



Export Credit Agency of Kazakhstan JSC

Condensed Interim
Financial Information in accordance with
IAS 34
Interim Financial Reporting
30 June 2024

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Report on Review of Condensed Interim Financial Information

To the Shareholder, the Board of Directors and the Management Board of Export Credit Agency of Kazakhstan JSC:

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Export Credit Agency of Kazakhstan JSC (the "Company") as at 30 June 2024 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.


1 August 2024

Almaty, Kazakhstan


Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income for six months ended 30 June 2024

		(Unaudited) Six months ended 30 June 2024 KZT'000	(Unaudited) Six months ended 30 June 2023 KZT'000
	Note		
Insurance revenue	5	3,316,024	3,283,535
Insurance service expenses	5	(2,571,771)	(3,850,891)
Net expenses from reinsurance contracts held	5	(160,766)	(316,638)
Net result from insurance activities		583,487	(883,994)
Finance costs from insurance contracts issued		(1,148,659)	(1,275,858)
Finance income from reinsurance contracts held		39,872	362,106
Total finance costs from insurance activities		(1,108,787)	(913,752)
Interest income calculated using the effective interest rate	6	8,990,178	8,251,252
Other interest income	6	-	44,166
Net income from changes in the fair value of investment securities measured at fair value through profit or loss		-	18,833
Net income/(loss) from foreign exchange operations		902,840	(2,262,210)
General administrative expenses		(1,181,218)	(844,579)
Impairment losses on financial assets		(99,391)	(20,303)
Other operating income/(expenses), net		3,940	(38,333)
Profit before income tax		8,091,049	3,351,080
Income tax expense	7	(512,449)	(198,967)
Profit for the year		7,578,600	3,152,113
Other comprehensive income, net of income tax			
Movement in fair value reserve:			
- Net change in fair value		633,928	201,186
Other comprehensive income for the year, net of income tax		633,928	201,186
Total comprehensive income for the year		8,212,528	3,353,299

The condensed interim financial information as set out on pages 4 to 40 were approved by the Management Board on 1 August 2024 and were signed on its behalf by:


A. Chaizhunussov
Chairman of the Management Board




T. Duzbayeva
Chief Accountant

Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Financial Position at 30 June 2024

		(Unaudited) Six months ended 30 June 2024 KZT'000	31 December 2023 KZT'000
	Note		
ASSETS			
Cash and cash equivalents	8	108,723,837	100,770,705
Placements with banks	9	21,626,003	20,961,199
Investment securities:			
- measured at fair value through other comprehensive income	10	20,924,945	23,299,824
- measured at amortised cost	10	16,390,352	6,044,231
Insurance contract assets	11	108,784	202,822
Reinsurance contract assets	11	630,761	910,985
Property and equipment		102,497	105,708
Deferred tax assets		54,744	54,744
Other assets		1,005,646	1,036,534
Total assets		169,567,569	153,386,752
LIABILITIES			
Insurance contract liabilities	11	42,853,264	34,413,396
Reinsurance contract liabilities	11	87,539	65,573
Current income tax liabilities		378,676	162,156
Deferred income tax liabilities		211,473	797,413
Other liabilities		3,765,317	421,723
Total liabilities		47,296,269	35,860,261
EQUITY			
Share capital	12	105,100,000	105,100,000
Additional paid-in capital		732,819	732,819
Stabilisation reserve	12	4,123,978	114,222
Provision for unexpected risks	12	8,871,618	1,085,964
Provision for changes in the fair value of securities		(1,938,940)	(2,572,868)
Retained earnings		5,381,825	13,066,354
Total equity		122,271,300	117,526,491
Total liabilities and equity		169,567,569	153,386,752

Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Cash Flows for six months ended 30 June 2024

	(Unaudited) Six months ended 30 June 2024 KZT'000	(Unaudited) Six months ended 30 June 2023 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	8,091,049	3,351,080
<i>Adjustments for:</i>		
Depreciation and amortisation	39,546	55,965
Impairment income on financial assets	103,844	20,303
Net income from changes in the fair value of investment securities measured at fair value through profit or loss	-	(18,833)
Interest income calculated using the effective interest rate	(8,991,956)	(8,251,252)
Other interest income	1,778	(44,166)
Unrealized foreign exchange difference	(977,091)	2,262,210
Cash flows from operating activities before changes in operating assets and liabilities	(1,732,830)	(2,624,693)
(Increase)/decrease in operating assets		
Placements with banks	109,945	(6,548,399)
Insurance contract assets	94,038	(112,449)
Reinsurance contract assets	280,224	136,825
Other assets	8,985	194,981
Increase/(decrease) in operating liabilities		
Insurance contract liabilities	8,439,868	2,672,769
Reinsurance contract liabilities	21,494	41,958
Other liabilities	(124,136)	(372,254)
Net cash flows from operating activities before interest received and income tax paid	7,097,588	(6,611,262)
Income tax paid	(817,111)	-
Interest income received	9,277,982	8,048,307
Cash flows from operating activities	15,558,459	1,437,045

Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Cash Flows for six months ended 30 June 2024

	Six months ended 30 June 2024 KZT'000	Six months ended 30 June 2023 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale and redemption of investment securities	2,543,260	3,664,567
Acquisition of debt securities	(10,050,000)	-
Acquisition of fixed assets and intangible assets	(13,957)	(21,285)
Cash flows from investing activities	(7,520,697)	3,643,282
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash flows from financing activities	-	-
Net increase in cash and cash equivalents	8,037,762	5,080,327
Effect of changes in exchange rates on cash and cash equivalents	(84,630)	(432,856)
Cash and cash equivalents at the beginning of the year	100,770,705	71,878,037
Cash and cash equivalents at the end of the year (Note 11)	108,723,837	76,525,508

Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Changes in Equity for six months ended 30 June 2024

KZT'000	(Unaudited) Share capital	(Unaudited) Additional paid-in capital	(Unaudited)	(Unaudited) Provision for unexpected risks	(Unaudited) Movement in fair value reserve	(Unaudited) Accumulated profit/ (loss)	(Unaudited) Total equity
Balance at 1 January 2024	105,100,000	732,819	114,222	1,085,964	(2,572,868)	13,066,354	117,526,491
Total comprehensive income							
Profit for the six months	-	-	-	-	-	7,578,600	7,578,600
Other comprehensive income							
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							
Net change in fair value	-	-	-	-	633,928	-	633,928
Total other comprehensive loss	-	-	-	-	633,928	-	633,928
Total comprehensive income for the six months	-	-	-	-	633,928	7,578,600	8,212,528
Transactions with owners recorded directly in equity							
Dividends (Note 12)	-	-	-	-	-	(3,467,719)	(3,467,719)
Transfer to provision for unexpected risks (Note 12)	-	-	-	7,785,654	-	(7,785,654)	-
Transfer to stabilisation reserve (Note 12)	-	-	4,009,756	-	-	(4,009,756)	-
Total transactions with owners	-	-	4,009,756	7,785,654	-	(15,263,129)	(3,467,719)
Balance at 30 June 2024	105,100,000	732,819	4,123,978	8,871,618	(1,938,940)	5,381,825	122,271,300

Export Credit Agency of Kazakhstan JSC
Condensed Interim Statement of Changes in Equity for six months ended 30 June 2024

KZT'000	Share capital	Additional paid-in capital	Stabilisation reserve	Provision for unexpected risks	Movement in fair value reserve	Accumulated loss	Total equity
Balance at 1 January 2023	105,100,000	732,819	136,042	11,097,425	(3,127,444)	(330,309)	113,608,533
Total comprehensive income							-
Profit for the six months	-	-	-	-	-	3,152,113	3,152,113
Other comprehensive income							-
<i>Items that are or may be reclassified subsequently to profit or loss:</i>							-
Net change in fair value	-	-	-	-	201,186	-	201,186
Total other comprehensive income	-	-	-	-	201,186	-	201,186
Total comprehensive income for the six months	-	-	-	-	201,186	3,152,113	3,353,299
Transactions with owners recorded directly in equity							
Dividends (Note 12)	-	-	-	-	-	(1,590,502)	(1,590,502)
Transfer from provision for unexpected risks (Note 12)	-	-	-	(2,650,550)	-	2,650,550	-
Transfer from stabilisation reserve (Note 12)	-	-	(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)	3,903,672	115,371,330

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 information.

1 Reporting entity

(a) Organisational structure and activities

On 1 September 2023, the Head of State in his Message to the People of Kazakhstan “The Economic Course of a Fair Kazakhstan” instructed to create a fully-fledged institute for export promotion based on the EIC “KazakhExport” JSC, by consolidating all the necessary instruments in it. This instruction is laid down in paragraph 61 of the National Action Plan approved by the Decree of the President of the Republic of Kazakhstan dated 16 September 2023 No. 353 with the deadline for implementation in January 2024.

On 23 January 2024, the President of the Republic of Kazakhstan signed the Law of the Republic of Kazakhstan “On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Issues of an Export Credit Agency and the Promotion of Export of Non-Primary Goods (Works, Services)”, whereby, by the Resolution of the Government of the Republic of Kazakhstan dated 20 May 2024 No. 261, EIC “KazakhExport” JSC was renamed into Export Credit Agency of Kazakhstan JSC.

- Export Credit Agency of Kazakhstan JSC (the “Company”) is a national institute in the field of development and promotion of non-resource-based exports in accordance with the Law of the Republic of Kazakhstan “On regulation of trade activities” and the legislation of the Republic of Kazakhstan.

Export Credit Agency of Kazakhstan JSC has the status of a national development institute in the field of development and promotion of non-resource-based exports and operates in accordance with the legislation of the Republic of Kazakhstan.

The Company was founded based on the ECC “KazakhExport” JSC, which was incorporated in the Republic of Kazakhstan in 2003 in accordance with the Kazakhstan legislation.

The Company held 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”).

On 24 April 2024, the Company returned the License for insurance (reinsurance) activities under the General Insurance and Reinsurance sectors to the ARDFM. By Order B-162 dated 10 May 2024, the said License was terminated.

Today, the Company's activities are regulated by the laws of the Republic of Kazakhstan “On Regulation of Trade Activities” and “On Industrial Activities”.

According to paragraph 1 of Article 22-6 of the Law of the Republic of Kazakhstan “On Regulation of Trade Activities”, the Company carries out:

1. the voluntary insurance activities:

- 1) insurance of guarantees and sureties;
- 2) insurance against other financial losses;
- 3) 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”;
- 4) loan insurance;
- 5) 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;

3. guaranteeing activities;

4. subsidizing activity.

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

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

(b) Shareholder

As at 30 June 2024 and 31 December 2023, 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-i 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 2024 the number of employees of the Company was 114 (31 December 2023: 98 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.

As at 30 June 2024, the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 471.46 per US Dollar 1 compared to Tenge 454.56 per US Dollar 1 as at 31 December 2023 (30 June 2023: Tenge 454.13 per 1 US Dollar).

At the end of six months of 2024, the annual inflation rate was 8.4% (2023: inflation rate - 14.6%).

