KazakhExport

“KazakhExport” Export Insurance Company JSC

Condensed Interim
Financial Information
for the six months
ended 30 June 2023

Contents

Report on Review of Condensed Interim Financial Information

To the Shareholder, the Board of Directors and the Management Board of Export Insurance Company KazakhExport JSC:

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Export Insurance Company KazakhExport JSC (the "Company") as at 30 June 2023 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 the related explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 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 accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers LLP.

10 August 2023

Almaty, Kazakhstan

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	Note	(Unaudited) Six months ended 30 June 2023 KZT'000	(Unaudited) Six months ended 30 June 2022 KZT'000
Insurance revenue	8	3,283,535	2,328,524
Insurance service expenses	8	(3,850,891)	(8,534,240)
Net expenses from reinsurance contracts held	8	(316,638)	(62,258)
Net income from insurance activities		**(883,994)**	**(6,267,974)**
Financial expenses from insurance contracts issued		(1,275,858)	(553,024)
Finance income from insurance contracts issued		362,106	13,546
Total financial income/(expenses) from insurance activities		**(913,752)**	**(539,478)**
Interest income calculated using the effective	9	8,251,252	5,550,606
Other interest income	9	44,166	35,100
Net income from changes in the fair value of investment securities measured at fair value through profit or loss		18,833	7,938
Realized income from changes in the fair value of investment securities measured at fair value through other comprehensive income		-	8,235
Net income/ (loss) from foreign exchange operations		(2,262,210)	6,195,056
General administrative expenses		(844,579)	(699,177)
Impairment losses on financial assets		(20,303)	(118,029)
Other operating expenses, net		(38,333)	(74,603)
Profit before income tax		**3,351,080**	**4,097,674**
Income tax expense	10	(198,967)	(1,117,359)
Profit for the year		**3,152,113**	**2,980,315**
Other comprehensive income, net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve:			
- Net change in fair value		201,186	(2,274,816)
Other comprehensive income for the year, net of income tax		**201,186**	**(2,274,816)**
Total comprehensive income for the year		**3,353,299**	**705,499**

The financial statements as set out on pages 4 to 39 were approved by the Management Board on 10 August 2023 and were signed on its behalf by:

«KazakhExport»

A.E. Kaligazin
Chairman of the Management Board

Zh. K. Sartkozhinova
Chief Accountant

	Note	(Unaudited) Six months ended 30 June 2023 KZT'000	(Revised) 31 December 2022 KZT'000
ASSETS			
Cash and cash equivalents	11	76,525,508	71,878,037
Placements with banks	12	27,116,443	22,324,599
Investment securities:			
- measured at fair value through other comprehensive income	13	24,211,073	25,201,794
- measured at amortised cost	13	15,819,314	18,210,256
- measured at fair value through profit or loss	13	822,411	808,847
Insurance contract assets	14	355,582	241,865
Reinsurance contract assets	14	314,717	451,542
Receivables on a recourse claim		1,970,948	2,128,650
Property and equipment		104,860	113,379
Current tax asset		220,939	349,716
Deferred tax assets		82,192	82,192
Other assets		867,051	931,195
Total assets		**148,411,038**	**142,722,072**
LIABILITIES			
Insurance contract liabilities	14	31,700,092	29,027,323
Reinsurance contract liabilities	14	173,842	137,661
Insurance and reinsurance payables		6,678	10,965
Other liabilities		1,871,626	650,120
Total liabilities		**33,752,238**	**29,826,069**
EQUITY			
Share capital	15	105,100,000	105,100,000
Additional paid-in capital		732,819	732,819
Stabilisation reserve		114,222	136,042
Provision for unexpected risks	15	8,446,875	11,097,425
Provision for changes in the fair value of securities		(2,926,258)	(3,127,444)
Accumulated profit/(loss)		3,191,142	(1,042,839)
Total equity		**114,658,800**	**112,896,003**
Total liabilities and equity		**148,411,038**	**142,722,072**

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

	(Unaudited) Six months ended 30 June 2023 KZT'000	(Unaudited) Six months ended 30 June 2022 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	**3,351,080**	**4,097,674**
Adjustments for:		
Depreciation and amortisation	55,965	37,522
Impairment losses on financial assets	20,303	118,029
Net income from changes in the fair value of investment securities measured at fair value through profit or loss	(18,833)	(7,938)
Realized income from changes in the fair value of investment securities measured at fair value through other comprehensive income	-	(8,236)
Interest income calculated using effective interest method	(8,251,252)	(5,550,428)
Other interest income	(44,166)	(35,100)
Unrealized foreign exchange difference	2,262,210	(6,195,056)
Cash flows from operating activities before changes in operating assets and liabilities	**(2,624,693)**	**(7,543,533)**
(Increase)/decrease in operating assets		
Placements with banks	(6,548,399)	43,837,498
Insurance contract assets	(112,449)	(148,074)
Reinsurance contract assets	136,825	(362,994)
Receivables on a recourse claim	157,057	(1,936,053)
Other assets	37,924	(420,554)
Increase/(decrease) in operating liabilities		
Insurance contract liabilities	2,672,769	5,261,813
Reinsurance contract liabilities	41,958	42,716
Insurance and reinsurance payables	(3,899)	(14,613)
Other liabilities	(368,355)	(257,909)
Net cash flows from/(used in) operating activities before interest received and income tax paid	**(6,611,262)**	**38,458,297**
Interest income received	8,048,307	5,548,430
Cash flows from/(used in) operating activities	**1,437,045**	**44,006,727**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and redemption of investment securities	3,664,567	21,662,322
Acquisition of debt securities	-	(11,966,525)
Acquisition of fixed assets and intangible assets	(21,285)	(16,244)
Cash flows used in investing activities	**3,643,282**	**9,679,553**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	-	(1,408,393)
Cash flows from financing activities		**(1,408,393)**
Net increase/(decrease) in cash and cash equivalents	**5,080,327**	**52,277,887**
Effect of changes in exchange rates on cash and cash equivalents	(432,856)	2,814,941
Cash and cash equivalents at the beginning of the year	**71,878,037**	**14,657,355**
Cash and cash equivalents at the end of the year (Note 11)	**76,525,508**	**69,750,183**

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

KZT'000	(Unaudited) Share capital	(Unaudited) Additional paid-in capital	(Unaudited) Stabilisation reserve	(Unaudited) Provision for unexpected risks	(Unaudited) Movement in fair value reserve	(Unaudited) Retained earnings	(Unaudited) Total equity
Balance at 1 January 2023 (recalculated IFRS 17)	105,100,000	732,819	136,042	11,097,425	(3,127,444)	(1,042,839)	112,896,003
Total comprehensive income	-	-					
Profit for the year	-	-	-	-	-	3,152,113	3,152,113
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value	-	-	-	-	201,186	-	201,186
Total other comprehensive income	-	-	-	-	201,186	-	201,186
Total comprehensive income for the year	-	-	-	-	**201,186**	**3,152,113**	**3,353,299**
Transactions with owners recorded directly in equity							
Dividends paid (Note 15)	-	-	-	-	-	(1,590,502)	(1,590,502)
Transfer from provision for unexpected risks (Note 16)	-	-	-	(2,650,550)	-	2,650,550	-
Transfer from stabilisation reserve	-	-	(21,820)	-	-	21,820	-
Total transactions with owners	-	-	**(21,820)**	**(2,650,550)**	-	**1,081,868**	**(1,590,502)**
Balance at 30 June 2023	**105,100,000**	**732,819**	**114,222**	**8,446,875**	**(2,926,258)**	**3,191,142**	**114,658,800**

