Agrarian Credit Corporation Joint Stock Company

Financial Statements

for 2021

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INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

KPMG

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Independent Auditors' Report

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

Qualified Opinion

We have audited the financial statements of Agrarian Credit Corporation Joint Stock Company (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

As at 31 December 2021, 31 December 2020 and 1 January 2020 in the statement of financial position for loans issued to corporate customers, classified in Stage 3, with the gross carrying amount of KZT 304,221,793 thousand, KZT 220,768,369 thousand and KZT 166,459,436 thousand, respectively, the Company recognised an allowance for expected credit losses in the amount of KZT 62,564,653 thousand, KZT 55,853,932 thousand and KZT 48,443,214 thousand, respectively. International Financial Reporting Standard IFRS 9 "Financial instruments" requires the entity to use reasonable and supportable information on which the assumptions and expectations are based when measuring expected credit losses. We disagree with certain assumptions used to estimate the expected cash flows from the collateral realisation for credit-impaired loans to corporate customers and believe that the allowance for expected credit losses is significantly understated. The effects of this departure from International Financial Reporting Standards on the allowance for expected credit losses and other related items of the statement of financial position, statements of profit or loss and other comprehensive income and changes in equity as at and for the years ended 31 December 2021 and 31 December 2020 have not been determined.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Expected credit losses (ECL) on loans to customers

Please refer to the Notes 3, 4 and 9 in the financial statements.

Key audit matter	How the matter was addressed in our audit
Loans to customers represent a significant portion of total assets and are stated net of an allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Company uses an ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: — timely identification of significant increase in credit risk and default events related to loans to customers; — assessment of probability of default (PD) and loss given default (LGD); — assessment of an add-on adjustment to account for different scenarios and forward-looking information; — expected cash flows forecast for loans to individuals, which are credit-impaired. Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Company's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risk management specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, our audit procedures included the following: — We tested design and operating effectiveness of controls over allocation of loans to customers into credit risk stages. — For a sample of loans to customers, for which the potential changes in ECL estimate may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Company by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Company. — Regarding the loans to customers assigned to stages 1 and 2 of the credit risk, for which ECL is assessed collectively, we tested the design and implementation of the related models, as well as agreeing input data for calculation of PD and LGD with supporting documents on a sample basis. — We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers included in relevant grades. — For a sample of loans to individuals of stage 3 of credit risk, we critically assessed assumptions used by the Company to forecast future cash flows receivable, including estimated proceeds from realisable collateral and their timing, on the basis of our understanding and available market

	information. We focused on the loans that can potentially have the most significant impact on the financial statements. We also assessed whether the financial statement disclosures appropriately reflect the Company's exposure to credit risk.

Government Grants

Please refer to the Notes 3 (Government grants), 8, 9, 13, 14, 15, 18 in the financial statements.

Key audit matter	How the matter was addressed in our audit
During 2021 the Company obtained financing from Government via receipts of loans in the amount of KZT 105,029,196 thousand with interest rate 0.01% p.a. and issue of unsecured coupon bonds with total nominal value of KZT 5,000,000 thousand with a coupon rate 7.10% p.a. At initial recognition these loans received and debt securities issued were recognised at fair values measured by applying relevant market interest rates to discount the contractual future cash flows. The difference of KZT 27,704,178 thousand between the fair value and the nominal value of loans received and debt securities issued was recognised as a government grant, which is subsequently recognised in profit or loss upon fulfilment of conditions attached to respective financing. In addition, in 2021, the Company substantially modified loans previously received from the parent company, amounting to KZT 58,451,625 thousand, and received an additional tranche of the loan of KZT 11,548,375 thousand, at an interest rate of 1.02% p.a. At initial recognition these loans were recognised at fair value measured by applying relevant market interest rates to discount the future contractual cash flows. The difference of KZT 44,813,600 thousand between the fair value and carrying amount of modified loans, and the nominal value of the loan received was recognised directly in equity as a result of the transaction with the parent company acting as a shareholder.	Our audit procedures included assessing, based on the overall substance of the transaction, whether the difference between consideration received and the fair value of the loans received and debt securities issued represents a government grant. We compared assumptions used by management to determine market rates applied to calculate fair values of the loans received and debt securities issued to available market information. We assessed the appropriateness of methods used to calculate income from government grants. We also assessed whether the financial statement disclosures appropriately reflect the information in relation to government grants recognised in the financial statements.

The estimate of the fair value of the debt securities issued and the loans received requires management to exercise significant professional judgement. Accounting judgements are also required in determining the presentation and classification of the difference between the nominal value and fair value of loans received and debt securities issued.	

Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes that the comparative information as at 31 December 2020, 1 January 2020 and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter Relating to Comparative Information

The financial statements of the Company as at and for the years ended 31 December 2020 and 31 December 2019 (from which the statement of financial position as at 1 January 2020 has been derived), excluding the adjustments described in Note 5 to the financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements on 25 February 2021 and 10 April 2020.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2020 and 31 December 2019 (not presented herein), other than with respect to the adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report for 2021 but does not include the financial statements and our auditors' report thereon. The Annual report for 2021 is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Assel Urdabayeva
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. MФ-0000096 of 27 August 2012

KPMG Audit LLC

State License to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of its Charter

18 May 2022

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

'000 KZT

	Note	31 December 2021	31 December 2020 (restated)	At 1 January 2020 (restated)
Assets				
Cash and cash equivalents	7	102,853,173	75,643,105	48,578,130
Loans to banks	8	12,708,512	14,941,678	45,063,483
Loans to customers	9	665,016,227	449,226,953	361,783,687
Finance lease receivables	10	9,626,642	-	
Assets classified as held for sale		1,601,806	3,409,307	1,880,310
Investment securities		839,325	670,250	604,896
Investment property	11	3,128,638	438,163	447,821
Property, plant and equipment		1,425,804	314,557	367,500
Intangible assets		624,683	245,064	254,653
Current corporate income tax assets		1,785,126	–	–
Deferred corporate income tax assets		–	362,905	2,370,077
Other assets	12	6,875,042	2,286,977	3,950,687
Total assets		**806,484,978**	547,538,959	465,301,244
Liabilities				
Due to the Shareholder	13	94,260,422	164,128,030	155,214,588
Due to credit institutions		–	–	9,876,118
Debt securities issued	14	196,654,238	164,197,490	86,340,978
Due to state and budget organizations	15	166,814,395	44,770,133	36,435,103
Current estimated liabilities		1,205,120	447,545	373,023
Current corporate income tax liabilities		–	49,345	135,976
Deferred corporate income tax liabilities	17	6,614,451	–	–
Government grants	18	40,515,010	12,471,564	21,251,923
Other liabilities	16	29,731,901	1,737,203	2,260,291
Total liabilities		**535,795,537**	387,801,310	311,888,000
Equity				
Share capital	19	254,366,870	167,809,534	167,809,534
Reserve capital	19	11,237,766	5,339,751	5,339,751
Retained earnings/ (accumulated losses)		5,084,805	(13,411,636)	(19,736,041)
Total equity		**270,689,441**	**159,737,649**	**153,413,244**
Total liabilities and equity		**806,484,978**	**547,538,959**	**465,301,244**
Carrying value of one ordinary share (KZT)		**1,066.85**	**948.65**	**910.98**

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

Karnakova Nazgul Sholpankulovna — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

18 May 2022

The selected explanatory notes set out on pages 14 to 58 form an integral part of these condensed interim financial statements.

STATEMENT OF PROFIT OR LOSS

for the twelve months ended 31 December 2021

'000 KZT

	Note	*For the twelve months ended at 31 December* 2021	2020 (restated)
Interest income calculated using effective interest method			
Cash and cash equivalents		5,374,199	5,667,631
Loans to banks		3,925,001	6,529,589
Loans to customers		68,920,438	57,369,862
Investment securities		65,042	65,502
		78,284,680	**69,632,584**
Other interest income			
Finance lease receivables		45,684	–
		78,330,364	**69,632,584**
Interest expense			
Due to the Shareholder		(10,513,105)	(12,597,806)
Due to the Government of the Republic of Kazakhstan		(5,717,712)	(5,293,600)
Due to state and budget organisations		(5,183,328)	(3,588,080)
Due to credit institutions		–	(59,203)
Debt securities issued		(18,619,070)	(10,596,697)
Other liabilities		(27,145)	(40,192)
		(40,060,360)	**(32,175,578)**
Net interest income		**38,270,004**	**37,457,006**
Expenses on credit losses	20	(77,530)	(4,115,936)
Net interest income net of expenses on credit losses		**38,192,474**	**33,341,070**
Net foreign exchange gain/ (loss)		9,089	(710)
Personnel expenses	21	(4,373,762)	(3,594,708)
Other administrative expenses	21	(2,635,235)	(2,180,486)
Net losses from modification of financial assets measured at amortised cost		(62,913)	(2,430,216)
Other expenses	22	(20,232,159)	(2,434,065)
Non-interest expense		**(27,294,980)**	**(10,640,185)**
Profit before income tax		**10,897,494**	**22,700,885**
Corporate income tax expense	17	(2,202,454)	(4,097,000)
Profit for the year		**8,695,040**	**18,603,885**

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

Karnakova Nazgul Sholpankulovna — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

18 May 2022

The selected explanatory notes set out on pages 14 to 58 form an integral part of these condensed interim financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the twelve months ended 31 December 2021

'000 KZT

		For the twelve months ended at 31 December	
	Note	*2021*	*2020 (restated)*
Profit for the year		**8,695,040**	**18,603,885**
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**8,695,040**	**18,603,885**

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

Karnakova Nazgul Sholpankulovna — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

18 May 2022

The selected explanatory notes set out on pages 14 to 58 form an integral part of these condensed interim financial statements.

STATEMENT OF CHANGES ON EQUITY

for the twelve months ended 31 December 2021

'000 KZT

	Note	Share capital	Additional paid-in capital (restated)	Reserve capital	Provision for conditional distribution (restated)	Accumulated losses	Total
Previously presented as at 31 December 2019		**167,809,534**	**58,624,854**	**5,339,751**	**(67,467,287)**	**4,530,893**	**168,837,745**
Adjustment	5	–	(58,624,854)	–	67,467,287	(24,266,934)	(15,424,501)
Restated at 1 January 2020		**167,809,534**	**–**	**5,339,751**	**–**	**(19,736,041)**	**153,413,244**
Total comprehensive income for the year, restated		–	–	–	–	18,603,885	18,603,885
Income from initial recognition of loans received from the Shareholder at fair value, net of taxes	13	–	–	–	–	5,435,127	5,435,127-
Distribution to the Shareholder		–	–	–	–	(1,680,571)	(1,680,571)
Dividends declared	19	–	–	–	–	(16,034,036)	(16,034,036)
At 31 December 2020		**167,809,534**	**-**	**5,339,751**	**-**	**(13,411,636)**	**159,737,649**
Previously presented as at 31 December 2020		**167,809,534**	**70,446,355**	**5,339,751**	**(84,687,953)**	**8,156,906**	**167,064,593**
Adjustment	5	–	(70,446,355)	–	84,687,953	(21,568,542)	(7,326,944)
Restated at 1 January 2021		**167,809,534**	**–**	**5,339,751**	**–**	**(13,411,636)**	**159,737,649**
Total comprehensive income for the year		–	–	–	–	8,695,040	8,695,040
Increase in the share capital	19	6,186,092	–	–	–	–	6,186,092
Contributions to capital (issue of shares) due to business combinations	6, 19	80,371,244	–	–	–	311,872	80,683,116
Income from initial recognition and modification of loans received from the Shareholder at fair value, net of taxes	13	–	–	–	–	33,375,744	33,375,744
Increase in reserve capital	19	–	–	5,898,015	–	(5,898,015)	–
Distribution to the Shareholder	14	–	–	–	–	(4,744,781)	(4,744,781)
Dividends paid	19	–	–	–	–	(13,762,035)	(13,762,035)
Other		–	–	–	–	518,616	518,616
At 31 December 2021		**254,366,870**	**–**	**11,237,766**	**–**	**5,084,805**	**270,689,441**

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

Karnakova Nazgul Sholpankulovna — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

18 May 2022

The selected explanatory notes set out on pages 14 to 58 form an integral part of these condensed interim financial statements.