The economic environment has a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict, and management's current expectations and estimates could differ from actual results. The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal and political developments, which are beyond the Company's control.

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.

2 Basis of accounting

(a) Statement of Compliance with Applicable Standards

This condensed interim financial information has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected notes have been included in this condensed interim 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 2023.

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.

(c) Principles for evaluating financial performance

The condensed interim 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

In preparing this condensed interim financial information, the Company has applied the principal accounting policies applied in preparing the financial statements for the year ended 31 December 2023.

Certain new standards and amendments to standards are effective for annual periods beginning after 1 January 2024:

- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023).
- Amendments to IAS 21 Lack of Exchangeability (issued 15 August 2023).
- Amendments to IFRS 9 and IFRS 7 for the Classification and Measurement of Financial Instruments (issued in May 2024 and effective for annual periods beginning on or after 1 January 2026).
- IFRS 18 Presentation and Disclosures in Financial Statements (issued in April 2024 and effective for annual periods beginning on or after 1 January 2027).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued in May 2024 and effective for annual periods beginning on or after 1 January 2027).

4 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.

(i) Insurance contracts – Insurance against other financial losses

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 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.

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.

Country 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.

(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 2024, the Company had 137 active insurance contracts (31 December 2023: 139 insurance contracts). The main established concentration as at 30 June 2024 is presented as:

Six months ended 30 June 2024

	Unaudited		
	Total insured amount KZT'000	Reinsurance amount KZT'000	Retention (after reinsurance) KZT'000
Insurance type			
Voluntary insurance			
Loan insurance	364,174,026	(22,650,000)	341,524,026
Insurance against other financial losses	93,380,742	(37,063,948)	56,316,794
Other voluntary insurance	18,575,128	(4,228,654)	14,346,474
Total	476,129,896	(63,942,602)	412,187,294

The main established concentration as at 31 December 2023 is presented as follows:

31 December 2023

	Total insured amount KZT'000	Reinsurance amount KZT'000	Retention (after reinsurance) KZT'000
Insurance type			
Voluntary insurance			
Loan insurance	337,031,576	(22,775,000)	314,256,576
Insurance against other financial losses	53,279,222	(22,913,515)	30,365,707
Other voluntary insurance	14,189,162	(3,285,151)	10,904,011
Total	404,499,960	(48,973,666)	355,526,294

5 Revenue and insurance expenses

	Loan insurance	Insurance against other financial losses	Insurance against losses of financial institutions	Other voluntary insurance	Total for the six months ended 30 June 2024
Insurance revenue					
Amounts associated with the change in liabilities for the remainder of the insurance coverage:					
- <i>Expected losses incurred and other related costs</i>	562,559	-	-	-	562,559
- <i>Change in risk adjustment for non-financial risk</i>	1,565,198	-	-	-	1,565,198
- <i>CSM recognised for the services provided</i>	764,777	-	-	-	764,777
Premium allocation	-	306,047	120,758	(3,315)	423,490
Total insurance revenue (amount of expected losses, changes in risk adjustment, margin release)	2,892,534	306,047	120,758	(3,315)	3,316,024
Insurance service expenses:					
Incurred claims and other directly attributable expenses	(338,219)	(302,300)	-	-	(640,519)
Losses on onerous contracts and reversals of those losses	(6,144,315)	-	-	-	(6,144,315)
Changes relating to the LIC	3,769,236	148,580	295,247	-	4,213,063
Total expenses on insurance services (amount of losses incurred, reversal on impairment losses under onerous contracts, changes in liability for incurred losses)	(2,713,298)	(153,720)	295,247	-	(2,571,771)
Net income/(loss) on reinsurance contracts held:					
Amounts associated with changes in cash flows from fulfilment of contracts:					
- <i>Reimbursement of expected incurred losses and other related expenses</i>	(104,149)				(104,149)
- <i>Change in risk adjustment for non-financial risk</i>	(74,453)				(74,453)
- <i>CSM recognised for the services provided</i>	(12,857)				(12,857)
Reinsurance premium allocation		(79,451)	(24,051)		(103,502)
Incurred claims and other related expenses recovery	161,305	-	-	-	161,305
Changes in recovery of liabilities for incurred claims	(17,124)	(5,934)	(4,051)	-	(27,110)
Total net income/(expense) from reinsurance contracts held	(47,279)	(85,385)	(28,103)	-	(160,766)
Total insurance service result	131,958	66,942	387,903	(3,315)	583,487

	Loan insurance	Insurance against other financial losses	Insurance against losses of financial institutions	Other voluntary insurance	Total 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
- CSM recognised for the services provided	993,462	-	-	-	993,462
Premium allocation	-	225,807	201,202	49,193	476,202
Total insurance revenue (amount of expected losses, changes in risk adjustment, margin release)	2,807,333	225,807	201,202	49,193	3,283,535
Insurance service expenses:					
Incurred claims and other directly attributable expenses	(2,150,673)	(78,824)	(42,253)	(89,307)	(2,361,057)
Losses on onerous contracts and reversals of those losses	(524,985)	-	-	-	(524,985)
Changes relating to the LIC	(1,006,185)	41,336	-	-	(964,849)
Total expenses on insurance services (amount of losses incurred, reversal on impairment losses under onerous contracts, changes in liability for incurred losses)	(3,681,843)	(37,488)	(42,253)	(89,307)	(3,850,891)
Net income/(loss) on reinsurance contracts held:					
Amounts associated with changes in cash flows from fulfilment of contracts:					
- Reimbursement of expected incurred losses and other related expenses					
- Change in risk adjustment for non-financial risk					
- CSM recognised for the services provided					
Reinsurance premium allocation	(184,026)	(71,206)	(54,463)	-	(309,695)
Incurred claims and other related expenses recovery	(6,960)	13,044	219	-	6,303
Changes in recovery of liabilities for incurred claims	-	(13,246)	-	-	(13,246)
Total net income/(expense) from reinsurance contracts held	(190,986)	(71,408)	(54,244)	-	(316,638)
Total insurance service result	(1,065,496)	116,911	104,705	(40,114)	(883,994)