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

KZT'000	(Unaudited) Share capital	(Unaudited) Additional paid-in capital	(Unaudited) Stabilisation reserve	(Unaudited) Provision for unexpected risks	(Unaudited) Movement in fair value reserve	(Unaudited) Retained earnings	(Unaudited) Total equity
Balance at 31 December 2021	105,100,000	732,819	240,259	14,941,834	(1,058,889)	(5,742,081)	114,213,942
Effect of transition to IFRS 17	-		-	-	-	(3,492,445)	(3,492,445)
Balance at 1 January 2022 (restated)	105,100,000		240,259	14,941,834	(1,058,889)	(9,234,526)	110,721,497
Total comprehensive income							-
Profit for the year	-	-	-	-	-	2,980,315	2,980,315
Other comprehensive income							-
Items that are or may be reclassified subsequently to profit or loss:							-
Net change in fair value	-	-	-	-	(2,274,816)	-	(2,274,816)
Total other comprehensive income	-	-	-	-	(2,274,816)	-	(2,274,816)
Total comprehensive income for the year	-	-	-	-	**(2,274,816)**	**2,980,315**	**705,499**
Transactions with owners recorded directly in equity							
Dividends (Note 15(c))	-	-	-	-	-	(1,408,393)	(1,408,393)
Transfer from provision for unexpected risks (Note 15(d))	-	-	-	(4,000,205)	-	4,000,205	-
Transfer to stabilisation reserve	-	-	(104,217)	-	-	104,217	-
Total transactions with owners	-	-	**(104,217)**	**(4,000,205)**	-	**2,696,029**	**(1,408,393)**
Balance at 30 June 2022	**105,100,000**	**732,819**	**136,042**	**10,941,629**	**(3,333,705)**	**(3,558,182)**	**110,018,603**

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

1 Reporting entity

(a) Organisational structure and activities

"KazakhExport" Export Insurance Company JSC (hereinafter, the "Company") is a joint-stock company incorporated in 2003 in the Republic of Kazakhstan in accordance with the Kazakhstan legislation.

The Company holds a license to conduct insurance and reinsurance activity No.2.1.13 dated 24 November 2022 issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial market (the "ARDFM"). The license enables the Company to conduct:

1. the voluntary insurance activities:

- insurance of guarantees and sureties;
- insurance against other financial losses;
- insurance of the financial organisations' losses, except for the insurance classes specified in sub-paragraphs 13), 14), 15) and 16) of paragraph 3, Article 6 of the Law of the Republic of Kazakhstan "On Insurance Activity";
- loan insurance;
- civil liability insurance, except for the classes specified in sub-paragraphs 9),10),11),11-1 and 11-2) of paragraph 3, Article 6 of the Law of the Republic of Kazakhstan "On Insurance Activity"; and

2. reinsurance activities.

The areas of the Company's strategic development comprise further improvement of the instruments to support export, create conditions to increase a number of exporters and enhance the operating efficiency.

The Company's registered office and place of business is: 55A Mangilik El Avenue, Nur-Sultan, Republic of Kazakhstan, Z05T2H3.

(b) Shareholder

As at 30 June 2023 and 31 December 2022, National Management Holding "Baiterek" JSC hereinafter referred to as the "Parent Company" owns 100% of the outstanding shares. The Company's ultimate shareholder is the Government of the Republic of Kazakhstan. Under the Contract of Share Transfer No.299-и dated 29 May 2013, the Company's holding of shares was transferred under trust management to National Management Holding "Baiterek" JSC. National Management Holding "Baiterek" JSC was established in accordance with the Decree of the President of the Republic of Kazakhstan dated 22 May 2013, No.571 "On Certain Measures for Optimisation of the System of Management of the Development Institutions, Financial Organisations and Development of the National Economy."

As at 30 June 2023 the number of employees of the Company was 101 (31 December 2022: 100 employees).

(c) Kazakhstan business environment

Overall, the economy of the Republic of Kazakhstan continues to display some of the characteristics of an emerging market. It is particularly sensitive to fluctuations in the prices of oil and gas and other minerals, which make up the bulk of the country's exports. These features also include, but are not limited to, the existence of a national currency that is not freely convertible outside the country, and the low level of liquidity in the securities market. High inflation and exchange rate volatility have had and may continue to have a negative impact on the economy of the Republic of Kazakhstan, including a decrease in liquidity and creation of difficulties in attracting international financing. At the end of six months of 2023, the annual inflation rate was 14.6% (2022: inflation rate - 20.3%).

External inflation continues to slow down but remains stable. This is happening against the backdrop of declining global food and energy prices. However, due to the resilience of inflation and expectations of a longer stay above targets, some central banks continue to tighten monetary conditions. The rhetoric of the US Federal Reserve and the ECB has become tougher and signals a further increase in key rates. The policy of regulators has increased fears of a global recession against the backdrop of the observed slow economic recovery in China and is putting pressure on oil prices. There is volatility in the oil market, as a result, the price of oil is currently lower than the level of USD 82 per barrel on average for 2023, which is assumed in the baseline scenario, the National Bank of the Republic of Kazakhstan (the NB RK) notes.

2 Basis of accounting

(a) Statement of Compliance with Applicable Standards

This interim condensed financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected notes have been included in this interim condensed financial information to explain significant events and transactions that are necessary to understand the changes in the Company's financial position and results of operations that have occurred since the annual reporting period ended 31 December 2022.

This interim condensed financial information does not contain the complete disclosures required for the full annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Use of estimates and judgments

In preparing this interim condensed financial information, management has made judgments, assumptions and estimates that affect the application of accounting policies and the amounts of assets and liabilities, income and expenses presented in the condensed interim financial information. Actual results may differ from those estimates.

The most significant judgments made by management in applying the Company's accounting policies and the principal sources of estimation uncertainty are those described in the most recent annual financial statements, except as disclosed in this note.

(c) Basis of measurement

The interim condensed financial information has been prepared in accordance with the cost principle, except for financial instruments at fair value through profit or loss and at fair value through other comprehensive income, which are carried at fair value.

(d) Functional and presentation currency

The functional currency is the currency of the primary economic environment in which the Company operates. The functional currency of the Company and the Company's presentation currency, is the national currency of Kazakhstan, Kazakhstani Tenge ('Tenge').

3 Significant accounting policies

The following amendments to standards and interpretations became applicable to the Company from 1 January 2023:

- On 1 January 2023, the Company applied IFRS 17 Insurance Contracts. The sections below explain the changes made to accounting policies in more detail.

I. Definition and classification

Classification of insurance (reinsurance) contracts is carried out by the Company:

1) upon initial recognition in the Company's accounting;

2) in case of its modification;

3) upon transfer of the Company's insurance portfolio;

4) upon transition to IFRS 17 Insurance Contracts.

A contract is classified by the Company as an insurance contract for accounting purposes only if it transfers significant insurance risk from the policyholder by the Company that could result in a loss to the Company under the contract.

A contract is considered to have transferred significant insurance risk only if there is at least one scenario with commercial content that could cause losses on the part of the Company, i.e. cash outflows that exceed cash inflows, on a present value basis, by 10% or more.

Based on the results of the classification, the Company divides insurance (reinsurance) contracts concluded in the legal form of insurance contracts into:

1) insurance contracts classified as insurance in accordance with the requirements of IFRS 17 Insurance Contracts.

2) reinsurance contracts held that are classified as insurance contracts in accordance with the requirements of IFRS 17 Insurance Contracts.

3) issued reinsurance contracts classified as insurance contracts in accordance with the requirements of IFRS 17 Insurance Contracts.

All contracts issued by the Company are within the scope of IFRS 17.

II. Level of aggregation of insurance contracts

The Company determines portfolios of insurance contracts and issued reinsurance contracts based on signs of risk similarity in terms of a combination of insurance rules and types of insurance, as well as considering approaches to managing insurance contracts and issued reinsurance contracts in terms of underwriting, administration, claims handling.

Due to the nature of the business, the Company underwrites, administers, and settles claims for each contract on a case-by-case basis. Therefore, the Company has determined that the portfolio consists of a single insurance contract, or a reinsurance contract held (issued) and the accounting unit is a contract.

For contracts valued by the General Measurement Model (GMM), the Company has determined the level of detail based on which cash flows are built and profitability of contracts is analyzed at the level of an individual insurance contract.

An insurance contract is onerous at the date of initial recognition if the settlement cash flows, any previously recognized cash flows from the acquisition of the contract, and any cash flows arising from the contract at the date of initial recognition represent a net outflow. A loss on onerous insurance contracts is recognized immediately in profit or loss.