STATEMENT OF CASH FLOWS

for the twelve months ended 31 December 2021

'000 KZT

	For the twelve months ended at 31 December	
	2021	*2020*
Cash flows from operating activities		
Interest received	39,913,950	35,192,313
Interest paid	(23,231,439)	(15,005,193)
Personnel expenses paid	(3,860,103)	(2,604,373)
Other operating expenses paid	(2,150,611)	(1,738,231)
Cash flows from operating activities before changes in operating assets and liabilities	**10,671,797**	**15,844,516**
Net (increase)/ decrease in operating assets		
Loans to banks	3,355,671	31,290,430
Loans to customers	(58,986,754)	(92,486,705)
Other assets	674,039	762,552
Net increase/ decrease) in operating liabilities		
Government grants	10,916,435	3,598,786
Other liabilities	(2,537,985)	(1,264,228)
Net cash used in operating activities before corporate income tax paid	**(35,906,797)**	**(42,254,649)**
Corporate income tax paid	(5,920,766)	(3,716,566)
Net cash used in operating activities	**(41,827,563)**	**(45,971,215)**
Cash flows from investing activities		
Addition/acquisition of property, plant and equipment	(33,726)	(95,521)
Acquisition of intangible assets	(59,572)	(22,585)
Due to business combination (note 6)	46,644,824	-
Net cash used in investing activities	**46,551,526**	**(118,106)**
Cash flows from financing activities		
Proceeds from loans from the Government of the Republic of Kazakhstan	70,000,000	70,000,000
Repayment of loans from the Government of the Republic of Kazakhstan	(70,000,000)	(70,000,000)
Repayment of loans from credit institutions	–	(9,800,000)
Proceeds from loans from the Shareholder	18,591,199	33,523,182
Repayment of loans from the Shareholder	(52,182,190)	(20,533,889)
Debt securities issued	83,951,457	76,206,439
Repayment of debt securities issued	(38,988,349)	–
Proceeds from loans from state and budget organisations	35,029,196	12,856,780
Repayment of loans from state and budget organisations	(10,152,235)	(3,066,250)
Dividends paid	(13,762,035)	(16,034,036)
Net cash from financing activities	**22,487,043**	**73,152,226**
Effect of expected credit losses on cash and cash equivalents	(938)	2,070
Net increase in cash and cash equivalents	**27,210,068**	**27,064,975**
Cash and cash equivalents at the beginning of the period	75,643,105	48,578,130
Cash and cash equivalents at the end of the period	**102,853,173**	**75,643,105**

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

Karnakova Nazgul Sholpankulovna — Deputy Chairperson of the Management Board, member of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

18 May 2022

The selected explanatory notes set out on pages 14 to 58 form an integral part of these condensed interim financial statements.

(in thousands of tenge)

1. Reporting entity

Agrarian Credit Corporation Joint Stock Company (hereinafter, the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 "On the Issues of the Agricultural Sector Lending" as a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Company is operating on the basis of a license to carry out operations provided for by the banking legislation of the Republic of Kazakhstan, No. 5.2.24 dated 5 November 2013, issued by the Committee for Regulation and Supervision of the Financial Market and Financial Institutions under the National Bank of the Republic of Kazakhstan ("NBRK"). The activities of the Company are regulated by the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan.

The Company's principal activity is implementation of the government programmes to support the agricultural (agrarian) sector; attraction of the domestic and foreign investments to implement its own projects in the agro-industrial complex; development and implementation of projects in the agro-industrial complex; sale of the pledge property and agricultural products received as repayment of the funds granted and to perform bank borrowing operations on the basis of the relevant license; performance of the leasing activities, and other activities not prohibited by the legislative acts that meet the goals and objectives of the Company provided for by its Charter.

The Company's financing activities stipulate specific requirements and restrictions on the use of funds. The interest rate on loans provided is lower than the market rate due to implementation of the agricultural development programmes in the Republic of Kazakhstan.

As at 31 December 2021 and 31 December 2020, the Company had 17 registered branches in the Republic of Kazakhstan.

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

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

As at 31 December 2021, National Management Holding "Baiterek" JSC ("Baiterek" or "Shareholder") owns 100% of the Company's shares.

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

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

Kazakhstan business environment

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

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

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

2. Basis of preparation

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

The financial statements have been prepared on the historical cost basis, except as mentioned in the Significant accounting policies.

The financial statements are presented in thousands of Kazakhstani tenge ('KZT thousand'), except for the data used in calculation of common share carrying amounts or unless otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which provides for asset sales and settlement of obligations in the ordinary course of business. The Company's ability to sell its assets and its future operations may be significantly affected by the current and future economic environment in Kazakhstan.

(in thousands of tenge)

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value measurement

Fair value is 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: valuation models, in which significant assessment of fair value are based on inputs related to the lowest level of hierarchy and are observable in the market either directly or indirectly.
- Level 3: valuation models, in which significant assessment of fair value are based on inputs related to the lowest level of hierarchy and are observable in the market either directly or indirectly.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Company commits to purchase the asset or liability. Regular way purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

The classification of financial assets on initial recognition depends on the contractual terms and business model used for managing instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortised cost:
- at fair value through other comprehensive income (FVOCI); or
- at fair value through profit or loss (FVTPL).

The Company classifies and measures its derivative and trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks loans to customers, investment securities measured at amortised cost

The Company only measures amounts due from banks, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

(in thousands of tenge)

- a financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These terms are detailed below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed at the level of individual instruments but at a higher level of aggregated portfolios and is based on observable factors, such as:

- how the performance of the business model and the financial assets held within that business model is evaluated and how this information is reported to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the expected frequency, volume and timing of sales are also important aspects of the Company's business model assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

"Solely payments of principal and interest on the principal amount outstanding" test (SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset on initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

(in thousands of tenge)

Credit related commitments

Credit related commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. These contracts are in the scope of the ECL requirements.

The Company occasionally issues commitments to provide loans at below-market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within not more than ninety days of the date of origination and are free from contractual encumbrances.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the shareholder and amounts due to credit institutions, debt securities issued and payables to state and budget organisations. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when liabilities are derecognised, as well as through the amortisation process.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Company derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing, whether the loan to customer should be derecognised, the Company considers the following:

- change in currency of the loan;
- change in counterparty;
- if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss that is presented within other income or losses in the statement of profit or loss.

If the modification does not result in derecognition, the Company also reassesses the significant increase in credit risk or the need to classify assets as credit-impaired.

(in thousands of tenge)

Modification of the terms of financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

change the currency of the financial liability;

change in collateral or other credit enhancement;

inclusion of conversion feature;

change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position where:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its right to receive cash flows from the asset, or has assumed an obligation to transfer the received cash flows in full without material delay to a third party under a "pass-through' arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Write-off

Financial assets are written off in part or in full, only when the Company does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write-off relates to the derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(in thousands of tenge)

Impairment

Non-derivative financial assets

See also Notes 4 and 24.

The Company recognizes allowances for expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued;

No impairment loss is recognized on equity investments.

The Company measures allowances for expected credit losses at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- - debt investment securities that are determined to have moderate credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized are referred to as 'Stage 2' financial instruments (if credit risk on financial instruments has increased significantly upon initial recognition but financial instrument is not credit-impaired) and 'Stage 3' (if financial instrument is credit-impaired).

Measurement of expected credit losses (ECL)

ECL are a default probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- - if the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

(in thousands of tenge)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

Taxation

The current corporate income tax charge is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred corporate income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Company performs offsetting of deferred tax assets and deferred tax liabilities and records them in the statement of financial position on a net basis, when:

- The Company has a legally enforced right to offset current tax assets against current tax liabilities, and
- Deferred tax assets and deferred tax liabilities refer to corporate income tax charged by the same tax body from the same taxpayer.

In addition, the Republic of Kazakhstan has various operating taxes applicable to the Company's operations. These taxes are included in other operating expenses.

Property, plant and equipment

Property, plant and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of equipment when that cost is incurred if the capitalisation criteria are met.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Depreciation rate
Buildings	1-5%
Machinery and equipment	4-20%
Vehicles	10-25%
Other	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property

Investment property is intended to earn rental income from operating lease of real estate assets for a long period or from increment in value of property and land plots, which are not used by the Company as property, plant and equipment.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Investment property is subsequently measured at cost less accumulated depreciation. Investment property is amortised on a straight- line basis over the estimated useful life.

Investment property is derecognised in the statement of financial position when it is either disposed and no economic benefits are expected from its disposal in future. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the year of derecognition.

Transfers to and from investment properties are carried out only when there is a change in use. For a transfer from investment property to owner occupied property, the carrying amount does not change as the Company uses a cost accounting model for both categories - investment property and property occupied by the owner.

(in thousands of tenge)

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic lives of 1-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Assets held for sale

The Company classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

High probability of sale implies the Company management's positive intent to follow a plan to sell the non-current asset. In this case, it is necessary to start the programme of active measures to search for a buyer and fulfil this plan. In addition, a non-current asset must have been actively marketed for a sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

The Company measures the assets classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Company recognises an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Repossessed collateral

Repossessed collateral is pledged property seized from the Company's borrowers to repay debt on a voluntary or compulsory basis. The decision on taking pledged property on the Company's balance sheet shall be taken by the Credit Committee and then approved by the Management Board of the Company. Once all procedures have been performed, property is recognised on the Company's balance sheet at its current estimated value. These assets are accounted for within the assets held for sale in the statement of financial position.

Share capital

Charter capital

Contributions to share capital are recognised at historical cost, less direct costs to issue shares.

Reserve capital

Reserve capital may be increased by transferring funds from retained earnings based on a decision of the Company's Shareholder. Under the Company's policy the reserve capital is formed to cover the general risks including future losses and other contingent risks and circumstances. Reserve capital is distributable based on the Shareholder's decision.

Dividends

Dividends are recognised as liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Estimated liabilities

Estimated liabilities are recognised: when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Contingent liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Commitments to provide a loan at a below-market interest rate are initially measured at fair value. *Subsequently they are measured* at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Company has issued no loan commitments that are measured at FVTPL. For other loan commitments the Company recognizes loss allowance. Financial liabilities arising from loan commitments are included in other liabilities.

(in thousands of tenge)

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expenses

The Company calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cure and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Company calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Presentation

Interest income calculated using the effective interest rate method presented in the statement of profit or loss includes interest income on financial assets measured at amortised cost.

"Other interest income" item presented in the statement of profit or loss includes interest income on finance lease receivables.

Interest expense presented in the statement of profit or loss includes interest expense on financial liabilities measured at amortised cost.

Government grants

Government grants are assistance by the Government, Government agencies and state-owned entities in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the Company. Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and the grants will be received. If there are conditions that may require repayment, the grant is recognised in liabilities.

The benefit of a government loan at a below-market rate of interest is treated as a government grant where the government does not act as a shareholder. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and the proceeds received.

Government grants that compensate the Company for expenses incurred are recognised in profit or loss as expenses on a systematic basis in the same periods in which the expenses are recognised.

Staff costs and related contributions

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Presentation of the separate statement of financial position in order of liquidity

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, analysis of assets and liabilities by their expected and contractual maturities are presented in Note 19.

Accounting for business combinations under common control.

A merger of entities under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or parties, both before, and after the combination, and that control is not transitory. The effect of combination of entities under common control is accounted for by the Holding using 'equity interest combination' method provided that: assets and liabilities of the combining companies are measured at their carrying amount at the combination date, combination-related transaction costs are expensed in the statement of profit and loss, mutual balances are eliminated; any difference between the purchase price paid/transferred and the value of acquired net assets (at their carrying amount as disclosed in the financial statements), and is recognised in the acquirer's equity.

(in thousands of tenge)

Lease

Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to leases wherein an underlying asset is considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Finance lease – Company as a lessor

The Company recognises lease payment receivables in the amount equal to net investments in lease from commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are recorded within initial amount of lease payment receivables.

Leases which assume transfer of substantially all the risks and rewards of ownership are classified as finance leases (leasing).

Whether a lease is a finance lease depends on the substance of the transaction rather than the form.

Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) The lease transfers ownership of the asset to the lessee by the end of the lease term;

2) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised;

3) The lease term is for a major part of the economic life of the asset even if title is not transferred;

4) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the underlying asset, or

5) The underlying asset is of such a specialised nature that only the lessee can use them without major modifications being made.

IFRS 16 also identifies characteristics that, individually or in combination, can lead to a lease being classified as a finance lease:

1) if the lessee is entitled to cancel the lease early, the lessor's losses associated with the cancellation are borne by the lessee;

(in thousands of tenge)

2) gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments equal to the majority of the proceeds from the sale at the end of the lease term); and

3) the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

Initial measurement

Upon lease commencement, the Company shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

Initial recognition is made on the date of signing of the act of transfer/acceptance of the leasing item with the lessee. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

Initial direct costs associated with the acquisition of the leasing item are included in the initial measurement of financial lease receivables.

Lease payments are made by lessees on a regular basis in accordance with finance leases. Lease payments are allocated in accordance with the terms of concluded finance leases.

The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. The accrual of interest begins at commencement of the lease term, unless otherwise is stipulated by the terms of the finance lease.

The commencement date of a lease is the date on which the lessor makes an asset available for use by a lessee. This is the date of initial recognition of the lease (i.e. recognition by the lessee of the relevant assets, liabilities, income or expenses arising from the lease).

Derecognition

Writing off the principal, fees and other receivables on finance lease at the expense of the established provisions is made in the following cases:

a) declaring the debtor bankrupt and/or excluding the debtor from the national registers of identification numbers;

b) the Company has received an act of the bailiff to terminate the enforcement proceedings and return the writ of execution to the claimant due to the debtor's lack of property that can be foreclosed. At the same time, debt cancellation is made only if the bankruptcy proceedings cannot be applied due to legal restrictions.

Fees may be charged under finance leases. If the fee is an integral part of the effective interest rate for a finance lease such fee is recognised as a discount to the principal amount of the finance lease and is credited to income using the effective interest method. The fee is payable within the terms stipulated by the contract.