6 Interest income

	Unaudited Six months ended 30 June 2024 KZT'000	Unaudited Six months ended 30 June 2023 KZT'000
Interest income calculated using the effective interest rate		
Purchase and sale agreements ("reverse repo") with an original maturity of less than three months	7,127,402	5,389,431
Investment securities, measured at fair value through other comprehensive income	1,114,442	1,371,057
Investment securities, measured at amortised cost	316,462	942,656
Bank deposits and cash and cash equivalents	431,872	548,108
	8,990,178	8,251,252
Other interest income		
Investment securities measured at fair value through profit or loss	-	44,166
	-	44,166

7 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 2024 KZT'000	%	Unaudited Six months ended 30 June 2023 KZT'000	%
Profit before income tax	8,091,049	100	3,351,080	100
Income tax calculated at the effective tax rate	(1,618,210)	(20)	(670,216)	(20)
Non-taxable income on investment securities	286,181	4	471,576	14
Non-taxable income from reversal of provision for accounts receivable, including the right of recourse	1,389,589	17	58,470	2
Non-deductible expense from the creation of provision for accounts receivable, including the right of recourse	(567,099)	(7)	(398,650)	(12)
Other non-deductible expenses	(19,913)	(0)	(4,093)	(0)
Other non-taxable income	17,003	0	343,946	10
	(512,449)	(6)	(198,967)	(6)

8 Cash and cash equivalents

As at 30 June 2024, cash and cash equivalents included in the statement of cash flows included:

	Unaudited 30 June 2024 KZT'000	31 December 2023 KZT'000
Cash on bank accounts and call deposits		
- rated from BBB+ to BBB-	10,018,394	-
- rated from BB- to BB+	2,389,050	1,044,864
Reverse REPO		
- rated AA+	-	2,618,580
- rated from BBB+ and BBB-	88,215,185	92,382,671
- rated from BB+ and BB-	-	3,574,194
- rated from B- to B+	8,101,706	1,150,396
	108,724,335	100,770,705
Credit loss allowance	(498)	-
Total cash and cash equivalents	108,723,837	100,770,705

Reverse REPO agreements:

	Unaudited 30 June 2024 Fair value KZT'000	Unaudited 30 June 2024 Carrying amount KZT'000
Kazakhstan government securities	22,367,788	22,384,289
Corporate securities	73,634,179	73,932,602
	96,001,967	96,316,891

	Unaudited 31 December 2023 Fair value KZT'000	Unaudited 31 December 2023 Carrying amount KZT'000
Kazakhstan government securities	53,076,074	53,310,766
US treasury bonds	2,626,636	2,618,580
Corporate securities	43,526,746	43,796,495
	99,229,456	99,725,841

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 2024 and 31 December 2023, all cash and cash equivalents are allocated to Stage 1 of the credit risk grading.

As at 30 June 2024 and 31 December 2023, the Company had no balances with the banks, whose share exceeds 10% of equity.

9 Placements with banks

	Unaudited 30 June 2024 KZT'000	31 December 2023 KZT'000
- rated from BBB+ to BBB-	2,043,140	-
- rated from BB- to BB+	19,696,647	21,043,266
- rated from B- to B+	-	-
	21,739,787	21,043,266
Loss allowance	(113,784)	(82,067)
Total placements with banks	21,626,003	20,961,199

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 2024 and 31 December 2023, all placements with banks are allocated to Stage 1 of the credit risk grading.

As at 30 June 2024, the annual effective interest rates generated by placement with banks ranged between 0,3% and 8,5% (31 December 2023: ranged between 0,3% and 8,5%).

10 Investment securities

	Unaudited 30 June 2024 KZT'000	2023 KZT'000
Measured at fair value through other comprehensive income	20,924,945	23,299,824
Measured at amortised cost	16,390,352	6,044,231
	37,315,297	29,344,055
	30 June 2024 KZT'000	31 December 2023 KZT'000
Measured at fair value through other comprehensive income		
Government bonds of the Republic of Kazakhstan		
Rated from BBB+ to BBB-	11,406,930	12,669,549
Government bonds of foreign states		
Rated AA+	269,581	281,450
Total government bonds	11,676,511	12,950,999
Securities of international financial organisations		
Rated AAA	9,198,877	8,887,266
Rated from BBB+ to BBB-	-	1,461,559
Total securities of international financial organisations	9,198,877	10,348,825
Corporate bonds of Kazakhstan companies		
Rated from BBB+ to BBB-	49,557	-
Total corporate bonds of Kazakhstan companies	49,557	-
	20,924,945	23,299,824
Corporate bonds of Kazakhstan companies		
Rated from BBB+ to BBB-	10,138,750	-
- non-rated	4,750,017	4,564,644
Total corporate bonds of Kazakhstan companies	14,888,767	4,564,644
Securities of international financial organisations		
Rated AAA	1,095,044	1,018,504
Rated from BBB+ to BBB-	-	461,083
- non-rated	406,541	-
Total securities of international financial organisations	1,501,585	1,479,587
	16,390,352	6,044,231

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 2024, annual effective interest rates on investment securities denominated in Tenge ranged from 5,49% to 15,35% per annum (31 December 2023: from 5,15% to 15,35%).