For contracts valued using the premium allocation approach (PAA), the Company has determined the level of detail based on which the premium is allocated at the level of an individual insurance contract. For these contracts, at the time of their initial recognition, the Company analyzes the facts and circumstances that indicate the presence of indicators of onerousness, together with an analysis of the likelihood of changes in the relevant facts and circumstances, to determine whether there is no significant possibility that contracts that are not onerous at the time of initial recognition, subsequently become onerous.

At the reporting date, onerous insurance contracts are present only in the class of loan insurance.

III. Initial recognition

Before accounting for an insurance contract in accordance with the requirements of IFRS 17, the Company reviews contracts to identify elements that would be within the scope of other standards if they were separate contracts.

IFRS 17 identifies three categories of components that need to be accounted for separately:

- cash flows relating to embedded derivatives that need to be separated;
- cash flows relating to a distinct investment component; and
- a promise to deliver to the policyholder distinct goods or services that are not services under the insurance contract.

The Company applies IFRS 17 to all other parts of the contract. The Company has no contracts that require further division or consolidation of insurance contracts.

To select the method of accounting for and measuring an insurance contract in accordance with the requirements of IFRS 17, the Company evaluates the boundaries of contracts. For contracts where the contract length exceeds one year, the Company tests the applicability of the premium distribution method by analyzing whether there is significant variability in the cash flows associated with the execution of contracts and by analyzing the significant differences in the result of applying the PAA from the application of the GMM.

In the absence of significant variability in cash flows for the implementation of contracts and significant differences in the result of applying the PAA from the application of the GMM, the Company applies the PAA method. Based on the results of the test for contracts other than loan insurance, the Company applies the PAA method.

An issued insurance contract is recognized initially from the earliest of (i) the start date of the insurance coverage, (ii) the date on which the first payment from the policyholder falls due, or (iii) for an onerous contract, the date on which the contract becomes onerous.

IV. Approach to measurement of insurance contracts, reinsurance contracts issued and held.

1. Loan insurance contracts.

a) Liability for remaining coverage

The Company measures loan insurance contracts using the GMM method, contracts other than loan insurance and issued reinsurance contracts are measured using the PAA method. An insurance contract under GMM is initially measured as the sum of cash flows from fulfilling contracts (which include estimated future cash flows, an adjustment for the time value of money and financial risks associated with future cash flows, and an adjustment for non-financial risk) and a service margin (CSM; unearned profit to be recognized as services are rendered under insurance contracts).

At the end of each subsequent reporting period, the carrying amount of an insurance contract is remeasured to be the sum of:

- assets or liabilities for the remaining insurance coverage, which combine the cash flow payable relating to future services and the margin for stipulated services under the contract at that date; and
- an incurred loss asset or liability that is measured as an executable cash flow attributable to past service allocated to the contract at that date.

The Company estimates the cash flows for each contract based on the following expected indicators:

• Probability of Default (PD) based on the counterparty's credit rating. Due to the insufficient statistics of defaults, the Company uses the rating methods of international rating agencies to determine the credit rating. Rating methodologies describe the analytical framework that rating committees use to assign ratings. They describe the key qualitative and quantitative characteristics that are usually most important for assessing credit risk in a particular industry.

• Loss given default (LGD). LGD for collateralized loans is calculated in accordance with information on collateral and liquidity ratios provided by the NBRK Regulation No. 269. LGD for unsecured loans is 100%.

• Exposure at default (EAD) is the balance of principal at the balance sheet date less the amount of the reported but unsettled loss on installments generated under the loss liability at the balance sheet date.

• The cost of attracting and maintaining contracts per unit of the insurance contract, distributed on a systematic and rational basis. The Company has no direct acquisition cash flows under insurance contracts. Indirect acquisition cash flows are recognized by the Company as contract support costs.

• The Company evaluates discounted cash flows considering the probability of default, contract termination and indexation of costs for contract support.

b) Liability for incurred claims

If there are signs of default in loan insurance contracts (PD=100%), the Company derecognizes the liability for the remaining coverage and forms an additional liability for incurred losses (IBNR) for the amount of loss given default (LGD) and expenses for settlement of losses. At the same time, when the loan insurance agreement "recovers" (exits default), the liability for incurred losses is terminated under the agreement because of the withdrawal of the statement of loss and the liability for the remaining coverage is re-formed.

When a loss is declared for the full amount of the balance of the principal debt, the Company ceases to recognize the liability for the remaining coverage and forms an additional liability for incurred losses for the balance of the principal debt. The Company's methodology regarding the formation of the reserve for reported but not settled losses (RBNS) remains unchanged compared to IFRS 4. Since the RBNS is formed on the amount of the overdue payment or on the amount of the balance of the principal debt, excluding incoming cash flows associated with the recovery of losses and sales collateral, the Company does not form a risk adjustment and, accordingly, does not increase the liability for incurred losses by a risk adjustment.

The Company does not consider the time value of money when estimating the liability for incurred losses, given the insignificant effect of discounting with a loss adjustment period of up to one year.

2. Insurance contracts other than loan insurance contracts.

a) Liability for remaining coverage

Liability for remaining coverage using the PAA method is measured at initial recognition at premiums received less acquisition cash flows to that date, unless the Company elects to recognize these payments as an expense and any amounts arising from the termination the recognition at that date of: (i) any asset in respect of the acquisition cash flows; and (ii) any other asset or liability previously recognized in respect of the cash flows associated with this group of contracts. The Company has no direct acquisition cash flows under insurance contracts.

For contracts with decreasing sum insured, the Company considers the model of risk distribution over time when estimating revenue.

b) Liability for incurred claims

The Company's methodology for RBNS remains unchanged compared to IFRS 4. Since RBNS is formed on the amount of the overdue payment or on the amount of the balance of the principal debt, excluding incoming cash flows associated with the recovery of losses and the sale of collateral, The Company does not form a risk adjustment and, accordingly, does not increase the liability for incurred losses by a risk adjustment.

The Company does not consider the time value of money when measuring the loss liability, given a settlement period of up to one year.

3. Reinsurance contracts issued under loan insurance contracts and other than loan insurance contracts

a) Liability for remaining coverage

The Company measures the remaining coverage liabilities using the PAA method for reinsurance contracts with a boundary term of more than one year, for which, because of the PAA eligibility test on under the underlying insurance contracts covered by the reinsurance contract, there are no significant differences in the result of applying the PAA from the application of the GMM.

Liabilities for the remaining insurance coverage using the PAA method are measured at initial recognition at the reinsurance premiums paid less acquisition cash flows (assignment fees) at that date, unless the Company elects to recognize these payments as an expense and any amounts arising from derecognition at that date: (i) any asset in respect of the acquisition cash flows; and (ii) any other asset or liability previously recognized in respect of the cash flows associated with this contract. The Company reduces the liabilities for the remaining insurance coverage under the issued loan reinsurance contracts by the amount of the reinsurer's credit risk.

b) Liabilities for incurred claims

The Company's methodology for RBNS under reinsurance contracts held remains unchanged compared to IFRS 4. Since RBNS is formed on the amount of the reinsurer's share in the overdue payment or on the reinsurer's share in the amount of the principal debt balance, excluding incoming cash flows associated with the reimbursement of losses from the insured and the sale of collateral, the Company does not form a risk adjustment and, accordingly, does not increase the liability for incurred losses by a risk adjustment.

The Company does not consider the time value of money when measuring the loss liability, given a settlement period of up to one year.