The Company records a modification of finance lease as a lease if the following two conditions are met:

1) assets increase under the lease agreement; and

2) consideration for the lease is increased by an amount commensurate with the stand-alone selling price to increase the scope, and by appropriate adjustments to that stand-alone selling price to reflect the circumstances of the particular contract.

If the modification to a finance lease is not recorded as a lease, the Company accounts for the modification under IFRS 9.

In the event of a finance lease in which the Company acts as a lessee, the Company, for recognition and measurement of transactions, will be guided by the relevant provisions of IFRS 16 *Leases*.

Foreign currency translation

The financial statements are presented in Kazakhstani tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recognised in the functional currency of the Company at exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as foreign exchange net gain/loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured in terms of fair value in a foreign currency are translated using the exchange rates as at the dates of fair value measurement.

The difference between the contractual exchange rate of a transaction in a foreign currency and the official (Kazakhstan Stock Exchange (KASE) exchange rate as at the date of the transaction are included in gains less losses from translation difference. Below are the exchange rates used by the Company in preparation of these financial statements:

(in thousands of tenge)

	31 December 2021	*31 December 2020*
KZT/USD	431.80	420.91
KZT/EUR	489.10	516.79
KZT/RUB	5.76	5.62

Segment reporting

The Company's business and geographical segments were not presented separately in these financial statements as management believes that the main operating segment of lending and finance leasing is agricultural organisations in the Republic of Kazakhstan, for which the risks and level of return are considered similar throughout the country. Making decisions on the allocation of the Company's resources and assessment of the Company's performance by the management making operating decisions are based on the IFRS financial statements.

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12);
- COVID-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16;
- Annual Improvements to IFRS Standards 2018–2020 Cycle – various standards.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8).

A number of new interpretation are effective for annual periods beginning after 1 January 2021. Application of these interpretations did not have significant impact on the Company's financial statements.

4. Significant accounting judgments and estimates (continued)

Estimation uncertainty

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Further details are provided in Note 26.

Expected credit losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the ECL and timing of future cash flows and collateral values when assessing a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Grouping of financial assets, when their ECLs are assessed on a group basis;

(in thousands of tenge)

- Development of the ECL calculation models, including various formulas and choice of input data;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as effect on probabilities of default (PD), exposures at default (EAD) and losses given default (LGD);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL assessment models.

Further details are provided in Note 26.

Collateral assessment

The Company's monitors the collaterals on a regular basis, using its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions. Further details are provided in Note 26.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementing regulations are often unclear or non-existent and insignificant amount of precedents has been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflicts. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

Basis of measurement

The financial statements are prepared on the historical cost basis.

5. Reclassification and revision of comparative figures

Government grants

The Company applied the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and restated the comparative figures as at 31 December 2020 and 2019.

The above-mentioned changes resulted in increase of liabilities and decrease of equity of the Company as at 31 December 2020 and 2019.

Highly liquid financial assets with original maturities of less than three months

The Company classified the highly liquid investment securities with original maturity of less than three months to cash and cash equivalents, which resulted in more relevant and reliable presentation of data. This classification affected comparative information, for the purpose of presentation of the financial statements for the year ended 31 December 2021.

This reclassification affected a change in the classification of items in the statement of financial position as at 31 December 2020.

Additional paid-in capital

The Company decided to classify discount on the initial recognition of loans from the Shareholder at the below-market interest rates that was previously included in additional paid-in capital within the retained earnings/accumulated losses. This reclassification affected the comparatives to present the financial statements for the twelve months ended 31 December 2021.

Provision for conditional distribution

The Company decided to classify contingent distribution reserve accumulated due to issuance of loans at below market interest rates to the retained earnings/accumulated losses. This classification affected comparative information, for the purpose of presentation of the financial statements for the year ended 31 December 2021.

The effect of changes due to restatement and reclassifications on the corresponding figures can be summarised as follows:

(in thousands of tenge)

	As previously reported	Adjustments	Reclassification	As restated/reclassified
Statement of Financial Position as at 31 December 2020				
Assets				
Cash and cash equivalents	48,744,242	–	26,898,863	75,643,105
Investment securities	27,569,113	–	(26,898,863)	670,250
Finance lease receivables	740,711	–	(740,711)	–
Deferred corporate income tax assets	–	1,831,737	(1,468,832)	362,905
Other assets	1,546,266	–	740,711	2,286,977
Liabilities				
Government grants	–	9,158,681	3,312,883	12,471,564
Deferred corporate income tax liabilities	1,468,832	–	(1,468,832)	–
Other liabilities	5,050,086	–	(3,312,883)	1,737,203
Equity				
Additional paid-in capital	70,446,355	(70,446,355)	-	-
Provision for conditional distribution	(84,687,953)	-	84,687,953	-
Retained earnings/(accumulated loss)	8,156,906	63,119,411	(84,687,953)	(13,411,636)
Statement of profit or loss for the twelve months ended 31 December 2020				
Interest income calculated using effective interest method				
Cash and cash equivalents	3,790,549	–	1,877,082	5,667,631
Investment securities	1,942,584	–	(1,877,082)	65,502
Loans to banks (Note 8)	4,074,947	2,454,642	–	6,529,589
Loans to customers (Note 9)	53,691,035	3,678,827	–	57,369,862
Other interest income				
Finance lease receivables	87,422	–	(87,422)	–
Other income	184,300	–	(184,300)	–
Other expenses	(540,036)	(2,165,751)	271,722	(2,434,065)
Corporate income tax expense	(4,361,040)	–	264,040	(4,097,000)
Interest expense				
Due to the Government of the Republic of Kazakhstan (Note 18)	(5,678)	(5,287,922)	–	(5,293,600)
Statement of Changes in Equity for the twelve months ended 31 December 2021				
Total comprehensive income for the period	19,660,049	(1,056,164)	–	18,603,885
Income from initial recognition of loans received from the Shareholder at fair value, net of tax	11,821,501	–	(6,386,374)	5,435,127
Provision for conditional distribution for year, net of tax	(17,220,666)	–	17,220,666	–
Distribution to the Shareholder, net of tax	–	–	(1,680,571)	(1,680,571)
Statement of Cash Flows for the twelve months ended 31 December 2020				
Cash flows from operating activities before changes in operating assets and liabilities				
Cash flows from operating activities				
Interest received	35,106,929	–	85,384	35,192,313
Net (increase)/decrease in operating assets				
Government grants	–	–	3,598,786	3,598,786
Other liabilities	2,334,558	–	(3,598,786)	(1,264,228)
Cash flows from investing activities				
Proceeds from repayment of investment securities	257,229,023	–	(257,229,023)	–
Acquisition of investment securities	(284,043,533)	–	284,043,533	–
Cash and cash equivalents at the end of the period	48,744,242	–	26,898,863	75,643,105

(in thousands of tenge)

Statement of Financial Position as at 31 December 2019				
Assets				
Deferred corporate income tax assets	–	3,856,126	(1,486,049)	2,370,077
Finance lease receivables	2,287,406	-	(2,287,406)	-
Other assets	1,663,281	-	2,287,406	3,950,687
Liabilities				
Government grants	–	19,280,627	1,971,296	21,251,923
Deferred corporate income tax liabilities	1,486,049	–	(1,486,049)	–
Other liabilities	4,231,587	–	(1,971,296)	2,260,291
Equity				
Additional paid-in capital	58,624,854	(58,624,854)	-	–
Provision for conditional distribution	(67,467,287)	–	67,467,287	–
Retained earnings/(accumulated loss)	4,530,893	43,200,353	(67,467,287)	(19,736,041)

6. Business combination

To implement the Address of the Head of State to the People of Kazakhstan, the Ministry of Agriculture and the Ministry of Industry and Infrastructural Development of the Republic of Kazakhstan approved a National Plan Road Map (the "Road Map"). Pursuant to Section 27 of the Road Map, by the end of 2021, Fund for Financial Support of Agriculture JSC (the "Fund") was reorganised through takeover by the Company, with subsequent dissolution of the Fund.

By decision of the Management Board of the Sole Shareholder No. 66/21 dated 13 December 2021, the Company was reorganised through the retrospective takeover of the Fund on 1 December 2021. The FFSA property, rights and obligations were transferred to the Company as part of the reorganisation from the date of approval of the act of transfer, taking into account the requirements of the legislation of the Republic of Kazakhstan.

As a result of the reorganisation, the Company has become a legal successor of FFSA for all its obligations and property rights in respect of all creditors and debtors of FFSA, including those for obligations and property rights appealed by the parties (FFSA and/or third parties).

The Company's share capital increased by KZT 80,371,244 thousand after the takeover of FFSA. On 1 December 2021, after the placement of shares, FFSA transferred all assets and liabilities, and the net assets on the transfer amounted to KZT 80,683,116 thousand. As a result, the Company recognised a positive difference of KZT 311,872 thousand within within the retained earnings in equity.The following table summarises the recognised amounts of assets acquired and liabilities assumed at the takeover date:

	at 1 December 2021
Assets	
Cash	46,644,824
Investment securities	1,092,602
Loans to customers	164,316,308
Lease receivables	9,620,253
Property held for finance lease	444,762
Advances paid	43,058
Property, plant and equipment	1,103,880
Intangible assets	412,034
Value added tax receivable	1,115,274
Other assets	401,359
Total assets	**225,194,354**
Liabilities	
Loans from local executive bodies	112,360,228
Loans from the United Nations	27,533
Liabilities on rural mortgage	1,984,254
Debt securities issued	7,732,456
Current corporate income tax liabilities	332,597
Deferred corporate income tax liabilities	2,149,413
Deferred value added tax liability	1,292,335
Government grants	17,333,744
Other liabilities	1,298,678
Total liabilities	**144,511,238**
Total net assets	**80,683,116**

(in thousands of tenge)

7. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 December 2021	*31 December 2020 (restated)*
Cash on current bank accounts	59,149,641	43,081,608
NBRK notes	29,487,425	26,899,894
Overnight deposits with other banks	14,218,696	5,663,254
Cash on hand	15	15
	102,855,777	**75,644,771**
Allowance for expected credit losses	(2,604)	(1,666)
Cash and cash equivalents	**102,853,173**	**75,643,105**

As at 31 December 2021, cash and cash equivalents are not past due and categorised into Stage 1 (31 December 2020: cash and cash equivalents are not past due and categorised into Stage 1).

As at 31 December 2021 and 31 December 2020, the credit quality of cash and cash equivalents balances may be summarised based on Standard and Poor's or other agencies converted into Standard & Poor's scale as follows:

	31 December 2021			
	Current accounts	*NBRK notes*	*Overnight deposits with other banks*	*Total*
Not overdue				
- NBRK notes (not rated)	–	29,487,425	–	**29,487,425**
- rated from BBB- to BBB+	54,129,945	–	–	**54,129,945**
- rated from BB- to BB+	156,343	–	14,202,786	**14,359,129**
- rated from B- to B+	111,323	–	–	**111,323**
- not rated	4,752,030	–	15,910	**4,767,940**
Total cash and cash equivalents, net of cash before deduction of impairment allowance	**59,149,641**	**29,487,425**	**14,218,696**	**102,855,762**
Allowance for expected credit losses	(835)	(1,089)	(680)	(2,604)
Total cash and cash equivalents, net of cash	**59,148,806**	**29,486,336**	**14,218,016**	**102,853,158**

	31 December 2020 (restated)			
	Current accounts	*NBRK notes*	*Overnight deposits with other banks*	*Total*
Not overdue				
- NBRK notes (not rated)	–	26,899,894	–	**26,899,894**
- rated from BBB- to BBB+	29,477,509	–	–	**29,477,509**
- rated from BB- to BB+	13,599,093	–	–	**13,599,093**
- rated from B- to B+	5,006	–	–	**5,006**
- not rated	–	–	5,663,254	**5,663,254**
Total cash and cash equivalents, net of cash before deduction of impairment allowance	**43,081,608**	**26,899,894**	**5,663,254**	**75,644,756**
Allowance for expected credit losses	(611)	(1,031)	(24)	(1,666)
Total cash and cash equivalents, net of cash	**43,080,997**	**26,898,863**	**5,663,230**	**75,643,090**

As at 31 December 2021 the balance of not rated cash and cash equivalents includes the balances with Citibank Kazakhstan JSC (31 December 2020: Citibank Kazakhstan JSC).

As at 31 December 2021, the Company had a bank account and NBRK notes with aggregated cash and cash equivalent balances above 10.00% of equity: Eurasian Development Bank for the amount of KZT 33,570,476 thousand and NBRK notes for KZT 29,487,425 thousand (31 December 2020: Eurasian Development Bank for the amount of KZT 29,477,509 thousand and NBRK notes for KZT 26,899,894 thousand).

8. Loans to banks

	31 December 2021	*31 December 2020*
Loans to second-tier banks	12,618,972	14,968,114
Term deposits with maturity less than 90 days	108,779	–
	12,727,751	**14,968,114**
Allowance for expected credit losses	(19,239)	(26,436)
Due from banks	**12,708,512**	**14,941,678**

As at 31 December 2021, loans to second-tier banks are not overdue and are categorised into Stage 1 (31 December 2020: loans to second-tier banks are not overdue and categorised into Stage 1).

