as follows:

- k1 – 6%
- k1-2 – 6%
- k1-3 – 12%.

24 Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IAS 14 *Segment Reporting*. The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's 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.