As at 30 June 2024, annual effective interest rates on investment securities denominated in US dollars ranged from 3,25% to 5,72% per annum (31 December 2023: from 3,25% to 5,72%).

As at 30 June 2024, the annual effective interest rates on investment securities denominated in Canadian dollars were 5,38% per annum (31 December 2023: 5,38%).

As at 30 June 2024, the Company did not hold financial instruments, whose balances exceeded 10% of equity. (31 December 2023: 1 issuer with balances of KZT 12,669,549 thousand).

11 Insurance assets and liabilities

Reconciliation of LRC and LIC by GMM and PAA as at 30 June 2024 and 31 December 2023:

	Liabilities for remaining coverage under the general measurement model (GMM)		Liabilities for remaining coverage under the premium allocation approach (PAA)		Liabilities for incurred claims under the GMM	Liabilities for incurred claims under PAA		Total
	Excluding the loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		Present value of the future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities at 1 January 2024	4,828,392	10,485,420	335,131	-	18,488,673	275,780	-	34,413,396
Insurance contract assets at 1 January 2024	(56,622)	-	(146,200)	-	-	-	-	(202,822)
Insurance revenue:	(2,892,534)	-	(423,490)	-	-	-	-	(3,316,024)
Insurance service expenses:								
insurance claims incurred and other incurred insurance service expenses;	338,219		-	-	-	302,300	-	640,519
amortisation of acquisition cash flows	-	-	-	-	-	-	-	-
changes that relate to services of previous periods	-	-	-	-	(3,769,237)	(443,826)	-	(4,213,063)
Losses under groups of onerous contracts and reversal of such losses	-	6,144,315	-	-	-	-	-	6,144,315
Total insurance service expenses	338,219	6,144,315	-	-	(3,769,237)	(141,526)	-	2,571,771
Insurance service result	(2,554,315)	6,144,315	(423,490)	-	(3,769,237)	(141,526)	-	(744,253)
Finance expenses or income from insurance contracts issued	354,758	793,901	-	-	-	-	-	1,148,659
Total amounts recognised in comprehensive income	(2,199,557)	6,938,215	(423,490)	-	(3,769,237)	(141,526)	-	404,406
Cash flows for the period:								
Premiums received under insurance contracts issued (or paid under reinsurance contracts held)	2,994,959	-	456,287	-	-	-	-	3,451,246
Payments for incurred claims and other insurance service expenses paid under insurance contracts issued (or reimbursed under reinsurance contracts held) except for acquisition cash flows;	(338,221)	-	-	-	4,887,869	(59,470)	-	4,490,178
Acquisition cash flows	-	-	-	-	-	-	-	-
Total cash flows	2,656,738	-	456,287	-	4,887,869	(59,470)	-	7,941,424
Insurance contract liabilities at 30 June 2024	5,329,820	17,423,636	417,719	-	19,607,305	74,784	-	42,853,264
Insurance contract assets at 30 June 2024	(12,375)	-	(96,409)	-	-	-	-	(108,784)

	Liabilities for remaining coverage under the general measurement model (GMM)		Liabilities for remaining coverage under the premium allocation approach (PAA)		Liabilities for incurred insurance claims under the GMM	Liabilities for incurred claims under PAA		Total
	Excluding the loss component	Loss component	Present value of future cash flows	Risk adjustment for non-financial risk		Present value of future cash flows	Risk adjustment for non-financial risk	
Insurance contract liabilities as at 1 January 2023	4,594,902	11,457,213	392,710	-	9,598,551	517,248	-	26,560,624
Insurance contract assets as at 1 January 2023	(22,076)	-	(97,741)	-	-	-	-	(119,817)
Insurance revenue:	(5,937,864)	-	(853,584)	-	-	-	-	(6,791,448)
Insurance service expense:								
Incurred claims and other incurred insurance service expenses;	614,304	-	-	-	11,193,536	254,949	-	12,062,789
Amortization of insurance acquisition cash flows	-	-	-	-	-	-	-	-
Changes that relate to past service	-	-	-	-	1,135,048	(496,417)	-	638,631
Losses on onerous groups of contracts and reversal of those losses	-	(3,968,769)	-	-	-	-	-	(3,968,769)
Total insurance service expense	614,304	(3,968,769)	-	-	12,328,584	(241,468)	-	8,732,651
Insurance service result	(5,323,560)	(3,968,769)	(853,584)	-	12,328,584	(241,468)	-	1,941,203
Finance expenses or income from insurance contracts issued	654,228	2,996,976	-	-	-	-	-	3,651,204
Total amounts recognised in comprehensive income	(4,669,332)	(971,793)	(853,584)	-	12,328,584	(241,468)	-	5,592,407
Cash flows for the period:								-
Premiums received under insurance contracts issued (or paid under reinsurance contracts held)	4,937,368	-	844,464	-	-	-	-	5,781,832
Payments for incurred claims and other insurance service expenses paid under insurance contracts issued (or reimbursed under reinsurance contracts held) except for acquisition cash flows;	-	-	-	-	(3,438,462)	-	-	(3,438,462)
Acquisition cash flows	-	-	-	-	-	-	-	-
Total cash flows	4,937,368	-	844,464	-	(3,438,462)	-	-	2,343,370
Insurance contract liabilities as at 31 December 2023	4,828,392	10,485,420	335,131	-	18,488,673	275,780	-	34,413,396
Insurance contract assets as at 31 December 2023	(56,622)	-	(146,200)	-	-	-	-	(202,822)

Reconciliation of the components of insurance contract valuation at the beginning and end of the reporting period. Liabilities for the remaining portion of insurance contract coverage measured under the PAA model are not included in the reconciliation.