(in thousands of tenge)

The table below provides analysis of movements in the ECL allowance for the year ended 31 December 2021:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2021	**26,436**	**–**	**–**	**26,436**
New assets originated or purchased	78,221	–	–	78,221
Assets repaid	(85,418)	–	–	(85,418)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Movements in ECLs for the year as a result of transfer from Stage to Stage and changes in inputs:	–	–	–	–
At 31 December 2021	**19,239**	**–**	**–**	**19,239**

The table below provides analysis of movements in the ECL allowance for the year ended 31 December 2020:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2020	**142,178**	**–**	**–**	**142,178**
New assets originated or purchased	(146,934)	–	–	(146,934)
Assets repaid	75,474	–	–	75,474
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Movements in ECLs for the year as a result of transfer from Stage to Stage and changes in inputs:	(44,282)	–	–	(44,282)
At 31 December 2020	**26,436**	**–**	**–**	**26,436**

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

	31 December 2021	*31 December 2020*
Not overdue		
- rated from BBB- to BBB+	1,298,136	–
- rated from BB- to BB+	11,328,459	14,643,934
- rated from B- to B+	101,156	324,180
	12,727,751	**14,968,114**
Allowance for expected credit losses	(19,239)	(26,436)
Loans to banks	**12,708,512**	**14,941,678**

During twelve months ended 31 December 2021, as part of "Ken-Dala" annual government programme for support of the spring field works, the Company provided loans to Halyk Savings Bank JSC for the total amount of KZT 31,840,998 thousand at the below-market interest rate of 1.50% p.a. and maturity on 1 December 2021. The Company recognised discount of KZT 1,954,546 thousand as loss on initial recognition of loans at below-market interest rates and interest income on amortisation of discount of KZT 1,954,546 thousand in the statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Company applied estimated market interest rates of 10.19% – 11.00% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

During twelve months ended 31 December 2020 the Company issued the following loans:

- as part of "Ken-Dala" annual government programme for support of the spring field works, the Company provided loans to Halyk Savings Bank JSC for the total amount of KZT 19,168,831 thousand, to Bank CenterCredit JSC - for the total amount of KZT 4,300,000 thousand, to Nurbank JSC - for the total amount of KZT 3,039,032 thousand, to ATFBank JSC (SB First Heartland Jýsan Bank JSC) - for the total amount of KZT 3,047,650 thousand, the loans bear the below-market interest rate of 1.50 per annum and mature on 1 December 2020. The Company recognised discount of KZT 2,454,642 thousand as loss on initial recognition of loans at below-market interest rates and interest income on amortisation of discount of KZT 2,454,642 thousand in the statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Company applied estimated market interest rates of 11.4% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

- under "Agrobusiness" universal lending program aimed at financing livestock farming, crop farming, processing for acquisition of property, plant and equipment, including modernisation/reconstruction of the facilities, construction and assembly work, and replenishment of working capital, the Company provided loans to SB Bank VTB (Kazakhstan) for the total amount of KZT 1,370,000 thousand, SB Sberbank JSC - for the total amount of KZT 473,805 thousand at the below-market interest rate of 2.80% per annum and maturing on 11 September 2026. The Company recognised discount of KZT 435,180 thousand as loss on initial recognition of loans at below-market interest rates and interest income on amortisation of discount of KZT 34,673 thousand in the statement of profit or loss within other expenses and interest income on loans to banks, respectively. The Company applied estimated market interest rates of 11.1% – 13.9% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

As at 31 December 2021 the Company had no balances with banks with total balance exceeding 10% of equity.

(in thousands of tenge)

9. Loans to customers

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

	31 December 2021	*31 December 2020*
Loans to legal entities	488,089,223	439,584,962
Loans to individuals	265,967,040	75,017,020
	754,056,263	**514,601,982**
Allowance for expected credit losses	(89,040,036)	(65,375,029)
Loans to customers	**665,016,227**	**449,226,953**

Impairment allowance for loans to customers

The table below provides analysis of movements in the gross book value and the ECL allowance for loans to legal entities and individuals for the twelve months ended 31 December 2021:

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**209,432,900**	**6,757,110**	**220,768,369**	**2,626,583**	**439,584,962**
Recognised as a result of merger	3,406,945	123,055	1,496,542	–	**5,026,542**
New assets originated or purchased	91,793,211	266,900	66,570,817	–	**158,630,928**
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(65,934,550)	(783,663)	(61,756,999)	(724,945)	**(129,200,157)**
Transfers to Stage 1	7,665,959	(2,793,593)	(4,872,366)	–	–
Transfers to Stage 2	(2,047,490)	2,494,972	(447,482)	–	–
Transfers to Stage 3	(68,541,987)	(2,751,570)	71,293,557	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	92,975	20,401	2,207,482	1,969	**2,322,827**
Changes in interest accrued	2,443,968	61,192	9,374,075	257,088	**12,136,323**
Amounts written off	–	–	(412,202)	–	**(412,202)**
At 31 December 2021	**178,311,931**	**3,394,804**	**304,221,793**	**2,160,695**	**488,089,223**

Loans to l egal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2021	**2,835,939**	**4,825**	**55,853,932**	**1,075,604**	**59,770,300**
Recognised as a result of merger	2,251	1,209	1,333,950	–	**1,337,410**
New assets originated or purchased	618,997	1,129	5,037,297	–	**5,657,423**
Assets repaid	(125,381)	–	(1,178,174)	–	**(1,303,555)**
Transfer to Stage 1	505,084	(4,825)	(500,259)	–	–
	(80,494)	80,494	–	–	–
Transfer to Stage 3	(765,972)	–	765,972	–	–
Movements in ECLs for the year as a result of transfer from stage to stage and changes in inputs	(664,256)	106,024	(4,432,104)	(428,174)	**(5,418,510)**
Changes provided for by agreement of cash flows from modification that does not result in derecognition			18,676		**18,676**
Unwinding of discount	–	–	6,071,803	–	**6,071,803**
Recovery	–	–	5,762	–	**5,762**
Amounts written off	–	–	(412,202)	–	**(412,202)**
At 31 December 2021	**2,326,168**	**188,856**	**62,564,653**	**647,430**	**65,727,107**

(in thousands of tenge)

The table below provides analysis of movements in the gross carrying amount and the ECL allowance for loans to individuals for the twelve months ended 31 December 2021:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**57,234,051**	**2,081,669**	**14,915,971**	**785,329**	**75,017,020**
Recognised as a result of merger	156,113,011	3,887,143	16,928,427	–	**176,928,581**
New assets originated or purchased	29,685,438	9,800	3,715,968	–	**33,411,206**
Assets repaid, including changes due to partial repayment or increase in gross carrying amount	(19,232,919)	(638,629)	(3,299,592)	(27,217)	**(23,198,357)**
Transfers to Stage 1	3,387,476	(882,731)	(2,504,745)	–	–
Transfers to Stage 2	(587,288)	857,750	(270,462)	–	–
Transfers to Stage 3	(3,019,615)	(431,703)	3,451,318	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(799)	–	125,343	–	**124,544**
Changes in interest accrued	2,832,405	(46,360)	888,163	66,326	**3,740,534**
Amounts written off	–	–	(56,488)	–	**(56,488)**
At 31 December 2021	**226,411,760**	**4,836,939**	**33,893,903**	**824,438**	**265,967,040**

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2021	**433,995**	**222,487**	**4,862,371**	**85,876**	**5,604,729**
Recognised as a result of merger	321,164	18,905	15,961,336	–	16,301,405
New assets originated or purchased	328,700	–	587,951	–	916,651
Assets repaid	(31,630)	(61,037)	(85,868)	–	(178,535)
Transfer to Stage 1	216,323	(97,145)	(119,178)	–	–
	(2,387)	17,048	(14,661)	–	–
Transfer to Stage 3	(29,380)	(64,305)	93,685	–	–
Movements in ECLs for the year as a result of transfer from Stage to Stage and changes in inputs	(323,622)	(5,706)	370,587	454,098	495,357
Changes provided for by agreement of cash flows from modification that does not result in derecognition	–	–	38,595	–	38,595
Unwinding of discount	–	–	186,624	–	186,624
Recovery	–	–	4,477	–	4,477
Amounts written off	–	–	(56,374)	–	(56,374)
At 31 December 2021	**913,163**	**30,247**	**21,829,545**	**539,974**	**23,312,929**

During twelve months ended 31 December 2021, as part of "Ken-Dala" annual government programme for lending of the agro-industrial complex entities to support the spring field works, the Company provided loans for the total amount of KZT 38,159,002 thousand at the below-market interest rate of 2.00% p.a. and maturity before April 2022. The Company recognised discount of KZT 4,027,401 thousand on initial recognition and unwinding of discount of KZT 3,708,197 thousand in the statement of profit or loss within other expenses and interest income on loans to customers, respectively. The loss of KZT 4,027,401 thousand on initial recognition of loans at below-market interest rates was partially compensated through receipt of a government grant of KZT 3,757,430 thousand (Note 18). The Company applied estimated market interest rates of 13.70% – 14.40% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

During twelve months ended 31 December 2021, as part of "Ken-Dala" annual government programme for lending of the agro-industrial complex entities to support the spring field works, the Company provided loans for the total amount of KZT 40,444,487 thousand at the below-market interest rate of 1.5% p.a. and maturity before November 2021. The Company recognised discount of KZT 3,678,827 thousand on initial recognition and unwinding of discount of KZT 3,678,827 thousand in the statement of profit or loss within other expenses and interest income on loans to customers, respectively. The loss of KZT 3,678,827 thousand on initial recognition of loans at below-market interest rates was partially compensated through receipt of a government grant of KZT 2,833,278 thousand (Note 18). The Company applied estimated market interest rates of 9.60% – 11.10% p.a. to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows.

(in thousands of tenge)

During the twelve months ended 31 December 2021 the Company continued to issue and service loans that were issued as part of the state programme for agro-industrial development; new loans of KZT 3,673,462 thousand were issued (2020 year: KZT 30,676,261 thousand). The Company used estimated market interest rates of 11.60% – 16.70% p.a. (2020 year: from 14.60% to 17.70% p.a.) to measure the fair value of the abovementioned loans on initial recognition by discounting their future contractual cash flows. The loss on initial recognition of these loans issued at below market interest rate in the amount of KZT 1,055,269 thousand (2020 year: KZT 6,739,991 thousand) was recognised within other expenses. Moreover, during the twelve months ended 31 December 2021 the Company incurred expected credit losses for the total amount of KZT 2,622,721 thousand (2020 year: KZT 7,958,149 thousand) on new and previously issued loans during 2018-2020 as part of the abovementioned programme.

During the twelve months ended 31 December 2021 the Company continues issuing and servicing the loans provided under the State Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 ("Isker"); new loans were issued for the amount of KZT 18,967,321 thousand (2020: KZT 12,673,036 thousand). The Company used estimated market interest rates of 11.60% to 16.70% p.a. (2020: 9.60% – 14.60% p.a.) to measure the fair value of the above-mentioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 6,674,848 thousand on initial recognition of these loans issued at below market interest rate (2020: KZT 3,894,053 thousand) was recognized within other expenses and fully compensated at the expense of a government grant (Note 18).

During the twelve months ended 31 December 2021, the funds received as part of the bond issue in the total amount of KZT 5,000,000 thousand under the program "Employment Roadmap 2020-2021" (Note 14) were allocated in full to the agro-industrial complex entities. The Company used estimated market interest rates of 16.30% – 16.70% p.a. to measure the fair value of the abovementioned loans on initial recognition by discounting their future contractual cash flows. The loss of KZT 900,656 thousand on initial recognition of these loans issued at below market interest rate was recognised within other expenses.

In the normal course of business, the Company provides loans at below market rates to borrowers operating in the agricultural industry. Loss of KZT 25,782,983 thousand on initial recognition of loans at below market interest rates (Note 22) was recognised within other expenses for the twelve months ended 31 December 2021 (twelve months ended 31 December 2020: KZT 10,891,789 thousand). The Company used estimated market interest rates of 11.60% - 16.70% p.a. (twelve months ended 31 December 2020: 9.60% - 14.60%) to measure the fair value of the loans on initial recognition by discounting their future contractual cash flows.