The Company uses different valuation approaches depending on the type of contract, namely:

	Classification	Approach to valuation
Insurance contracts issued and reinsurance contracts issued		
Loan insurance	Insurance contracts classified as insurance contracts in accordance with the requirements of IFRS 17 Insurance Contracts	General measurement model
Insurance against other financial losses Insurance against losses of financial organizations Other voluntary insurance	Insurance contracts classified as insurance contracts in accordance with the requirements of IFRS 17 Insurance Contracts	Premium allocation approach
Reinsurance contracts held		
All classes of insurance	Reinsurance contracts held	Premium allocation approach

V. Insurance finance income and expenses

Insurance finance income or expenses represent changes in the carrying amount of a group of insurance contracts arising from:

- the impact of the time value of money and changes in the time value of money; and
- the impact of financial risk and changes in financial risk;

The Company disaggregates the amount of change in the risk adjustment for non-financial risk into an amount attributable to the result of providing insurance services and an amount attributable to insurance finance income or expenses.

The Company includes financial income or insurance (reinsurance) expenses in profit or loss for the reporting period.

When applying IAS 21 The Effects of Changes in Foreign Exchange Rates to insurance contracts that give rise to foreign currency cash flows, the Company treats those contracts, including contractual service margin, as a monetary item.

At the end of the reporting period, the carrying amount of insurance contracts, including contractual service margin, is translated into the functional currency at the closing rate. The Company has elected to present the resulting exchange differences as "insurance finance costs".

4 Significant judgments

The areas in which management makes significant judgments are:

1. The Company makes judgments in setting qualitative indicators, as well as quantitative indicators in the absence of available financial statements of the counterparty and in determining indicators of default of the counterparty. These indicators determine the credit rating of the counterparty, and, accordingly, the PD indicators, which are a key factor in assessing liabilities.

2. For insurance contracts with a contract boundary period of more than one year, for which the Company uses the PAA method instead of GMM, the Company must test the eligibility for this approach. Judgment may be required, for example, in determining the threshold at which an estimate would be materially different. The Company has determined the materiality threshold in a relative value equal to 10% compared to the liability using the GMM method.

3. Judgments about the expected combined loss ratio are applied when analyzing the facts and circumstances that indicate that there are signs of onerousness for contracts measured using the PAA method and assessing that there is no significant likelihood that contracts that are not onerous at the time of initial recognition will subsequently become onerous.

4. When estimating future cash flows, the Company must conduct a cost analysis to determine the cost items associated with the performance of contracts, as well as the extent to which fixed and variable overhead costs are directly related to the performance of contracts. Judgments are applied when determining the degree of involvement of employees in business processes related to the implementation of insurance contracts, as well as determining methods for the systematic and rational distribution of these costs under insurance contracts.

5. In determining the methods used to transition to IFRS 17. For example: The Company determined that for all insurance contracts in force at the date of transition, most reasonable and supportable information was available to apply the modified hindsight approach as close as possible to the hindsight approach. Accordingly, the Company recognized and measured each insurance contract and each asset for acquisition cash flows as if it had always applied IFRS 17, and derecognized any existing balances that would not have existed if IFRS 17 had always been applied and recognized any resulting net difference in equity.

5 Estimates and Assumptions

The following are examples of estimates and assumptions:

1. Discount rate.

A top-down approach has been used to determine discount rates for cash flows that do not vary with the yield on the underlying items of all other contracts within the scope of IFRS 17. In this approach, the discount rate is determined as the yield embedded in fair value benchmark portfolio, adjusted for the difference between the benchmark asset portfolio and the corresponding cash flow liabilities. The reference portfolio has been compiled based on the Company's portfolio at the reporting date and includes a combination of government and corporate bonds available on the market. The yield curve has been adjusted to eliminate both expected and unforeseen (unexpected) credit risk.

For contracts issued within one calendar year, discount rate curves as of the beginning of the relevant calendar year were applied in the measurement at the time of initial recognition for the sake of simplicity.

2. Risk adjustment for non-financial risk.

To calculate the risk adjustment for non-financial risk, the method of stochastic modeling of the probability of default and losses in case of default was used, considering the term of the contract, the credit rating of the counterparty and the level of LGD. The risk adjustment is determined with a degree of confidence interval equal to 75%.

6 Insurance risk management

This section summarizes insurance risks and the way the Company manages them.

(a) Risk management objectives and policies for mitigating insurance risk

The Company's management of insurance is a critical aspect of the business.

The primary insurance and reinsurance activity carried out by the Company assumes the risk of loss from persons or organizations that are directly subject to the risk. Such risks may relate to financial or other perils that may arise from an insurable event. As such the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralized management of reinsurance and monitoring of emerging issues.

The theory of probability is applied to the pricing and provisioning for insurance contracts. The principal risk is that the frequency and severity of claims is greater than expected. Insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

(i) Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over several years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is set out in the business plan that sets out the classes of business to be written, the territories in which business is to be written and the industry sectors to which the Company is prepared to underwrite. Currently, the main importing countries are Uzbekistan, Tajikistan, Kyrgyzstan, Azerbaijan, Russia.

Calculation of the tariffs and prices on insurance products reflects current market conditions and covers the most probable assumptions necessary for the adjustment of future results, aiming to significantly mitigate financial risks.

Adherence to the underwriting authorities is being monitored by management on an on-going basis. Those transactions requiring special authorization are subject to consideration and approval by the Company's Board of Directors.

(ii) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites to control its exposures to losses and ensure financial stability. The Company buys facultative and obligatory based reinsurance to reduce the net exposure and not to exceed the actual margin of solvency.

Ceded reinsurance contains credit risk, and such reinsurance recoveries are reported after deductions for provisions and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company monitors the financial and credit rating of reinsurers monthly, and also analyses financial soundness of reinsurers on a quarterly and annual basis.

The Company does not utilize any stop-loss reinsurance to control its risk of losses resulting from one-off event.

(b) Terms and conditions of insurance and reinsurance contracts and nature of risks covered

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below. In addition, the following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

(iii) Insurance contracts – Insurance against other financial loss

Product features

Insurance against other financial loss protects the property interest of an exporter related to contract execution by a foreign counterparty-importer.

Covered risks:

Insured political events:

- acts of the governmental authority of the country of transit or the country of destination of delivery of the Kazakhstani goods, works, services, or the country of the foreign counterparty on expropriation, confiscation, restriction of ownership rights to the goods, works, services, the result of the work performed owned by the exporter;
- contingency actions of the governmental authority of the country of destination of delivery of the Kazakhstani goods, works, services restricting or prohibiting delivery of the goods, performance of works, provision of services;
- war, civil commotion, mass riots outside the Republic of Kazakhstan, preventing the execution of obligations under the contract insured;

- contingency actions of the governmental authority in the country of the foreign counterparty restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment.

Insured commercial events:

- bankruptcy of the foreign counterparty;
- default on financial liabilities under the contract by the foreign counterparty.

Risk assessment

The risk assessment is based on the specific character of the transaction, which the exporter is willing to insure. The Company's risk assessment comprises two components: assessment of political or country risks and assessment of commercial risks. The projects are assessed based on a country's (political) risk and the risk related to trustworthiness of a counterparty abroad.

Commercial risk assessment

The Company assesses separately each transaction to determine the trustworthiness of a buyer. The Company, in assessment of the commercial risks, is based on assessment of the buyer's country, industry, market position and financial position.

Insurance risk assessment

The Company assesses the country risks according to the list of countries and classification of countries by the risk level published by the Organization for Economic Cooperation and Development (OECD). This list also contains recommendations for the export credit agencies of the OECD countries on the premium rates depending on the insurance period by country categories.

(ii) Insurance contracts – Insurance of loans

Product features

Insurance of loans protects the property interest of a credit organisation related to the obligations of an exporting entity (borrower) to reimburse, in accordance with the procedure set by the legislation and loan agreement, the losses incurred as a result of non-fulfilment (improper fulfillment) of liabilities under a loan agreement.

Covered risks:

Insured political events:

- war, civil commotion, mass riots inside and outside the Republic of Kazakhstan, preventing the execution of obligations under the loan contract;
- contingency actions of the governmental authority restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment.

Insured commercial events:

- Non-fulfilment (improper fulfillment) by a policyholder of monetary liabilities according to the terms and conditions of a loan contract;
- Bankruptcy of a policyholder.

Risk management

The risk assessment is based on the adequate assessment of a borrower, its financial position, assessment of political or country risks and commercial risks. The projects are assessed based on a borrower's credit risk related to its paying capacity and factors that may affect it.