2024				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities at the beginning	28,083,594	5,571,324	423,347	34,078,265
Insurance contract assets at the beginning	(880,118)	428,066	395,430	(56,621)
Total as at 1 January 2024	27,203,476	5,999,390	818,777	34,021,643
changes that relate to current service:				-
CSM recognised in profit or loss for the services provided	-	-	(584,725)	(584,725)
Change in the risk adjustment for non-financial risk for the risk expired	-	(1,637,595)	-	(1,637,595)
Experience adjustments	(2,808,070)	-	-	(2,808,070)
	(2,808,070)	(1,637,595)	(584,725)	(5,030,390)
changes that relate to future services:				-
changes in estimates that adjust the margin for services provided for in the contract	(782,772)	(403,297)	1,186,069	-
losses under groups of onerous contracts and reversal of such losses	5,586,045	2,514,618	-	8,100,663
contracts initially recognised during the period	(228,996)	423,882	324,840	519,726
	4,574,277	2,535,203	1,510,909	8,620,389
changes that relate to past service:				-
Changes in fulfillment cash flows that relate to incurred insurance claims	(3,910,762)	--	-	(3,910,762)
Insurance service result	(2,144,554)	897,608	926,184	(320,762)
Finance expenses or income from insurance contracts issued	645,249	389,080	114,329	1,148,658
Total amounts recognised in comprehensive income	(1,499,305)	1,286,688	1,040,513	827,896
Other changes	-	-	-	-
Cash flows for the period:				-
Premiums received under insurance contracts issued (or paid under reinsurance contracts held)	3,083,450	-	-	3,083,450
Payments for incurred claims and other insurance service expenses paid under insurance contracts issued (or reimbursed under reinsurance contracts held) except for acquisition cash flows;	4,531,991	-	-	4,531,991
Acquisition cash flows	-	-	-	-
Total cash flows	7,615,441	-	-	7,615,441
Total as at 30 June 2024	33,319,612	7,286,078	1,859,290	42,464,980
Insurance contract liabilities at the end	33,360,637	7,284,717	1,832,003	42,477,357
Insurance contract assets at the end	(41,025)	1,361	27,287	(12,377)
Total as at 30 June 2024	33,319,612	7,286,078	1,859,290	42,464,980

2023				
	Present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities at the beginning	18,894,358	5,688,319	1,585,237	26,167,914
Insurance contract assets at the beginning	(649,089)	43,928	583,084	(22,077)
Total balance as at 1 January 2023	18,245,269	5,732,247	2,168,321	26,145,837
changes that relate to current service:				-
CSM recognised in profit or loss for the services provided	-	-	(1,596,632)	(1,596,632)
Change in the risk adjustment for non-financial risk for the risk expired	-	(6,674,964)	-	(6,674,964)
Experience adjustments	(103,326,022)	-	-	(103,326,022)
	(103,326,022)	(6,674,964)	(1,596,632)	(111,597,618)
Changes that relate to future service:				-
Changes in estimates that adjust the CSM	219,055	30,823	(249,878)	-
Losses on onerous groups of contracts and reversal of those losses	(7,434,575)	(1,046,120)	-	(8,480,695)
Contracts initially recognised in the period	115,016,141	6,730,476	487,851	122,234,468
	107,800,621	5,715,179	237,973	113,753,773
changes that relate to past service:				-
Changes in fulfillment cash flows that relate to incurred insurance claims	638,632	-	-	638,632
Insurance service result	5,113,231	(959,785)	(1,358,659)	2,794,787
Finance expenses or income from insurance contracts issued	2,611,644	842,790	196,770	3,651,204
Total amounts recognised in comprehensive income	7,724,875	(116,995)	(1,161,890)	6,445,991
Other changes	-	-	-	-
Cash flows for the period:				
Premiums received under insurance contracts issued (or paid under reinsurance contracts held)	4,937,368	-	-	4,937,368
Payments for incurred claims and other insurance service expenses paid under insurance contracts issued (or reimbursed under reinsurance contracts held) except for acquisition cash flows;	(3,438,461)	-	-	(3,438,461)
Acquisition cash flows	-	-	-	-
Total cash flows	1,498,907	-	-	1,498,907
Total balance as at 31 December 2023	27,203,476	5,999,390	818,777	34,021,643
Insurance contract liabilities at the end	28,083,594	5,571,324	423,347	34,078,265
Insurance contract assets at the end	(880,118)	428,066	395,430	(56,622)
Total balance as at 31 December 2023	27,203,476	5,999,390	818,777	34,021,643

The information on onerous and non-onerous contracts is as follows:

	<i>30 June 2024</i>				<i>31 December 2023</i>			
	Non-onerous contracts acquired	Non-onerous contracts resulted	Onerous contracts resulted	Total	Non-onerous contracts acquired	Non-onerous contracts resulted	Onerous contracts resulted	Total
Issued insurance contracts								
<u>Estimates of the present value of future cash outflows</u>								
Acquisition cash flows	-	-	-	-	-	-	-	-
Claims and other directly related expenses	-	102,312	1,328,770	1,431,082	-	1,540,643	120,309,057	121,849,700
<u>Estimates of the present value of future cash outflows</u>	-	102,312	1,328,770	1,431,082	-	1,540,643	120,309,057	121,849,700
Estimates of the present value of future cash inflows	-	(458,404)	(1,201,675)	(1,660,079)	-	(2,466,637)	(4,366,921)	(6,833,558)
Risk adjustment for non-financial risk	-	31,251	392,631	423,882	-	438,143	6,292,333	6,730,476
CSM	-	324,841	-	324,841	-	487,851	-	487,851
Increase in insurance contract liabilities from contracts recognised in the period	-	-	519,726	519,726	-	-	122,234,469	122,234,469

12 Equity

(a) Share capital

KZT'000	Unaudited Ordinary shares 30 June 2024	Unaudited Ordinary shares 2023
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

To control financial stability, the Company calculates the capital adequacy ratio monthly.