The table below provides analysis of movements in GCA and ECL allowance for loans to legal entities during the twelve months ended 31 December 2020:

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2020	**187,870,047**	**8,421,103**	**166,459,436**	**2,779,942**	**365,530,528**
New assets originated or purchased	145,350,982	2,345,572	59,007,313	–	**206,703,867**
Assets repaid	(88,973,491)	(2,111,641)	(49,310,095)	(416,634)	**(140,811,861)**
Transfers to Stage 1	30,569,139	(9,053,613)	(21,515,526)	–	–
Transfers to Stage 2	(22,479,036)	24,107,858	(1,628,822)	–	–
Transfers to Stage 3	(45,066,420)	(16,973,288)	62,039,708	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	11,470	–	(438,063)	–	**(426,593)**
Changes in interest accrued	2,150,209	21,119	7,494,084	263,275	**9,928,687**
Amounts written off	–	–	(1,339,666)	–	**(1,339,666)**
At 31 December 2020	**209,432,900**	**6,757,110**	**220,768,369**	**2,626,583**	**439,584,962**

Legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January 2020	**2,961,980**	**36,716**	**48,443,214**	**746,145**	**52,188,055**
New assets originated or purchased	1,428,519	–	5,585,755	–	7,014,274
Assets repaid	(105,214)	(3,938)	(4,046,845)	–	(4,155,997)
Transfers to Stage 1	2,333,858	(20,750)	(2,313,108)	–	–
Transfers to Stage 2	(131,421)	135,783	(4,362)	–	–
Transfers to Stage 3	(1,019,681)	(687,669)	1,707,350	–	–
Movements in ECL for the period	(2,633,606)	544,683	1,666,390	329,459	(93,074)
Changes provided for by agreement of cash flows from modification that does not result in derecognition	1,504	–	(57,430)	–	(55,926)
Unwinding of discount	–	–	6,212,634	–	6,212,634
Amounts written off	–	–	(1,339,666)	–	(1,339,666)
31 December 2020	**2,835,939**	**4,825**	**55,853,932**	**1,075,604**	**59,770,300**

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The table below provides analysis of movements in GCA and ECL allowance for loans to legal entities during the twelve months ended 31 December 2020:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2020	**39,720,392**	**952,039**	**10,146,124**	**810,165**	**51,628,720**
New assets originated or purchased	33,578,972	–	204,261	–	**33,783,233**
Assets repaid	(9,318,828)	(294,172)	(3,133,131)	(108,115)	**(12,854,246)**
Transfers to Stage 1	6,635,265	(2,414,517)	(4,220,748)	–	–
Transfers to Stage 2	(9,392,127)	9,720,589	(328,462)	–	–
Transfers to Stage 3	(5,836,763)	(6,015,064)	11,851,827	–	–
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(14,943)	–	(119,061)	19,423	**(114,581)**
Changes in interest accrued	1,862,083	132,794	620,392	63,856	**2,679,125**
Amounts written off	–	–	(105,231)	–	**(105,231)**
At 31 December 2020	**57,234,051**	**2,081,669**	**14,915,971**	**785,329**	**75,017,020**

Individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance at 1 January 2020	**464,645**	**23,237**	**2,446,857**	**252,767**	**3,187,506**
New assets originated or purchased	479,970	–	15,722	–	**495,692**
Assets repaid	(13,307)	(8,746)	(205,533)	–	**(227,586)**
Transfer to Stage 1	443,247	(47,146)	(396,101)	–	–
Transfers to Stage 2	(175,555)	291,104	(115,549)	–	–
Transfer to Stage 3	(120,981)	(423,770)	544,751	–	–
Movements in ECL for the period	(642,912)	387,808	2,285,416	(168,336)	**1,861,976**
Changes provided for by agreement of cash flows from modification that does not result in derecognition	(1,112)	–	(8,858)	1,445	**(8,525)**
Unwinding of discount	–	–	400,897	–	**400,897**
Amounts written off	–	–	(105,231)	–	**(105,231)**
31 December 2020	**433,995**	**222,487**	**4,862,371**	85,876	**5,604,729**

The following table provides information on the credit quality of the loans to customers as at 31 December 2021 and 31 December 2020:

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

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

	31 December 2020				
Legal entities	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
Not overdue	207,044,215	6,065,257	169,144,235	–	382,253,707
overdue up to 30 days	2,388,685	73,426	12,248,948	–	14,711,059
- overdue more than 31 days and less than 60 days	–	618,427	6,130,433	–	6,748,860
- overdue more than 61 days and less than 90 days	–	–	2,479,533	–	2,479,533
- overdue more than 91 days and less than 360 days	–	–	6,931,694	–	6,931,694
- overdue more than 1 year	–	–	23,833,526	2,626,583	26,460,109
	209,432,900	**6,757,110**	**220,768,369**	**2,626,583**	**439,584,962**
Allowance for expected credit losses	(2,835,939)	(4,825)	(55,853,932)	(1,075,604)	(59,770,300)
	206,596,961	**6,752,285**	**164,914,437**	**1,550,979**	**379,814,662**

	31 December 2020				
Individuals	*Stage 1 12-month ECL*	*Stage 2 Lifetime ECL on assets not credit-impaired*	*Stage 3 Lifetime ECL on assets not credit-impaired*	*POCI*	*Total*
Not overdue	55,393,984	726,606	8,043,317	785,329	64,949,236
overdue up to 30 days	1,840,067	–	570,662	–	2,410,729
- overdue more than 31 days and less than 60 days	–	1,355,063	425,116	–	1,780,179
- overdue more than 61 days and less than 90 days	–	–	232,921	–	232,921
- overdue more than 91 days and less than 360 days	–	–	1,305,038	–	1,305,038
- overdue more than 1 year	–	–	4,338,917	–	4,338,917
	57,234,051	**2,081,669**	**14,915,971**	**785,329**	**75,017,020**
Allowance for expected credit losses	(433,995)	(222,487)	(4,862,371)	(85,876)	(5,604,729)
	56,800,056	**1,859,182**	**10,053,600**	**699,453**	**69,412,291**

As at 31 December 2021 the Company had no borrowers whose total balance exceeded 10% of equity (31 December 2020: no borrowers).

Collateral and other instruments that reduce credit risk

The amount and type of collateral required by the Company depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement during the review of the adequacy of the allowance for impairment losses.

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The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral as at 31 December 2021:

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Stage (12-month expected credit losses)			
Cash and deposits	2,169,653	2,169,653	-
Bank guarantees and sureties received from legal entitie (rated from B- to BBB+)	2,435,634	2,435,634	-
Bank guarantees and sureties received from legal entitie (not rated)	99,193	-	99,193
Vehicles	13,688,704	8,078,034	5,610,670
Real estate	319,805,325	148,805,155	171,000,170
Equipment	2,943,474	2,768,088	175,386
Goods in turnover	335,956	308,713	27,243
Future assets	7,125,937	6,753,797	372,140
Land plots	24,289,821	17,370,340	6,919,481
Other collateral	5,137,741	2,824,524	2,313,217
No collateral or other credit enhancement	23,452,922	-	-
Total Stage 1	401,484,360	191,513,938	186,517,500
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Cash and deposits	131,823	131,823	-
Bank guarantees and sureties received from legal entitie (not rated)	5,355	-	5,355
Vehicles	63,123	15,051	48,072
Real estate	6,535,879	2,311,567	4,224,312
Equipment	362,907	357,505	5,402
Future assets	9,464	9,464	-
Securities	-	-	-
Land plots	158,287	88,330	69,957
Other collateral	627,853	586,041	41,812
No collateral or other credit enhancement	117,949	-	-
Total Stage 2	8,012,640	3,499,781	4,394,910
	-	-	-
Stage 3 (Lifetime expected credit losses on credit-impaired assets)	-	-	-
Cash and deposits	3,099,635	3,099,635	-
Government guarantees	-	-	-
Bank guarantees and sureties received from legal entitie (rated from B- to BBB+)	69,907	69,907	-
Bank guarantees and sureties received from legal entitie (not rated)	9,831	-	9,831
Vehicles	3,835,838	2,007,502	1,828,336
Real estate	222,282,224	175,210,615	47,071,609
Equipment	1,979,768	1,105,725	874,043
Shares, equity shares	467,690	467,690	-
Goods in turnover	19,927	19,927	-
Future assets	84	49	35
Land plots	18,973,979	14,849,296	4,124,683
Other collateral	2,643,602	2,180,252	463,350
No collateral or other credit enhancement	339,013	-	-
Total Stage 3	253,721,498	199,010,598	54,371,887
	-	-	-
POCI-assets	-	-	-
Real estate	1,797,729	1,797,729	-
Total POCI-assets	1,797,729	1,797,729	-
Total loans to customers	**665,016,227**	**395,822,046**	**245,284,297**

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The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of loss allowance, by types of collateral as at 31 December 2020:

	Carrying amount of loans to customers	Fair value of collateral - for collateral assessed as of reporting date	Fair value of collateral - for collateral assessed as of loan inception date
Stage 1 (12-month expected credit losses)			
Cash and deposits	2,053,270	2,053,270	
Bank guarantees and sureties received from legal entities BBB+)	3,034,073	3,034,073	
Vehicles	12,187,392	12,148,336	39,056
Real estate	200,194,377	198,874,505	1,319,872
Equipment	4,174,394	4,151,780	22,614
Goods in turnover	317,597	298,282	19,315
Future assets	5,329,305	5,315,969	13,336
Other collateral	10,119,410	9,928,237	191,173
No collateral or other credit enhancement	25,987,199		
	263,397,017	235,804,452	1,605,366
Stage 2 (Lifetime expected credit losses on assets not credit-impaired)			
Cash and deposits	112,655	112,655	
Vehicles	73,534	73,534	-
Real estate	7,220,387	7,220,387	-
Equipment	1,355	1,355	-
Future assets	85,787	85,787	-
Other collateral	1,103,341	1,103,341	-
No collateral or other credit enhancement	14,408		
Total Stage 2	8,611,467	8,597,059	-
Stage 3 (Lifetime expected credit losses on credit-impaired assets)			
Cash and deposits	2,338,570	2,338,570	
Bank guarantees and sureties received from legal entities BBB+)	905,556	905,556	
Grain receipts			
Vehicles	3,662,425	3,662,425	-
Real estate	147,756766	146,394,489	1,362,277
Equipment	1,209,163	1,209,163	-
Shares, equity shares	467,690	467,690	-
Goods in turnover	64,671	64,671	-
Future assets	283	283	-
Land plots	16,880,057	16,880,057	-
Other collateral	1,206,434	840,193	366,241
No collateral or other credit enhancement	476,422		
Total Stage 3	174,968,037	172,763,097	1,728,518
POCI-assets			
Real estate	2,250,432	2,250,432	-
Total POCI-assets	2,250,432	2,250,432	-
Total loans to customers	**449,226,953**	**419,415,040**	**3,333,884**

In the absence of collateral or other mechanisms for credit quality enhancement, the ECL allowance for Stage 3 loans to customers at 31 December would be higher by:

	2021	*2020*
Loans to legal entities	241,657,140	164,914,437
Loans to individuals	12,064,358	10,053,600
	253,721,498	**174,968,037**

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Significant credit exposures

As at 31 December 2021, the concentration of net book value of loans issued by the Company to ten major independent parties amounted to KZT 62,302,703 thousand or 9.39% of the aggregate loan portfolio (31 December 2020: KZT 67,022,951 thousand or 15.00% of the aggregate loan portfolio).

10. Finance lease receivables

As a result of the business combination on 1 December 2021, the Company recognised finance lease receivables in the amount of the total gross carrying amount of KZT 15,382,710 thousand and the loss allowance of KZT 5,762,457 thousand.

The analysis of finance lease receivables at 31 December 2021 is as follows:

	31 December 2021			
	Up to 1 year	*From 1 to 5 years*	*More than 5 years*	*Total*
Gross investments in finance lease	1,788,954	8,917,345	9,970,117	20,676,416
Unearned deferred finance income from finance lease	(257,466)	(1,359,463)	(3,670,388)	(5,287,317)
Investments in finance lease	**1,531,488**	**7,557,882**	**6,299,729**	**15,389,099**
ECL allowance	(498,507)	(2,495,731)	(2,768,219)	(5,762,457)
Finance lease receivables	**1,032,981**	**5,062,151**	**3,531,510**	**9,626,642**

Credit quality of finance lease portfolio

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

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

11. Investment property

Movement in investment property is as follows:

	Twelve months ended 31 December	
	2021	*2020*
Cost		
At 1 January	**529,474**	**529,474**
Additions	4,381,362	-
Transfers from other assets	118,203	-
Disposals	(1,696,994)	-
At 31 December	**3,332,045**	**529,474**
Accumulated depreciation		
At 1 January	**(91,311)**	**(81,653)**
Amortisation charge for the year	(143,478)	(9,658)
Transfers from other assets	(30,663)	-
Disposal	62,045	-
At 31 December	**(203,407)**	**(91,311)**
Carrying amount at 31 December	**3,128,638**	**438,163**

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During the twelve months ended 31 December 2021 the Company received four non-residential premises located in Almaty in the form of investments in share capital, the fair value of which of KZT 4,381,363 thousand was measured using income approach (Note 19). All these premises are classified as an investment property items on initial recognition. Two of the premises were sold for KZT 1,825,926 thousand and KZT 946,918 thousand, with the terms of payment of the initial contribution and payment of the remaining part in instalments during 10.5 years and 5.11 years, respectively. The historical fair value of accounts receivable was KZT 936,041 thousand and KZT 698,281 thousand, respectively, using a market discount rate of 14.3-15.60%. These receivables are included in other assets (Note 12).

Rental income on investment property for the twelve months ended 31 December 2021 amounted to KZT 179,786 thousand (the twelve months ended 31 December 2020: KZT 10,585 thousand).