(iii) Insurance contracts – Insurance against losses of financial organizations

Product features

Insurance against losses of financial organisations protects the property interest of a credit organisation related to the obligations of an exporting entity (borrower) to reimburse, in accordance with the procedure set by the legislation and loan agreement, the losses incurred as a result of non-fulfilment (improper fulfillment) of liabilities under a loan agreement, bank guarantee, letter of credits. Term currency transactions as part of the foreign currency contract.

Covered risks:

Insured political events:

- contingency actions of the governmental authority restricting or prohibiting the conversion into a freely convertible currency and/or transfer of payment, as a result of which the Exporter is unable to fulfill its financial liabilities to the Policyholder under the Contract of Provisions of Financial Services to the Exporter;

Insured commercial events:

- non-performance (improper performance) by the exporter of its commitments to repay the Principal Debt under the Loan Agreement;
- non-performance (improper performance) by the exporter of its financial liabilities under a Bank Guarantee issued by a financial organization under the obligations of the Exporter under the Guarantee Agreement;
- non-performance (improper performance) by the exporter of its financial liabilities under a letter of credit issued by an issuing bank on the obligations of the Exporter under the Contract on the provision of a letter of credit;
- non-performance (improper performance) by the exporter of its obligations under the Term Currency Transaction as part of the Foreign Currency Contract;
- bankruptcy of the Policyholder.

Risk management

The risk assessment is based on the adequate assessment of a borrower, its financial position, assessment of political or country risks and commercial risks. The projects are assessed based on a borrower's credit risk related to its paying capacity and factors that may affect it.

(iii) Reinsurance contracts – General civil liability

The Company undertakes general civil liability insurance on compulsory and voluntary types of insurance in the Republic of Kazakhstan.

Risk management

The risk assessment is based on the specific character of the transaction, which the exporter is willing to insure. The Company's risk assessment comprises two components: assessment of political or country risks and assessment of commercial risks. The projects are assessed based on a country's (political) risk and the risk related to trustworthiness of a counterparty abroad.

(c) Concentration of insurance risk

A key aspect of the insurance risk faced by the Company is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Company's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within several individual classes or contracts tranche.

Concentrations of risk can arise in both high severity of damage and low frequency events, such as natural disasters and in situations where underwriting is biased towards a particular group, such as a particular geography or demographic trend.

The Company's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting. Underwriters are not permitted to underwrite risks unless the expected profits are commensurate with the risks assumed.

Secondly, the risk is managed by reinsurance. The Company purchases reinsurance coverage for various classes of its liability and property business. The Company assesses the costs and benefits associated with the reinsurance programmes on an ongoing basis.

(d) Total aggregate exposures

The Company sets out the total aggregate exposure that it is prepared to accept in relation to concentrations of risk. It monitors these exposures both at the time of underwriting a risk, and monthly by reviewing reports which show the key aggregations to which the Company is exposed. The Company uses several modeling tools to monitor aggregation to measure the effectiveness of the reinsurance programs and the net exposure to which the Company is exposed.

As of 30 June 2023, the Company had 130 active insurance contracts (31 December 2022: 129 insurance contracts). The main established concentration as at 30 June 2023 is presented as follows:

Six months ended 30 June 2023

	Unaudited		
Insurance type	**Total insured amount KZT'000**	**Reinsurance amount KZT'000**	**Retention (after reinsurance) KZT'000**
Voluntary insurance			
Loan insurance	284,137,907	(22,650,000)	261,487,907
Insurance against other financial losses	63,640,391	(23,012,862)	40,627,529
Other voluntary insurance	24,645,010	(8,661,787)	15,983,223
Total	**372,423,308**	**(54,324,649)**	**318,098,659**

The key concentration identified as at 31 December 2022 is as follows:

31 December 2022

Insurance type	**Total insured amount KZT'000**	**Reinsurance amount KZT'000**	**Retention (after reinsurance) KZT'000**
Voluntary insurance			
Loan insurance	291,947,910	(23,162,600)	268,785,310
Insurance against other financial losses	69,333,053	(18,623,614)	50,709,439
Other voluntary insurance	22,561,165	(7,814,809)	14,746,356
General civil liability	9,878,688	-	9,878,688
Total	**393,720,816**	**(49,601,023)**	**344,119,793**

7 Transition provisions

The Company applied a modified retrospective approach to insurance contracts at the date of transition. CSM at initial recognition is calculated based on transition assumptions using the following simplifications:

- Probabilities of default prior to the transition date were determined based on the database of international rating agencies as of 2022 due to insignificant deviations from the corresponding data from 2016 to 2021.
- Expected expenditure up to the transition date was estimated based on 2021 expenditure allocated in a systematic and rational manner, considering actual inflation for the period from 2016 to 2021 equal to expected inflation for years 2022-2023.
- Discount rate curves up to 31 December 2017 were determined to be equal to the discount rate curves as at 31 December 2018.
- The expected rate of terminations prior to the transition date has been taken equal to the actual rate of terminations for the period from 2016 to 2021.

7.1 Adjustments

The interim condensed statement of financial position as at 30 June 2023 and the corresponding statement of income for the six months ended 30 June 2022 have been amended due to the application of IFRS 17.

	Balance under IFRS 4	The effect of the transition to IFRS 17	Balance under IFRS 17
	31 December 2021	31 December 2021	31 December 2021
Statement of financial position			
Assets			
Reinsurers' share in insurance contract provisions	1,316,305	(1,316,305)	-
Reinsurers' share in insurance contract provisions	1,459	(1,459)	-
Insurance and reinsurance receivables	3,361,224	(3,361,224)	-
Insurance contract assets	-	107,248	107,248
Reinsurance contract assets	-	133,683	133,683
Liabilities			
Insurance contract provisions	(9,014,946)	9,014,946	-
Insurance contract provisions	(14,250,915)	14,250,915	-
Insurance contract provisions	(279,625)	279,625	-
Insurance and reinsurance accounts payable	(1,179,042)	1,179,042	-
Insurance and reinsurance accounts payable	(19,875)	54	(19,821)
Insurance contract liabilities	-	(23,741,403)	(23,741,403)
Reinsurance contract liabilities	-	(37,568)	(37,568)
Share capital			
Accumulated loss (previous years)	(7,754,072)	(3,492,445)	(11,246,517)
Retained earnings (reporting period)	2,011,991	-	2,011,991

	Balance under IFRS 4	The effect of the transition to IFRS 17	Balance under IFRS 17
	31 December 2021	31 December 2021	31 December 2021
Statement of financial position			
Assets			
Reinsurers' share in insurance contract provisions	1,061,334	(1,061,334)	-
Reinsurers' share in insurance contract provisions	37,703	(37,703)	-
Insurance and reinsurance receivables	6,718,586	(6,718,586)	-
Insurance contract assets	-	241,865	241,865
Reinsurance contract assets	-	451,542	451,542
Liabilities			
Insurance contract provisions	(12,380,904)	12,380,904	-
Insurance contract provisions	(17,712,169)	17,712,169	-
Insurance contract provisions	(5,209,320)	5,209,320	-
Insurance and reinsurance accounts payable	(722,482)	722,482	-
Insurance and reinsurance accounts payable	(154,138)	151,189	(2,949)
Insurance contract liabilities	-	(29,027,323)	(29,027,323)
Reinsurance contract liabilities	-	(137,661)	(137,661)
Share capital			
Accumulated loss (previous years)	(3,201,848)	(3,492,445)	(6,694,293)
Retained earnings (reporting period)	2,272,145	3,379,309	5,651,454