The capital adequacy ratio is calculated as the ratio of the Company's equity to the Company's liabilities and is not less than two.

The ratio of equity to the total amount of government guarantees received must not be less than one to five.

As at 30 June 2024, the Company complied with the capital adequacy ratio:

KZT'000	Unaudited 30 June 2024	31 December 2023
Equity	122,271,300	117,526,491
Liabilities	47,296,269	35,860,261
Capital adequacy ratio	2,59	3,28

(b) 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 2024 dividends of KZT 3,467,719 thousand or KZT 37,923.44 thousand (unaudited) per share were declared, (during the year ended 31 December 2023: dividends in the amount of KZT 1,590,502 thousand or KZT 17,393.94 thousand per share, with the total number of shares being 91,440 were declared and paid).

(c) Provision for unexpected risks

Unexpected risk reserve ("URR") is an insurance reserve formed when the unearned premium reserve is insufficient to cover insurance payments and expenses for settling insurance losses.

The main class for which URR is formed is loan insurance, since this class accounts for more than 90% of the entire portfolio of current contracts. The growth of URR on the reporting date occurred due to an increase in loss reserves compared to the reporting period of the previous year and, as a consequence, an increase in losses on the reporting date.

(d) Stabilisation reserve

Stabilisation reserve is an estimate of the insurance company's liabilities related to the future insurance payments.

The stabilisation reserve is calculated separately for each class of insurance based on the results of the completed financial year.

The stabilisation reserve formed at the beginning of the current financial year does not change until the end of the current financial year.

Stabilisation reserve as at 31 December 2023 was KZT 114,222 thousand, as at 30 June 2024 it was KZT 4,123,978 thousand.

The calculation of the stabilisation reserve is sensitive to sharp fluctuations in the ratios characterising the loss ratio excluding the reinsurer's share (the "Loss Ratio") relative to the average loss ratio over 5 years.

The increase in the stabilisation reserve as at 1 January 2024 was facilitated by:

- a sharp decrease in the loss ratio as at 1 January 2024 compared to the previous reporting date: from 215.35% to 113.07%.
- an excess of the average loss ratio for 5 years over the loss ratio on the reporting date.

13 Risk disclosures

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.

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 other comprehensive income with carrying amount of KZT 3,674,970 thousand (31 December 2023: KZT 3,567,962 thousand) is within the period from 2 to 6 months.

(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 2024 may be presented as follows:

Unaudited KZT'000	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	104,018,279	4,704,911	647	-	108,723,837
Placements with banks	7,863,195	13,733,093	29,714	-	21,626,003
Investment securities:					
- measured at fair value through other comprehensive income	20,655,364	-	-	269,581	20,924,945
- measured at fair value through profit or loss					
- at amortised cost	11,233,794	5,156,558	-	-	16,390,352
Insurance contract assets	108,784	-	-	-	108,784
Reinsurance contract assets	630,761	-	-	-	630,761
Total assets	144,510,177	23,594,563	30,361	269,581	168,404,682
Liabilities					
Insurance contract liabilities	(42,776,651)	(76,613)	-	-	(42,853,264)
Reinsurance contract liabilities	(87,539)	-	-	-	(87,539)
Other liabilities	(3,602,194)	-	-	-	(3,602,194)
Total liabilities	(46,466,384)	(76,613)	-	-	(46,542,997)
Net position as at 30 June 2024	98,043,793	23,517,950	30,361	269,581	121,861,685

The structure of financial assets and liabilities by currency as at 31 December 2023 may be presented as follows:

KZT'000	KZT	USD	RUB	Other	Total
Assets					
Cash and cash equivalents	93,220,539	7,550,166	-	-	100,770,705
Placements with banks	3,790,884	9,957,937	7,212,378	-	20,961,199
Investment securities:					
- measured at fair value through other comprehensive income	23,018,374	-	-	281,450	23,299,824
- measured at fair value through profit or loss	-	-	-	-	-
- measured at amortised cost	1,018,504	5,025,727	-	-	6,044,231
Insurance contract assets	202,822	-	-	-	202,822
Reinsurance contract assets	910,985	-	-	-	910,985
Total assets	122,162,108	22,533,830	7,212,378	281,450	152,189,766
Liabilities					
Insurance contract liabilities	(34,412,024)	(288)	(1,084)	-	(34,413,396)
Reinsurance contract liabilities	(65,573)	-	-	-	(65,573)
Other liabilities	(136,681)	-	-	-	(136,681)
Total liabilities	(34,614,278)	(288)	(1,084)	-	(34,615,650)
Net position as at 31 December 2023	87,547,830	22,533,542	7,211,294	281,450	117,574,116

A weakening of the KZT, as indicated below, against the following currencies at 30 June 2024 and 31 December 2023 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	
	2024	2023
30% appreciation of USD (2024: 30%)	7,055,385	6,760,063
30 % appreciation of RUB (2024: 30%)	9,108	2,163,388
10 % appreciation of other currencies (2024: 10%)	26,958	28,145

A strengthening of the KZT against the above currencies at 30 June 2024 and 31 December 2023 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.