12. Other assets

Other non-financial assets comprise the following items:

	31 December 2021	*31 December 2020*
Advances paid	49,632	4,913
Inventories	547,699	91,030
Other	1,311,074	244,263
Other non-financial assets	**1,908,405**	**340,206**

Other financial assets comprise the following items:

	31 December 2021	*31 December 2020*
Accounts receivable:		
Receivables from KazAgroProduct JSC	9,133,127	9,289,966
Receivables under instalment sales contracts	4,923,850	1,032,682
Other receivables	2,244,338	797,617
	16,301,315	**11,120,265**
Less: ECL allowance	(11,334,678)	(9,173,494)
Other financial assets	**4,966,637**	**1,946,771**

As at 31 December 2021, other financial assets of KZT 3,925,917 thousand are categorised into Stage 2, other financial assets of KZT 12,375,398 thousand are categorised into Stage 3 (31 December 2020: other financial assets of KZT 842,964 thousand are categorised into Stage 2, other financial assets of KZT 10,277,301 thousand are categorised into Stage 3).

Reconciliation of the ECL allowance for accounts receivable for the year ended 31 December 2021 is presented below:

	Stage 2	*Stage 3*	*POCI*	*Total*
ECL allowance at 1 January	**29,638**	**9,143,856**	**–**	**9,173,494**
Recognised as a result of merger	–	2,392,439	–	**2,392,439**
New assets originated or purchased	35,588	475,207	–	**510,795**
Reversal of allowance during the year	(22,213)	(488,582)	–	**(510,795)**
Movements in ECLs for the year as a result of transfer from stage to state and changes in inputs	84,090	(291,252)	–	**(207,162)**
Amounts written off	–	(24,093)	–	**(24,093)**
At 31 December	**127,103**	**11,207,575**	**–**	**11,334,678**

Reconciliation of the ECL allowance for accounts receivable for the year ended 31 December 2020 is presented below:

	Stage 2	*Stage 3*	*POCI*	*Total*
ECL allowance at 1 January	**12,150**	**9,572,260**	**–**	**9,584,410**
New assets originated or purchased	27,265	–	–	**27,265**
Assets repaid	(11,926)	(2,223,093)	–	**(2,235,019)**
Movements in ECLs for the year as a result of transfer from stage to state and changes in inputs	2,149	1,818,791	–	**1,820,940**
Amounts written off	–	(24,102)	–	**(24,102)**
At 31 December	**29,638**	**9,143,856**	**–**	**9,173,494**

'000 KZT

13. Due to the Shareholder

	Maturity date	*Nominal interest rate, %*	*Currency*	*31 December 2021*	*31 December 2020*
Loan under Agreement No.32	14 December 2032	1.02%	KZT	15,276,780	16,231,865
Loan under Agreement No.26	10 February 2041	1.02%	KZT	14,760,800	–
Loan under Agreement No.101	14 December 2033	1.00%	KZT	11,667,415	12,316,261
Loan under Agreement No.76	14 December 2025	1.02%	KZT	9,824,432	11,926,326
Loan under Agreement No.85	14 December 2025	1.00%	KZT	7,423,489	9,013,088
Loan under Agreement No.122	14 December 2025	1.00%	KZT	7,380,123	8,962,492
Loan under Agreement No.135	14 December 2032	1.00%	KZT	8,215,517	8,728,631
Loan under Agreement No.136	14 December 2032	1.00%	KZT	8,215,517	8,728,631
Loan under Agreement No.20	31 December 2034	1.00%	KZT	6,515,629	6,839,119
Loan under Agreement No.34	28 September 2034	1.02%	KZT	2,792,169	2,936,996
Amount payable under assignment contract of 3 July 2018	20 December 2024	5.00%	KZT	1,477,788	1,826,748
Amount payable under debt transfer agreement of 3 July 2018	9 December 2024	3.00%	KZT	634,387	829,693
Loan under Agreement No.124	1 December 2022	10.00%	KZT	76,376	146,690
Loan under Agreement No.81	21 June 2021	14.50-15.50%	KZT	–	36,174,336
Loan under Agreement No.61	24 August 2032	0.32-1.02%	KZT	–	29,084,622
Loan under Agreement No.24	20 June 2035	1.02%	KZT	–	7,166,640
Investment loan under Agreement No.36	31 December 2023	1.02%	KZT	–	2,640,965
Loan under Agreement No.70	13 October 2024	0.32%	KZT	–	574,927
				94,260,422	**164,128,030**

During the twelve months ended 31 December 2021, as part of the optimisation of the structure of the loan previously issued to the Company by KazAgro Holding from the National Fund of the Republic of Kazakhstan, by combining the amounts due under the agreements previously concluded with the total nominal value as of the date of combination of KZT 58,451,625 thousand and issuance of additional tranche in amount of KZT 11,548,375 thousand, Loan Agreement No.26 of 16 June 2021 was signed. The total amount of the loan is KZT 70,000,000 thousand, with maturity on 10 February 2041, nominal interest rate - 1.02% p.a., effective interest rate - 11.98% p.a. The purpose of the loan is financing of investment projects on various areas of agricultural sector development, such as creation of dairy farms, development of feedlots, creation of storages for different agricultural products and others. The conclusion of this agreement resulted in the derecognition of the agreements (including agreements No.36, 61, 24 and 70) and which were entered into previously, funded from the resources of the National Fund of the Republic of Kazakhstan, and the recognition of a new liability under Loan Agreement No.26 dated 16 June 2021. The discount on initial recognition on loan of KZT 70,000,000 thousand amounted to KZT 56,009,928 thousand and was recognized directly in equity within accumulated losses, whereas previously discount in amount of KZT 11,196,328 thousand was derecognized to reflect the new terms negotiated with the controlling party. As at 31 December 2021, the carrying amount of the new loan is KZT 14,760,800 thousand.

During the twelve months ended 31 December 2020 the Company received loans from the shareholder for a total amount of KZT 33,523,182 thousand, KZT 19,237,468 thousand of which at a nominal interest rate of 1.02% and maturity of 10 years for the finance of investment projects, and the remaining amount of KZT 14,285,714 thousand was received at a nominal interest rate of 1.00%, with maturity in 14 years for the finance projects for the development of beef cattle breeding, dairy industry, meat and crop processing, food production, for the purchase of irrigation systems, development of crop production. Effective interest rates applied vary between 7.16%-11.48% and 7.30%-7.91%, respectively. Discount of KZT 11,686,306 thousand on initial recognition of loans from the Shareholder issued at below market rates that was partially recognised in equity in the amount of KZT 5,435,127 thousand (net of tax of KZT 1,358,782 thousand), was recognized in accumulated losses, while the remaining part was recognised within government grants in the total amount of KZT 4,892,397 thousand (Note 18).

As at 31 December 2021 and 31 December 2020 the Company was in compliance with the requirements related to the restrictive covenants under the agreements with the creditors.

'000 KZT

14. Debt securities issued

KZT-denominated debt securities issued comprise the following captions:

				Nominal value		*Carrying amount*	
	Placement date	*Maturity date*	*Interest rate per annum, %*	*31 December 2021*	*31 December 2020*	*31 December 2021*	*31 December 2020*
Fixed income bonds (1 issue of the 4th bond program)	10 October 2019	10 October 2026	10.75%	39,475,017	39,475,017	40,409,865	40,408,952
Fixed income bonds (1 issue of the 4th bond program)	30 June 2021	10 December 2031	15.0 %	35,000,000	–	40,953,222	–
Fixed income bonds (2 issue of the 4th bond program)	26 August 2020	26 August 2030	10.75%	30,496,202	30,496,202	31,586,439	31,589,716
Fixed income bonds (9 issue of the 4th bond program)	21 December 2021	21 December 2031	11.50%	30,000,000	–	30,095,833	–
Fixed income bonds (2 issue of the 2nd bond program)	17 June 2015	17 December 2022	8.00%	17,390,000	18,184,787	17,347,174	18,052,561
Fixed income bonds (1 issue of the 2nd bond program)	20 August 2014	20 February 2023	8.50%	10,000,000	10,000,000	10,254,679	10,212,403
Fixed income bonds (4 issue of the 3rd bond program)	27 May 2021	27 May 2026	11.50%	9,350,000	–	9,451,552	–
Fixed income bonds (1st issue of the 1st bond program)	19 February 2015	30 March 2026	10.07%	5,189,000	–	5,450,266	–
Fixed income bonds (2 issue of the 3rd bond program)	22 December 2016	22 June 2026	14.00%	5,000,000	5,000,000	5,016,438	5,016,202
Fixed income bonds (7 issue of the 4th bond program)	27 October 2021	27 October 2031	7.10%	5,000,000	–	3,743,735	–
Fixed income bonds (2 issue of the 1st bond program) recognised as a result of merger	21 October 2015	21 April 2026	10.07%	2,300,000	–	2,345,035	–
Fixed income bonds (1 issue of the 3rd bond program)	30 December 2015	30 December 2021	8.50%	–	22,940,000	–	23,896,536
Fixed income bonds (3 issue of the 4th bond program)	30 December 2020	30 January 2022	5.00%	–	9,000,000	–	9,001,250
Commercial bonds	21 December 2020	21 December 2021	10.75%	–	15,500,001	–	15,542,645
Commercial bonds	8 July 2020	8 July 2021	10.75%	–	9,988,489	–	10,477,225
Debt securities issued				**189,200,219**	**160,584,496**	**196,654,238**	**164,197,490**

During the twelve months ended 31 December 2021, the Company issued and additionally placed within the previous issuance bonds in the total face value of KZT 83,850,001 thousand:

- unsecured commercial bonds with total face value of KZT 4,500,001 thousand (KZ2C00007177) issued at coupon rate of 10.75% p.a., maturing on 20 December 2021. The funds from the placement have been used for extending loans to the companies operating in the agro-industrial complex;
- unsecured coupon bonds with total face value of KZT 9,350,000 thousand (KZ2C00006120) issued at coupon rate of 11.50% p.a., maturing within 5 years. The proceeds from the placement have been used for extending loans to the companies operating in the agro-industrial complex;
- unsecured coupon bonds with total face value of KZT 35,000,000 thousand (KZ2C00007755) issued at coupon rate of 15.00% p.a., maturing on 10 December 2031. The funds from the placement will be used to finance the projects of the agro-industrial complex, on a priority basis for the production and processing of meat and milk. The Company recognised the premium of KZT 5,930,976 thousand on initial recognition and since the bonds were fully repurchased by the Shareholder at the above-market rate, the premium was stated as distribution to the Shareholder, including tax in amount of KZT 1,186,195 thousand. The Company applied estimated market interest rate of 12.10% p.a. to measure the fair value of the bonds issued on initial recognition by discounting their future contractual cash flows.
- unsecured coupon bonds with total face value of KZT 5 000 000 thousand (KZ2C00007953) issued at coupon rate of 7.1% p.a., maturing within 10 years, the effective interest rate is 11.8% per annum. The funds from the placement have been used for extending loans to the companies operating in the agro-industrial complex under the Employment Roadmap programme, under which the interest rate for the ultimate borrowers - the entities operating in the agro-industrial complex - must not exceed 6% with the loan term not exceeding three years. Thus, the discount of KZT 1,329,537 thousand calculated on initial recognition was accounted for within the government grants.

'000 KZT

- unsecured coupon bonds with total face value of KZT 30 000 000 thousand (KZ2C00008316) issued at coupon rate of 11.5% p.a., maturing within 10 years. The funds from the placement have been used for extending loans to the companies operating in agro-industrial complex.

During the twelve months ended 31 December 2020, the Company placed unsecured coupon bonds with a total face value of KZT 76,177,671 thousand:

unsecured coupon bonds worth KZT 11,192,979 thousand (KZ2C00006161) with a coupon rate of 10.75% p.a., maturing in 7 years. Proceeds from placement of bonds have been earmarked to make loans to companies operating in agro-industrial complex.

- unsecured coupon bonds worth KZT 30,496,202 thousand (ISIN KZ2C00006922) with a coupon rate of 10.75% p.a., maturing in 10 years. - proceeds from placement of bonds have been earmarked to make loans to companies operating in agro-industrial complex.
- unsecured coupon bonds worth KZT 9,988,489 thousand (ISIN KZ2C00006849) with a coupon rate of 10.75% p.a., maturing in a year. Proceeds from placement of bonds have been earmarked to make loans to companies operating in agro-industrial complex.
- unsecured coupon bonds worth KZT 15,500,001 thousand (ISIN KZ2C00007177) with a coupon rate of 10.75% p.a., maturing in a year. Proceeds from placement of bonds have been earmarked to make loans to companies operating in agro-industrial complex.
- unsecured coupon bonds worth KZT 9,000,000 thousand (ISIN KZ2C00007268) with a coupon rate of 5.00% p.a., maturing in thirteen (13) months. Proceeds from placement of bonds have been earmarked to make loans to companies operating in agro-industrial complex.