	Balance under IFRS 4	Recalculation	Balance under IFRS 17
	For the six months ending 30 June 2022	For the six months ending 30 June 2022	For the six months ending 30 June 2022
Income statement			
Insurance premiums accepted under insurance contracts	2,481,515	(2,481,515)	-
Insurance premiums accepted under reinsurance contracts	815	(815)	-
Written insurance premiums ceded to reinsurers	(171,956)	171,956	-
Change in the gross provision for unearned premiums	(76,391)	76,391	-
Reinsurers' share of change in the gross provision for unearned premiums	(157,820)	157,820	-
Claims paid	(5,371,907)	25	(5,371,882)
Change in the reserve for incurred but not reported losses	2,171,699	4,061,521	6,233,220
Insurance income	-	2,328,524	2,328,524
Insurance service expenses	-	(3,671,080)	(3,671,080)
Net income/(loss) from reinsurance contracts held	-	(325,009)	(325,009)
Finance expenses from insurance contracts issued	-	(553,024)	(553,024)
Finance income from insurance contracts issued	-	13,546	13,546
General and administrative expenses	(886,398)	187,221	(699,177)
Total net profit (loss) after taxes	3,014,753	(34,438)	2,980,315

8 Insurance revenue and result of insurance activities

	Loan insurance	Insurance against other financial losses	Insurance against losses of financial institutions	Other voluntary insurance	Total for the six months ended 30 June 2023
Insurance revenue					
Amounts associated with the change in liabilities for the remainder of the insurance coverage:					
- Expected losses incurred and other related costs	*277,789*	-	-	-	277,789
- Change in risk adjustment for non-financial risk	*1,536,082*	-	-	-	1,536,082
- Margin release for contractual services	*993,462*	-	-	-	993,462
Premium distribution	-	*225,807*	*201,202*	49,193	476,202
Total insurance revenue	***2,807,333***	***225,807***	***201,202***	**49,193**	**3,283,535**
Insurance service expenses:					
Losses incurred and other related expenses	(2,150,673)	(78,824)	(42,253)	(89,307)	(2,361,057)
Losses on onerous contracts	(524,985)	-	-	-	(524,985)
Changes in liability for incurred losses	(1,006,185)	41,336	-	-	(964,849)
Total expenses on insurance services	***(3,681,843)***	***(37,488)***	***(42,253)***	**(89,307)**	**(3,850,891)**
Income/(loss) on reinsurance contracts held:					
Amounts associated with changes in cash flows from fulfilment of contracts:					
Allocation of reinsurance premium	*(184,026)*	*(71,206)*	*(54,463)*	-	(309,695)
Reimbursement of incurred losses and other related expenses	*(6,960)*	*13,044*	*219*	-	6,303
Changes in recoveries of liabilities for incurred losses	-	*(13,246)*	-	-	(13,246)
Total net income/(loss) on reinsurance contracts held	***(190,986)***	***(71,408)***	***(54,244)***	-	**(316,638)**
Total result from insurance activities	**(1,065,496)**	**116,911**	**104,705**	**(40,114)**	**(883,994)**

	Loan insurance	**Insurance against other financial losses**	**Insurance against losses of financial institutions**	**Other voluntary insurance**	**Total for the six months ended 30 June 2022**
Insurance revenue					
Amounts associated with the change in liabilities for the remainder of the insurance coverage:					
- Expected losses incurred and other related costs	*246,811*	-	-	-	246,811
- Change in risk adjustment for non-financial risk	*942,336*	-	-	-	942,336
- Margin release for contractual services	721,230	-	-	-	721,230
Premium distribution	-	*217,978*	*144,648*	55,521	418,147
Total insurance revenue	***1,910,377***	***217,978***	***144,648***	**55,521**	**2,328,524**
Insurance service expenses:					
Losses incurred and other related expenses	(5,474,122)	(118,058)	(119,536)	(147,655)	(5,859,371)
Losses on onerous contracts	(3,483,859)	-	-	-	(3,483,859)
Changes in liability for incurred losses	2,100,646	(1,297,091)	-	5,435	808,990
Total expenses on insurance services	***(6,857,335)***	***(1,415,149)***	***(119,536)***	**(142,220)**	**(8,534,240)**
Income/(loss) on reinsurance contracts held:					
Amounts associated with changes in cash flows from fulfilment of contracts:					
Allocation of reinsurance premium	*(175,641)*	*(35,723)*	*(113,645)*	-	(325,009)
Reimbursement of incurred losses and other related expenses	*9,657*	*13,465*	*20,681*	-	43,803
Changes in recoveries of liabilities for incurred losses	*220,407*	*(1,459)*	-	-	218,948
Total net income/(loss) on reinsurance contracts held	***54,423***	***(23,717)***	***(92,964)***	-	**(62,258)**
Total result from insurance activities	**(4,892,535)**	**(1,220,888)**	**(67,852)**	**(86,699)**	**(6,267,974)**

9 Interest income

	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited Six months ended 30 June 2022 KZT'000
Interest income calculated using the effective interest rate method		
Buy and sell back ("reverse repo") agreements with an original maturity of less than three months	5,389,431	2,413,238
Investment securities at fair value through other comprehensive income	1,371,057	1,329,335
Investment securities, measured at amortized cost	942,656	799,416
Bank deposits and cash and cash equivalents	548,108	1,008,617
	8,251,252	**5,550,606**
Other interest income		
Investment securities, measured at fair value through profit or loss	44,166	35,100
	44,166	**35,100**

10 Income tax expense

Income tax expense is recognized at an amount determined by multiplying profit (loss) before tax for the interim reporting period by a rate equal to management's best estimate of the weighted average annual income tax rate for the entire financial year.

Therefore, the effective tax rate in the interim financial information may differ from management's estimate of the effective tax rate for the annual financial statements.

Calculation of the effective income tax rate:

	Unaudited Six months ended 30 June 2023 KZT'000	%	Unaudited Six months ended 30 June 2022 KZT'000	%
Profit before income tax	**3,351,080**	**100**	**4,132,112**	**100**
Income tax calculated at the effective tax rate	(670,216)	(20)	(826,422)	(20)
Non-taxable income on investment securities	471,576		407,783	
Other non-deductible expenses	(4,093)		(698,720)	
Other non-taxable income	3,766		-	
	(198,967)	**(6)**	**(1,117,359)**	**(27)**

11 Cash and cash equivalents

As at 30 June 2023, cash and cash equivalents included in the statement of cash flows included:

	Unaudited Six months ended 30 June 2023 KZT'000	31 December 2022 KZT'000
Cash on bank accounts and call deposits		
- rated from BBB- to BBB+	232,904	5,133,556
- rated from BB- to BB+	7,327,684	517,631
- rated from B- to B+	9,474	30
- not rated	-	4,112,522
Reverse REPO		
- rated from BBB+ to BBB-	68,949,120	56,183,086
- rated from B- to B+	8,004	5,931,265
	76,527,186	**71,878,090**
Credit loss allowance	(1,678)	(53)
Total cash and cash equivalents	**76,525,508**	**71,878,037**

Reverse REPO

	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited Six months ended 30 June 2023 KZT'000
	Fair value	**Carrying amount**
Kazakhstan government securities	47,231,604	47,267,032
Corporate securities	21,558,733	21,690,092
Total	**68,790,337**	**68,957,124**

The credit ratings above are presented in accordance with Standard&Poor's credit agency standards or similar standards of other international agencies.

For calculating allowances for expected credit losses on unrated financial instruments, the Company applies the credit rating of the Parent Bank.

As at 30 June 2023 and 31 December 2022, all cash and cash equivalents are allocated to Stage 1 of the credit risk grading.

As at 31 June 2023 and 31 December 2022, the Company had no balances with the banks, whose share exceeds 10% of equity.

12 Placements with banks

	Unaudited Six months ended 30 June 2023 KZT'000	31 December 2022 KZT'000
- rated from BBB- to BBB+	15,347,745	7,482,753
- rated from BB- to BB+	756,147	4,741,002
- rated from B- to B+	11,170,135	10,254,357
	27,274,027	**22,478,112**
Loss allowance	**(157,584)**	(153,513)
Total placements with banks	**27,116,443**	**22,324,599**

The credit rating is presented in accordance with Standard&Poor's credit agency standards or similar standards of other international agencies.

As at 30 June 2023 and 31 December 2022, all placements with banks are allocated to Stage 1 of the credit risk grading.