(ii) Liquidity risk

The estimation of the present value of future contractual cash flows as at 30 June 2024

30 June 2024	The estimation of the present value of future contractual cash flows						
	1 year and less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total as at 30 June 2024
Reinsurance contract assets	630,761	-	-	-	-	-	630,761
Insurance contract liabilities	(28,538,646)	(5,847,795)	(3,571,498)	(2,264,141)	(1,658,347)	(972,837)	(42,853,264)

The estimation of the present value of future contractual cash flows as at 31 December 2023

31 December 2023	The estimation of the present value of future contractual cash flows						
	1 year and less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total as at 31 December 2023
Reinsurance contract assets	516,088	394,897	-	-	-	-	910,985
Insurance contract liabilities	(21,998,084)	(6,221,124)	(2,753,658)	(1,359,493)	(811,852)	(1,269,185)	(34,413,396)

14 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.

15 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.

This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or judgements to reflect differences between the instruments are required.

As at 30 June 2024, the fair value of all financial instruments, except for other financial assets and other liabilities, was classified in Level 2.

(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 2024:

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	108,723,837	-	-	108,723,837	108,723,837
Placements with banks	21,626,003	-	-	21,626,003	21,626,003
Investment securities:	-	-	-	-	-
- measured at fair value through other comprehensive income	-	20,924,945	-	20,924,945	20,924,945
- measured at fair value through profit or loss	-	-	-	-	-
- measured at amortised cost	16,390,352	-	-	16,390,352	16,340,794
Total assets	146,740,192	20,924,945	-	167,665,137	167,615,579
Other liabilities	(3,602,194)	-	-	(3,602,194)	(3,602,194)
Total financial liabilities	(3,602,194)	-	-	(3,602,194)	(3,602,194)

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 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	100,770,705	-	-	100,770,705	100,770,705
Placements with banks	20,961,199	-	-	20,961,199	20,961,199
Investment securities:	-	-	-	-	-
- measured at fair value through other comprehensive income	-	23,299,824	-	23,299,824	23,299,824
- measured at fair value through profit or loss	-	-	-	-	-
- measured at amortised cost	6,044,231	-	-	6,044,231	5,713,583
Total assets	127,776,135	23,299,824	-	151,075,959	150,745,311
Other liabilities	(136,681)	-	-	(136,681)	(136,681)
Total financial liabilities	(136,681)	-	-	(136,681)	(136,681)

16 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 2024 and 2023 is as follows:

KZT'000	Unaudited Six months ended 30 June 2024	Unaudited Six months ended 30 June 2023
Members of the Board of Directors	10,167	12,106
Members of the Management Board	153,974	135,260
	164,141	147,366

(c) Transactions with other related parties

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

As at 30 June 2024, balances with other related parties were:

Unaudited KZT'000	Parent company	Fellow subsidiaries	Other entities, incl. government- related entities	Total
Assets				
Cash and cash equivalents	-	37	-	37
Placements with banks		29,714	-	29,714
Investment securities:				
- measured at fair value through other comprehensive income	49,557	-	11,406,930	11,456,487
- measured at amortised cost	10,138,750	-	4,750,017	14,888,767
Insurance contract assets	-	27,415	-	27,415
Current tax asset			-	-
Deferred tax assets	-	-	54,744	54,744
Other assets			1,588,228	1,588,228
Liabilities				
Insurance contract liabilities	-	1,497,380	-	1,497,380
Reinsurance contract liabilities		14,948	-	14,948
Current income tax liabilities	-	-	378,676	378,676
Deferred income tax liabilities	-	-	211,473	211,473
Other liabilities	3,467,719	20,666	32,097	3,520,482

As at 31 December 2023, balances with other related parties were:

KZT'000	Parent company	Fellow subsidiaries	Other entities, incl. government- related entities	Total
Assets				
Cash and cash equivalents		7	-	7
Placements with banks	-	7,166,207	-	7,166,207
Investment securities:				
- measured at fair value through other comprehensive income	-	-	12,669,542	12,669,542
- measured at amortised cost		-	4,564,644	4,564,644
Insurance contract assets	-	52,080	-	52,080
Deferred tax assets		-	54,744	54,744
Other assets	-	-	821,323	821,323
Liabilities				
Insurance contract liabilities	-	1,506,124	-	1,506,124
Reinsurance contract liabilities	-	20,905	-	20,905
Current income tax liabilities	-	-	162,156	162,156
Deferred income tax liabilities	-		797,413	797,413
Other liabilities	-	15,962	35,660	51,622

The following amounts are included in the condensed interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2024 and 2023:

	Unaudited Six months ended 30 June 2024	Unaudited Six months ended 30 June 2024	Unaudited Six months ended 30 June 2024	Unaudited Six months ended 30 June 2023	Unaudited Six months ended 30 June 2023	Unaudited Six months ended 30 June 2023
	Parent company	Fellow subsidiaries	Other entities, incl. government-related entities	Parent company	Fellow subsidiaries	Other entities, incl. government-related entities
KZT'000						
Profit						
Insurance revenue	-	48,793	-	-	56,638	-
Insurance service expense	-		12,269,678	-	(3,550)	214,526
Net expenses from reinsurance contracts held	-	-	-	-	-	-
Interest income calculated using the effective interest rate	141,531	14,835	620,566	-	127,428	1,451,931
Impairment losses on financial assets	-	(1)	-	-	(10,193)	-
Administrative expenses	-	(124,871)	(80,331)	-	(94,110)	(61,688)
Other operating expenses, net	-	-	(54,349)	-	-	(41,222)
Income tax expense	-	-	(512,449)	-	-	(198,967)