15. Payables to the state and budget organisations

	Year of maturity	*Nominal interest rate, %*	*Currency*	*31 December 2021*	*31 December 2020*
Loans repayable to state and budget organisations recognised as a result of merger	2023-2031	0.01%	KZT	111,205,741	-
Loans repayable to state and budget organisations	2023-2031	0.01%	KZT	55,608,654	44,770,133
				166,814,395	**44,770,133**

During the twelve months ended 31 December 2021, the Company received loans worth KZT 35,029,195 thousand (during the twelve months ended 31 December 2020: KZT 12,856,780 thousand) extended under the Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 and Employment Roadmap for 2020-2021. The Company recognised a discount of KZT 20,662,665 thousand (during the twelve months ended 31 December 2020: KZT 5,191,287 thousand) on initial recognition in the statement of financial position as a liability related to the government grant which was partially utilised in the relevant periods. The Company applied estimated market interest rates of 8.86% – 12.66% p.a. (during the twelve months ended 31 December 2020: 7.25% – 11.48% p.a.) to measure the fair value of the abovementioned loans on initial recognition by discounting their future contractual cash flows.

As at 31 December 2021 and 31 December 2020, the Company complied with restrictive covenants under the agreements with creditors.

16. Other liabilities

Other non-financial assets comprise the following items:

	31 December 2021	*31 December 2020 (restated)*	*31 December 2019 (restated)*
Rural mortgages	2,076,435	-	
Other taxes payable	1,373,656	31,048	115,857
Other	130,431	49,104	84,401
Other non-financial liabilities	**3,580,522**	**80,152**	**200,258**

	31 December 2021	*31 December 2020 (recalculated)*	*31 December 2019 (recalculated)*
Liabilities on redemption of debt securities issued	23,914,950	-	
ECL allowance for contingent liabilities (Note 24)	1,092,195	1,045,045	1,255,464
Amount payable under an assignment contract	188,930	366,892	537,662
Accounts payable	930,065	245,114	266,907
Loans received from the UN	25,238	-	-
Other financial liabilities	**26,151,378**	**1,657,051**	**2,060,033**

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Liabilities on redemption of debt securities issued

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

17. Taxation

The corporate income tax expense comprises:

	2021	*2020 (restated)*
Current income tax expense	(4,589,802)	(3,028,467)
Deferred corporate income tax expense - origination and decrease of temporary differences	2,387,348	(1,068,533)
Corporate income tax expense	**(2,202,454)**	**(4,097,000)**

	2021	*2020*
Recognised as a result of a business combination (Note 6)	(2,149,413)	-
Deferred corporate income tax recognised in profit or loss	2,387,348	(1,068,533)
Deferred corporate income tax recognised in equity	(7,215,291)	(938,639)
Movements in deferred corporate income tax	**(6,977,356)**	**(2,007,172)**

As at 31 December 2021, the Company's current corporate income tax assets totalled KZT 1,785,126 thousand (31 December 2020: liabilities totalled KZT 49,345 thousand). The corporate income tax rate for the Company was 20.0% in 2021 and 2020.

The effective CIT rate differs from the statutory CIT rates. Below is the reconciliation of corporate income tax expense based on the statutory rate with corporate income tax expense recorded in the financial statements:

	2021	*2020*
Profit before corporate income tax	10,897,494	22,700,885
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	**(2,179,499)**	**(4,540,177)**
Non-taxable income from government securities	520,708	389,304
Non-deductible expenses	(543,663)	53,873
Corporate income tax expense	**(2,202,454)**	**(4,097,000)**

Corporate income tax recognised in equity is distributed between the items as follows:

	2021	*2020*
For assets	1,186,195	-
For liabilities	(8,401,486)	(938,639)
Corporate income tax (expense)/benefit recognised in equity	**(7,215,291)**	**(938,639)**

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Deferred income tax assets and liabilities and their movement for the respective years comprised the following at 31 December:

		Origination and reversal of temporary differences				*Origination and reversal of temporary differences*		
	31 December 2019	*Within profit or loss*	*Within equity*	*31 December 2020*	*Takeover of FAGRI*	*Within profit or loss*	*Within equity*	*31 December 2021*
Tax effect of deductible temporary differences								
Loans to customers	8,858,279	1,345,436	–	10,203,715	5,264,223	2,619,084	–	18,087,022
Loans to banks	953,170	(355,414)	–	597,756	–	(205,401)	–	392,355
Other assets	4,719	96,905	–	101,624	17,371	609,967	–	728,962
Current estimated liabilities	74,604	14,905	–	89,509	92,427	48,948	–	230,884
Government grants	3,856,126	(2,024,389)	–	1,831,737	3,525,525	1,371,103	–	6,728,365
Debt securities issued	–	–	–	–	–	(320,676)	1,186,195	865,519
Deferred corporate income tax assets	13,746,898	(922,557)	–	12,824,341	8,899,546	4,123,025	1,186,195	27,033,107
Tax effect of taxable temporary differences								
Due to the Shareholder	(8,492,568)	105,420	(938,639)	(9,325,787)	–	1,165,861	(8,401,486)	(16,561,412)
Due to state and budget organisations	(2,795,317)	(291,245)	–	(3,086,562)	(10,753,482)	(2,856,280)	–	(16,696,324)
Property, plant and equipment and intangible assets	(88,936)	39,849	–	(49,087)	(295,477)	(45,258)	–	(389,822)
Deferred corporate income tax liabilities	(11,376,821)	(145,976)	(938,639)	(12,461,436)	(11,048,959)	(1,735,677)	(8,401,486)	(33,647,558)
Net deferred income tax assets/(liabilities)	2,370,077	(1,068,533)	(938,639)	362,905	(2,149,413)	2,387,348	(7,215,291)	(6,614,451)

Deferred corporate income tax assets are recognised only to the extent that it is probable that the future taxable profit will be available against which an asset can be utilised.

18. Government grants

	31 December 2021	*31 December 2020 (restated)*
Government grants received from the Government of the Republic of Kazakhstan in the form of a loan from state and budget organisations and Shareholder under Agribusiness Development Programme	33,641,832	9,158,681
Government grants received from the Ministry of Agriculture of the Republic of Kazakhstan to partially subsidise the repayment of principal and interest on loans issued to the borrowers	6,873,178	3,312,883
Government grants	**40,515,010**	**12,471,564**

Government grants received from the Government

The Company recorded as government grants the amount of benefits received in the form of loans at low interest rates extended by the state and budget organisations.

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	31 December 2021	*31 December 2020 (restated)*
At 1 January	**9,158,681**	**19,280,627**
Government grants received from the Government of the Republic of Kazakhstan in the form of a loan from local executive bodies (Note 15)	20,662,665	5,191,287
Government grants received from the Government of the Republic of Kazakhstan in the form of a loan from the Ministry of Finance	5,711,976	5,287,920
Government grants received in the form of loans from the Shareholder (Note 13)	-	4,892,397
Government grants received from the Government of the Republic of Kazakhstan in the form of bonds from the NBRK (Note 14)	1,329,537	-
Recognised in the form of business combinations	17,333,744	-
Utilisation of government grants to issue loans to borrowers under the State Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 ("Isker")	(6,674,848)	(3,894,053)
Utilisation of government grants to issue loans to eligible banks under the Ken-Dala State Programme (Note 8)	(1,954,546)	(2,454,642)
Utilisation of government grants to issue loans to eligible customer- borrowers under the Ken-Dala State Programme (Note 9) (the compensable portion)	(3,757,430)	(2,833,278)
Utilisation of government grants to issue loans to eligible customer- borrowers under the Agribusiness State Programme (Note 9)	(1,055,269)	(6,739,991)
Utilisation of government grants to issue loans to eligible customer- borrowers under the Employment Roadmap for 2020-2021 state programme (Note 9)	(900,656)	-
Utilisation of government grant (Note 9)	(2,622,720)	(8,123,778)
Utilisation of government grant for previously issued loans	(1,616,100)	-
Amortisation for the period	(1,973,202)	(1,447,808)
Government grants	**33,641,832**	**9,158,681**

Government grants received from the Government of the Republic in the form of a loan from the Ministry of Finance

On 25 February 2021, the Company received a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for the total nominal amount of KZT 70,000,000 thousand bearing a nominal interest rate of 0.01% per annum and maturing on 20 December 2021. The loan was received as part of the Ken-Dala state programme aimed at supporting enterprises in their spring field and harvesting works. The total amount of loan received was transferred to Halyk Bank of Kazakhstan JSC with KZT 31,840,998 thousand (Note 8) to be used for intended purpose stipulated by the aforementioned programme, and KZT 38,159,002 thousand to be provided directly to customers (Note 9).

The discount of KZT 5,711,976 thousand on initial recognition of loans received was recognised as a government grant liability with its full use during the twelve months ended 31 December 2021. Unwinding of the discount of KZT 5,711,976 thousand was recorded in interest expense on accounts payable to the Government of the Republic of Kazakhstan. The Company applied an estimated market interest rate of 11.00% per annum to estimate the fair value of the loan on initial recognition by discounting future contractual cash flows.

In February 2020 the Company received a short-term loan from the Ministry of Finance of the Republic of Kazakhstan for the total nominal amount of KZT 70,000,000 thousand with a nominal interest rate of 0.01% p.a. and maturity on 20 December 2021. The loan was received as part of the state program "Ken-Dala" aimed at supporting businesses in their spring planting and harvesting operations. The full amount of loan received KZT 29,555,513 thousand (Note 8) was provided to several second-tier banks with the condition to use the loan for the purpose stipulated in the above program, and the funds for the total amount of KZT 40,444,487 thousand (Note 9) were granted directly to customers.

The discount of KZT 5,287,922 thousand at initial recognition of loans received was recognised as liability on government grant with its full utilization during the twelve months ended 31 December 2020. Unwinding of discount of KZT 5,287,920 thousand was recognised within interest expense on payables to the Government of the Republic of Kazakhstan. The Company applied estimated market interest rate of 10.18% p.a. to measure the fair value of the loan at initial recognition by discounting its future contractual cash flows.

Subsequent to initial recognition, the Company recorded in profit or loss an amount corresponding to the renegotiated loan on preferential terms for borrowers, once the Company had met government programme conditions (Notes 8 and 9). The Company is obligated to distribute benefits to end - borrowers by means of setting low interest rate on loans.

During the twelve months ended 31 December 2021, government grants transferred to profit or loss (Note 22), amounting to KZT 20,554,771 thousand were included in 'other expenses' (during twelve months ended 31 December 2021: KZT 25,493,550 thousand).

Government grants received from the Ministry of Agriculture

	Twelve months ended 31 December	
	2021	*2020*
At 1 January	**3,312,883**	**1,971,296**
Received for the period	18,548,683	10,571,981
Returned due to the availability period expired	(7,632,247)	(3,561,922)
Utilisation by means of transfer to eligible borrowers who have met special conditions	(7,356,141)	(5,668,472)
At 31 December	**6,873,178**	**3,312,883**

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

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19. Equity

Share capital

In accordance with the Resolution of the Management Board of KazAgro National Management Holding JSC (ex-Shareholder) No. 9 of 4 March 2021, the Company issued 12,633,932 ordinary shares at an offer price of KZT 1,000 (one thousand) per ordinary share. These shares were paid by means of transferring property of ex-Shareholder, with the fair value of KZT 6,186,092 thousand on initial recognition. Properties received consist of four non-residential premises located in Almaty with the total value of KZT 4,381,363 thousand (Note 11) held by the Company as investment property items; residential and non-residential properties, land plots, furniture and other equipment for the total amount of KZT 1,766,830 thousand, classified by the Company as assets held for sale as of the reporting date; the rest of the amount of KZT 37,899 thousand comprise other items classified by the Company as property, plant and equipment and inventory as at 31 December 2021.

In March 2021, in accordance with the Decree of the Government of the Republic of Kazakhstan No. 952 of 31 December 2020, pursuant to a takeover agreement of 26 February 2021 and a deed of transfer between Baiterek NMH JSC and KazAgro NMH JSC, 100% of the Company's ordinary shares totalling 180,758,928 shares have been transferred to Baiterek NMH JSC.

In accordance with the Resolution of the Board of Baiterek National Managing Holding JSC (the "Shareholder) No. 65/21 of 13 December 2021, the Company issued 78,830,137 ordinary shares to the Sole Shareholder, at an offering price of KZT 1,019.55 (one thousand and nineteen tenge and 55 tiyn) per ordinary share to pay for 100% (one hundred percent) of the Fund's shares acquired.

As at 31 December 2021, the number of authorised and issued ordinary shares of the Company is 259,589,065, of which 253,141,225 shares have been paid in full by the Sole Shareholder (31 December 2020: 168,124,996 shares).

Reserve capital

During the twelve months ended 31 December 2021, the Company increased reserve capital by KZT 5,898,015 thousand. In accordance with the Company's policy, reserve capital is established to cover general risks including future losses and other contingent risks and circumstances. Reserve capital is subject to distribution based on the decision of the Shareholder.

Dividends

During the twelve months ended 31 December 2021, in accordance with the Decision of the Sole Shareholder of 12 March 2021, the Company declared and paid dividends of KZT 13,762,035 thousand or KZT 78.95 per ordinary share for the year ended 31 December 2020. They were paid on 8 June 2021.