As at 30 June 2023, the annual effective interest rates generated by placement with banks ranged between 0,25% and 14,75% (31 December 2022: ranged between 0,25% and 11%).

As at 30 June 2023 the Company had no balances with banks, whose balance exceeds 10% of equity.

Movement in credit loss allowance

KZT'000	Unaudited Stage 1 Six months ended 30 June 2023 KZT'000	Stage 1 Six months ended 30 June 2022 KZT'000
Balance at the beginning of the period	153,513	160,610
Net change in credit loss allowance	4,071	117,876
Balance at the end of the period	**157,584**	**278,486**

13 Investment securities

	Unaudited Six months ended 30 June 2023 KZT'000	2022 KZT'000
Measured at fair value through other comprehensive income	24,211,073	25,201,794
Measured at amortised cost	15,819,314	18,210,256
Measured at fair value through profit or loss	822,411	808,847
	40,852,798	**44,220,897**

	Six months ended 30 June 2023 KZT'000	2022 KZT'000
Measured at fair value through other comprehensive income		
Government bonds of the Republic of Kazakhstan		
Rated from BBB+ to BBB-	13,485,810	13,797,096
Government bonds of foreign states		
Rated AA+	269,602	270,505
Total government bonds	**13,755,412**	**14,067,601**
Securities of international financial organisations		
Rated AAA	9,037,957	9,761,115
Rated from BBB+ to BBB-	1,417,704	1,373,078
Total securities of international financial organisations	**10,455,661**	**11,134,193**
	24,211,073	**25,201,794**
Measured at fair value through profit or loss		
Bonds of Kazakhstan banks		
Rated from B+ to B-	822,411	808,847
Total bonds of Kazakhstan banks	**822,411**	**808,847**
Measured at amortised cost		
Government bonds of the Republic of Kazakhstan		
Rated from BBB+ to BBB-	10,195,589	12,576,155
Total government bonds	**10,195,589**	**12,576,155**
Corporate bonds of Kazakhstan companies		
Non-rated	4,529,102	4,615,597
Total corporate bonds of Kazakhstan companies	**4,529,102**	**4,615,597**
Securities of international financial organisations		
Rated AAA	1,094,623	1,018,504

Total securities of international financial organisations	**1,094,623**	**1,018,504**
	15,819,314	**18,210,256**

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale.

As at 30 June 2023, annual effective interest rates on investment securities denominated in Tenge ranged from 12,99% to 23,68% per annum (31 December 2022: from 4,1% to 15,35%).

As at 30 June 2023, annual effective interest rates on investment securities denominated in US dollars were 3,94% per annum (31 December 2022: 3,94%).

As at 30 June 2023, the annual effective interest rates on investment securities denominated in Canadian dollars were 4,34% per annum (31 December 2022: 4,31%).

As at 30 June 2023 and 31 December 2022 all investment securities at amortised cost and at fair value through other comprehensive income are categorised as Stage 1 credit risk. According to IFRS 9 Financial Instruments, the allowance for expected credit losses as at 30 June 2023 was KZT 2,095 thousand (31 December 2022: KZT 1,901 thousand).

As at 30 June 2023 the Company held financial instruments of 1 issuer, whose balances exceeded 10% of equity. The gross value of these balances as at 30 June 2023 is KZT 23,681,399 thousand (31 December 2022: 1 issuer with gross balances of KZT 26,373,252 thousand).

14 Insurance and reinsurance liabilities

	Loan insurance	Insurance against other financial losses	Insurance against losses of financial institutions	Other voluntary insurance	Total
Six months ended 30 June 2023					
Insurance contract liabilities	31,163,029	144,851	288,468	103,744	31,700,092
Insurance contract assets	11,400	77,174	155,237	111,771	355,582
Reinsurance contract liabilities	9,827	73,600	90,415	-	173,842
Reinsurance contract assets	245,428	6,621	62,668	-	314,717

	Loan insurance	Insurance against other financial losses	Insurance against losses of financial institutions	Other voluntary insurance	Total
31 December 2022					
Insurance contract liabilities	28,506,944	172,550	308,903	38,926	29,027,323
Insurance contract assets	24,121	54,646	128,938	34,160	241,865
Reinsurance contract liabilities	4,923	28,629	104,109	-	137,661
Reinsurance contract assets	438,645	1,149	11,748	-	451,542

15 Equity

(a) Share capital

	Unaudited Ordinary shares Six months ended 30 June 2023	Unaudited Ordinary shares 2022
Authorised shares (ordinary shares)	**92,000**	**92,000**
Issued and outstanding shares (ordinary shares)	**91,440**	**91,440**
Number of shares	87,300	87,300
Nominal value, KZT'000	266	266
Number of shares	2,780	2,780
Nominal value, KZT'000	5,000	5,000
Number of shares	1,360	1,360
Nominal value, KZT'000	50,000	50,000
Issued and fully paid, KZT'000	**105,100,000**	**105,100,000**

(b) Capital management

The Company is subject to the regulatory requirements of the Republic of Kazakhstan regarding solvency margin as defined by statutory and regulatory enactments.

The Company is required to maintain a solvency margin ratio at not less than one. The solvency margin ratio is determined by division of actual solvency margin by minimum required solvency margin. The minimum required solvency margin is a composite measure based on a number of factors including net earned premiums, claims paid, and premiums ceded to foreign reinsurers.

As at 30 June 2023 and 31 December 2022 the Company complies with the solvency margins which are as follows:

	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited 2022 KZT'000
Actual solvency margin	110,576,044	102,179,076
Minimum solvency margin	3,100,884	2,947,072
Solvency margin	**35.66**	**34.67**

(c) Dividends

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

During six months ended 30 June 2023 dividends of KZT 1,590,502 thousand or KZT 17,393.94 (unaudited) per share, (2022: KZT 1,408,394 thousand or KZT 15,402.39 per share, with the total number of shares being 91,440).

(d) Provision for unexpected risks

During six months ended 30 June 2023, there was a decrease in provisions for unexpected risks of KZT 2,650,550 thousand (6 months 2022: decrease by KZT 4,000,205 thousand) within retained earnings, as in accordance with the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan №12 dated 31 January 2019 "On Making Amendments to the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan" No.304 dated 26 December 2016.

16 Financial instrument risk management

Management of risk is fundamental to the business of the Company and forms 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.

(a) Risk management policies and procedures

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

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Company operates within established risk parameters. The Head of the Risk Management Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Board of Directors and indirectly to the Chairman.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determining the level of adequacy of the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(b) Market risk

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

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

The Company manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis.

The management of the interest rates risk component of market risk by monitoring the interest rate gap is supplemented by monitoring the sensitivity of the Company's net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate risk is managed principally through monitoring interest rate gaps. Interest gap position for investment securities measured at fair value through profit or loss with carrying amount of KZT 822,411 thousand (31 December 2022: KZT 808,847 thousand), and for investment securities measured at fair value through other comprehensive income with carrying amount of KZT 3,821,409 thousand as at 30 June 2023 (31 December 2022: KZT 3,530,661 thousand) is within the period from 2 to 6 months (31 December 2022: from 2 to 6 months).

An analysis of the sensitivity of net profit for the year and equity of the Company as a result of changes in fair value of investment securities measured at fair value through other comprehensive income and measured at fair value through profit or loss to changes in the interest rates (based on positions existing as at 30 June 2023 and 31 December 2022 and based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves) is as follows:

	Unaudited 30 June 2023		**31 December 2022**	
	Profit	**Equity**	**Profit**	**Equity**
100 bp parallel rise	(2,247)	(430,225)	(5,032)	(608,520)
100 bp parallel fall	2,262	449,886	5,096	640,730

(ii) Currency risk

The Company has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The structure of financial assets and liabilities by currency as at 30 June 2023 may be presented as follows:

Unaudited KZT'000	**KZT**	**USD**	**RUB**	**Other**	**Total**
Assets					
Cash and cash equivalents	69,775,524	2,634,291	4,115,693	-	76,525,508
Placements with banks	9,530,293	14,551,178	3,034,972		27,116,443
Investment securities:					
- measured at fair value through other comprehensive income	23,941,471	-	-	269,602	24,211,073
- measured at fair value through profit or loss	822,411	-	-	-	822,411
- measured at amortised cost	11,290,212	4,529,102	-	-	15,819,314
Insurance contract assets	355,582	-	-	-	355,582
Reinsurance contract assets	314,074	643	-	-	314,717
Receivables under a recourse claim	1,970,948	-	-	-	1,970,948
Total assets	**118,000,515**	**21,715,214**	**7,150,665**	**269,602**	**147,135,996**
Liabilities					
Insurance contract liabilities	(31,339,290)	(360,802)	-	-	(31,700,092)
Reinsurance contract liabilities	(173,643)	(199)	-	-	(173,842)
Insurance and reinsurance accounts payable	(6,678)	-	-	-	(6,678)
Other financial liabilities	(146,964)	(3,041)	(1,157)	-	(151,162)
Total liabilities	**(31,666,575)**	**(364,042)**	**(1,157)**	**-**	**(32,031,774)**
Net position as at 31 December 2022	**86,333,940**	**21,351,172**	**7,149,508**	**269,602**	**115,104,222**

The structure of financial assets and liabilities by currency as at 31 December 2022 may be presented as follows:

KZT'000	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	66,265,301	5,612,735	1	-	71,878,037
Placements with banks	1,068,553	12,524,850	8,731,196	-	22,324,599
Investment securities:					
- measured at fair value through other comprehensive income	24,931,289	-	-	270,505	25,201,794
- measured at fair value through profit or loss	808,847	-	-	-	808,847
- measured at amortised cost	13,594,659	4,615,597	-	-	18,210,256
Insurance contract assets	241,865	-	-	-	241,865
Reinsurance contract assets	450,353	1,189	-	-	451,542
Receivables under a recourse claim	2,128,650	-	-	-	2,128,650
Total assets	**109,489,517**	**22,754,371**	**8,731,874**	**270,505**	**141,245,590**
Liabilities					
Insurance contract liabilities	(29,025,948)	(1,375)	-	-	(29,027,323)
Reinsurance contract liabilities	(137,656)	(5)	-	-	(137,661)
Insurance and reinsurance accounts payable	(4,500)	(4,425)	(1,377)	(663)	(10,965)
Other financial liabilities	(350,028)	(30,072)	-	-	(380,100)
Total liabilities	**(29,518,132)**	**(35,877)**	**(1,377)**	**(663)**	**(29,556,049)**
Net position as at 31 December 2022	**79,971,385**	**22,718,494**	**8,729,820**	**269,842**	**111,689,541**

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2023 and 31 December 2022 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular, interest rates, remain constant.

KZT'000	Unaudited 30 June 2023	2022
30% appreciation of USD (2022: 30%)	5,124,281	5,452,439
30 % appreciation of RUB (2022: 30%)	1,715,882	2,095,157
10 % appreciation of other currencies (2022: 10%)	21,568	21,587

A strengthening of the KZT against the above currencies at 30 June 2023 and 31 December 2022 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

17 Contingencies

(a) Litigation

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 condition or the results of future operations of the Company.

(b) Taxation contingencies

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.

18 Financial assets and liabilities: fair values and accounting classifications

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 determination 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.

(a) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the 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 instruments valued using quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- 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 differences between the instruments.

(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 2023:

KZT'000	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	76,525,508	-	-	76,525,508	76,525,508
Placements with banks	27,116,443	-	-	27,116,443	27,116,443
Investment securities:	-	-	-	-	-
- measured at fair value through other comprehensive income	-	24,211,073	-	24,211,073	24,211,073
- measured at fair value through profit or loss	-	-	822,411	822,411	822,411
- measured at amortised cost	15,819,314	-	-	15,819,314	15,683,430
Receivables under a recourse claim	1,970,948	-	-	1,970,948	1,970,948
	121,432.213	**24,211,073**	**822,411**	**146,465,697**	**146,329,813**
Other liabilities	(151,162)	-	-	(151,162)	(151,162)
	(151,162)	**-**	**-**	**(151,162)**	**(151,162)**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022:

KZT'000	Measured at amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total carrying amount	Fair value
Cash and cash equivalents	71,878,037	-	-	71,878,037	71,878,037
Placements with banks	22,324,599	-	-	22,324,599	22,324,599
Investment securities:					
- measured at fair value through other comprehensive income	-	25,201,794	-	25,201,794	25,201,794
- measured at fair value through profit or loss	-	-	808,847	808,847	808,847
- measured at amortised cost	18,210,256	-	-	18,210,256	18,041,801
Receivables under a recourse claim	2,128,650			2,128,650	2,128,650
	114,541,542	**25,201,794**	**808,847**	**140,552,183**	**140,383,728**
Other liabilities	(380,100)	-	-	(380,100)	(380,100)
	(380,100)	**-**	**-**	**(380,100)**	**(380,100)**

19 Related party transactions

(a) Control relationship

The Company's parent company is National Management Holding "Baiterek" JSC. The Company's ultimate shareholder is the Government of the Republic of Kazakhstan.

The Company's parent company presents financial statements available to external users.

(b) Transactions with key management personnel

Total remuneration included in general and administrative expenses for six months ended 30 June 2023 and 2022 is as follows:

	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited Six months ended 30 June 2022 KZT'000
Members of the Board of Directors	12,106	15,243
Members of the Management Board	135,260	124,699
	147,366	**139,942**

(c) Transactions with other related parties

Other related parties comprise the government companies that are not part of Baiterek Group.

As at 30 June 2023, balances with other related parties were:

Unaudited KZT'000	**Fellow subsidiaries**	**Other entities, incl. government-related entities**	**Total per financial statement caption**
Assets			
Cash and cash equivalents	4,097,446	-	4,097,446
Placements with banks	8,796,205	-	8,796,205
Investment securities measured at fair value through other comprehensive income	-	13,485,810	13,485,810
Investment securities measured at amortised cost	-	14,724,691	14,724,691
Assets under issued insurance contracts	40,485	-	40,485
Receivables under a recourse claim		1,814,761	1,814,761
Current tax asset	-	220,939	220,939
Deferred tax assets	-	82,192	82,192
Other assets	-	686,620	686,620
Liabilities	-		-
Liabilities under issued insurance contracts	39,786	-	39,786
Liabilities under reinsurance contracts held	9,731	-	9,731
Other liabilities	15,984	59,682	75,666

As at 31 December 2022, balances with other related parties were:

KZT'000	Fellow subsidiaries	Other entities, incl. government-related entities	Total per financial statement caption
Assets			
Investment securities measured at fair value through other comprehensive income	-	18,412,693	18,412,693
Investment securities measured at amortised cost	-	12,576,155	12,576,155
Insurance contract assets	20,556	-	20,556
Receivables under a recourse claim		1,814,761	1,814,761
Current tax asset	-	349,716	349,716
Deferred tax assets	-	82,192	82,192
Other assets	-	728,493	728,493
Liabilities			
Insurance contract liabilities	48,530	-	48,530
Reinsurance contract liabilities	11,873	-	11,873
Other liabilities	18,028	21,731	39,759

The following amounts are included in the interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 and 2022:

	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited Six months ended 30 June 2023 KZT'000	Unaudited Six months ended 30 June 2022 KZT'000	Unaudited Six months ended 30 June 2022 KZT'000
KZT'000	**Fellow subsidiaries**	**Other entities, incl. government-related entities**	**Fellow subsidiaries**	**Other entities, incl. government-related entities**
Profit				
Insurance revenue	56,638	-	91,151	-
Insurance service expenses	(3,550)	214,526	(3,325)	646,934
Net expenses on reinsurance contracts held	-	-	(24,144)	-
Interest income calculated using the effective rate	127,428	1,451,931	-	1,288,359
Impairment losses on financial assets	(10,193)	-	-	-
Administrative expenses	(94,110)	(61,688)	(84,391)	(5,362)
Other operating expenses, net	-	(41,222)	-	(24,087)
Income tax expense	-	(198,967)	-	(1,117,359)