During the twelve months ended 31 December 2020, in accordance with the Decision of the Sole Shareholder of 29 May 2020, the Company declared dividends of KZT 16,034,036 thousand or KZT 95.37 per ordinary share for the year ended 31 December 2019. They were paid on 26 August 2019.

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

	31 December 2021	*31 December 2020*
Assets	806,484,978	547,538,959
Less intangible assets	(624,683)	(245,064)
Less liabilities	(535,795,537)	(387,801,310)
Net assets	**270,064,758**	**159,492,585**
Number of ordinary shares	253,141,225	168,124,996
Book value per ordinary share (KZT)	**1,066.85**	**948.65**

20. Credit loss expenses

The table below presents the ECL expense for financial instruments recognised in profit or loss for the year ended 31 December 2021:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	7	938	–	–	–	**938**
Loans to banks	8	(7,197)	–	–	–	**(7,197)**
Loans to customers	9	(197,192)	40,410	356,960	25,924	**226,102**
Investment securities		28,365	–	–	–	**28,365**
Other financial assets	12	–	84,090	(291,252)	–	**(207,162)**
Credit related commitments	23	36,484	–	–	–	**36,484**
Total credit loss expenses		**(138,602)**	**124,500**	**65,708**	**25,924**	**77,530**

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The table below presents the ECL expense for financial instruments recognised in profit or loss for the year ended 31 December 2020:

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	7	(3,101)	–	–	–	**(3,101)**
Loans to banks	8	(115,742)	–	–	–	**(115,742)**
Loans to customers	9	(1,486,158)	919,807	5,234,617	162,568	**4,830,834**
Investment securities		1,178	–	–	–	**1,178**
Other financial assets	12	–	17,488	(404,302)	–	**(386,814)**
Credit related commitments	23	(210,419)	–	–	–	**(210,419)**
Total credit loss expenses		**(1,814,242)**	**937,295**	**4,830,315**	**162,568**	**4,115,936**

21. Personnel and other administrative expenses

Personnel and other operating expenses comprise:

	2021	*2020*
Personnel expenses and other payments	(4,022,549)	(3,285,665)
Social security contributions	(351,213)	(309,043)
Personnel expenses	**(4,373,762)**	**(3,594,708)**
Outsourcing costs	(592,673)	(531,965)
Office rent and maintenance	(479,206)	(427,100)
Taxes and other mandatory payments to budget	(225,708)	(194,780)
Depreciation and amortisation	(332,873)	(152,666)
Transportation costs	(136,305)	(133,635)
PPE and intangible assets technical maintenance	(117,153)	(62,104)
Audit expenses	(96,300)	(47,958)
Communication services	(77,452)	(77,306)
Consulting expenses	(71,483)	(16,564)
Business travel expenses	(69,116)	(42,091)
Marketing and advertising	(66,172)	(83,995)
Costs of assigning/watching/maintaining ratings services	(65,831)	(55,599)
The Board of Directors administrative expenses	(47,104)	(10,630)
Stationary and printing	(36,184)	(37,549)
Security services	(34,749)	(37,920)
Information services	(27,007)	(18,610)
Materials	(23,983)	(26,732)
Insurance expenses	(17,299)	(79,944)
Bank services	(9,789)	(9,695)
Personnel training	(8,892)	(7,471)
Charity and sponsorship	-	(19,493)
Other	(99,956)	(106,679)
Other operating expenses	**(2,635,235)**	**(2,180,486)**

22. Other expenses

	Twelve months ended 31 December	
	2021	*2020*
Other income from utilisation of government grants (Note 18)	16,965,469	24,045,742
Amortisation of government grant (Note 18)	1,973,202	1,447,808
Utilisation of government grant for previously issued loans	1,616,100	-
Loss on initial recognition on loans to banks under the Ken-Dala programme (Note 8)	(1,954,546)	(2,454,642)
Loss on initial recognition on loans to customers under the Ken-Dala programme (Note 9)	(4,027,401)	(3,678,827)
Loss on initial recognition on loans to customers under the Isker programme (Note 9)	(6,674,848)	(3,894,053)
Loss on initial recognition on loans to customers under the Agribusiness Development Programme	(1,055,269)	(6,739,991)
Loss on initial recognition on loans to customers under the Employment Roadmap for 2020-2021	(900,656)	-
Loss on initial recognition on other loans to customers	(25,782,983)	(10,891,789)
Other (expenses)/income	(391,227)	(268,314)
Other expenses	**(20,232,159)**	**(2,434,065)**

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Other income from utilisation of government grants was recognised as income based on the results of compliance with the terms of the relevant government programmes (Note 18).

23. Commitments and contingencies

Taxation

Kazakhstani commercial, and in particular, tax legislation contains regulations, interpretation of which could vary, and in certain cases, the legislation could be amended with indirect retrospective impact. Also, the Company's management's interpretation of the legislation may differ from that of tax authorities, and as a result, transactions carried out by the Company could be estimated by tax authorities in another way, and this could result in an additional charge of taxes, fines and penalties. The Company's management believes that all necessary tax accruals were fulfilled and, correspondingly, there were no allowances charged in the statements. Tax periods remain open for 5 (five) years. Management believes that its interpretation of the legislation as at 31 December 2021 and 31 December 2020 is appropriate and the Company's positions in terms of taxes, currency legislation and customs duties will be confirmed.

Legal matters

In the normal course of business, the Company is the subject of legal actions and claims. Management believes that the potential liabilities, if any, resulting from such actions and claims will not have a material adverse effect on the Company's future financial position or performance.

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

Credit related commitments

Commitments and contingent liabilities of the Company comprise:

	31 December 2021	*31 December 2020*
Credit related commitments		
Loan commitments	155,298,995	96,630,974
Allowance for expected credit losses	(1,092,195)	(1,045,045)
	154,206,800	**95,585,929**
Operating lease liabilities		
Up to 1 year	46,402	25,908
Commitments and contingent liabilities	**154,253,202**	**95,611,837**

Credit related commitments

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

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

The following is an analysis of movements in ECL allowance:

Loan commitments	*Twelve months ended 31 December 2021*	*2020*
	Stage 1	*Stage 1*
At 1 January	1,045,045	1,255,464
Movement in ECLs during the year	36,484	(210,419)
Takeover of FAGRI JSC	10,666	-
31 December	**1,092,195**	**1,045,045**

24. Risk management

Introduction

Risk is inherent in the Company's activities. The Company manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit, liquidity and market risk. It also subjects to operating risks.

The independent risk control process does not include business risks such as changes in the economic environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk control

The Risk Management Department is responsible for implementing and maintaining risk related procedures to ensure an independent control process, and for monitoring compliance with risk principles, policies and limits, across the Company. The Company's Risk Management Department comprises two separate units: financial risk management and credit risk departments.

Treasury

The Company Treasury is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

Internal Audit

Risk management processes throughout the Company are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations directly to the Company's Board and Board of Directors.

Risk measurement and reporting systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

Information compiled from all the businesses is examined and processed to analyse, control and identify early risks. This information is presented and explained to the Board, the Board of Directors and the head of each business unit. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Company.

Excessive risk concentration

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties, and by monitoring exposures for such limits. For example, to avoid concentrations of credit risk with one or a group of affiliated companies, a limit of up to 25.00% of the Company's equity has been set. Counterparty-bank limits for interbank transactions are established by the Shareholder.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions, carried out by the Company's designated business units. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The carrying amount of components of the statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. For more detail on impact of collateral and other risk mitigation techniques see Note 9.

Impairment assessment

The Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted using the EIR. A cash shortfall is a difference between the cash flows that are due to an entity following the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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Probability of Default (PD)	Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
Exposure at default (EAD)	Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in (EAD) the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.
Loss given default (LGD)	Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12m ECL is the portion of LTECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the established materiality threshold.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the remaining life of the financial instrument. Based on the above process, the Company groups its financial assets as described below:

Stage 1:	When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 also includes loans and other credit lines, where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECL. Stage 2 also includes loans and other credit lines, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Credit-impaired loans. The Company recognises an allowance for the lifetime ECL.
POCI:	Purchased or originated credit-impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value and interest revenue is subsequently recognised based on a risk-adjusted EIR. ECL allowance is only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 60 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- assigning the external credit rating of the counterparty as 'D' by an external rating agency;
- restructuring due to deterioration of the financial position of the borrower;
- the death of the borrower;
- recognition of the collateral / loan agreement as invalid by court order;
- imprisonment of the borrower by sanction /court decision;
- filing a claim for recognition of the borrower as bankrupt in accordance with the legislation of the Republic of Kazakhstan;
- enforcement in court;
- cross-default (if the information is available with the Company).

In accordance with the Company's policy, financial instruments are transferred from Stage 3, when none of the criteria for the occurrence of a default was observed at the reporting date. The decision as to whether an asset should be classified as Stage 2 or Stage 1 depends on whether there is an indication of an increase in credit risk at the reporting date since initial recognition.

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Treasury and interbank relationships

The treasury and interbank relationships of the Company comprise second-tier banks (STBs), including guaranteed loans provided by STBs, to which external credit ratings are assigned by at least by one of the three international rating agencies (Fitch Ratings, Moody's Investors Service, S&P Global Ratings). For these relationships, the Company assesses each counterparty separately. For counterparties with an external rating provided by international rating agencies or other available sources, the Company uses the probability of default according to the Moody's Investors Service (corporate ratings).

Agribusiness lending

In the case of agribusiness lending, the Company's structural divisions involved in calculating provisions perform work to determine whether there are indicators of a significant increase in credit risk, as well as loan impairment/default. The credit risk assessment is based on various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance.
- Macroeconomic information.
- Other reasonable and supportable information about the quality of the client's management and capabilities that is relevant to determining the entity's performance.

Exposure at default (EAD)

Exposure at default (EAD) is the gross carrying amount of financial instruments subject to impairment assessment and it reflects both the ability of the client to increase its debt as it approaches default and the possibility of early repayment.

Loss given default

To determine the loss given default (LGD), the Company takes into consideration cash repayments from the borrower after default (Post-Default Rate - RR (Cash)) and collateral on the loan. The RR (Cash) is assessed once a quarter. The value of the collateral is reviewed every month.

As part of determining cash flows, monthly cash repayments on defaulted loans (not including foreclosure amounts) are analysed for at least the last 5 years and monthly cumulative RR (Cash) for five years is calculated.

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

Significant increase in credit risk

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. The Company compares the risk of default on a financial instrument as at the reporting date with the risk of default on a financial instrument as at the date of initial recognition, and considers reasonable and supportable information that is available without undue cost or effort, which indicates a significant increase in credit risk from the time of initial recognition of the relevant instrument.

If reasonable and supportable forward-looking information is available without undue cost or effort, the Company does not rely solely on information on overdue payments in determining whether credit risk has increased significantly since initial recognition. However, when such information is not available, the Company uses information on overdue payments and the existence of restructuring of the borrower's debt in determining whether the credit risk has increased significantly since the initial recognition of the asset.

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Company calculates ECLs either on a collective or on an individual basis.

The Company assesses ECL on an individual basis for the following assets:

- all financial assets with indicators of impairment and/or default with a total debt of more than 0.2% of equity as at the previous reporting date according to the financial statements;
- treasury and interbank relationships (for example, amounts due from banks, cash equivalents and investment securities measured at amortised cost);
- financial assets that were classified as POCI at the time of derecognition of the original loan and recognition of the new loan as a result of debt restructuring.

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The Company calculates ECL on a collective basis for financial assets with no indicators of impairment /default and/or debt of less than 0.2% of equity as at the previous reporting date according to the financial statements. When performing an assessment on a collective basis, segmentation of loans with similar risk characteristics for collective impairment evaluation is performed. ECLs for assets assessed on a collective basis are calculated for each segment separately.

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on macroeconomic forecast information on GDP growth rates as economic inputs.

The choice of the macroeconomic factor is due to the fact that it is one of the most general (broad) indicators, in economic terms, that reflects the influence of many other factors.

To obtain forward-looking information, the Company relies on data from external sources (official website of the relevant state authorities, the National Bank of the Republic of Kazakhstan and other external information sources). The table below shows the values of forecast economic variables/assumptions used in each economic scenario to assess ECLs. The data for the column 'Subsequent years' is a long-term average, and therefore is the same for all scenarios as at 31 December 2021:

Key factors	*ECL scenario*	*Assigned probability, %*	*2020*	*2023*	*Subsequent years*
GDP rate growth					
	Optimistic	16%	1.41	2.12	1.33
	Basic	68%	0.41	1.12	0.33
	Pessimistic	16%	(0.59)	0.12	(0.67)

The Company's financial assets and liabilities are concentrated in the Republic of Kazakhstan.

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources. Management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2021 and 2020, based on contractual undiscounted payments.

At 31 December 2021	*Demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total*
Non-derivative financial liabilities						
Loans from the Parent Company	79,427	1,240,797	459,388	14,479,090	179,368,899	**195,627,601**
Loans from state and budget organisations	–	3,477,238	4,170,159	2,559,407	240,261,179	**250,467,983**
Debt securities issued	–	4,723,578	5,772,671	28,241,249	297,006,292	**335,743,790**
Other financial liabilities	23,914,950	–	–	1,144,233		**25,059,183**
Total liabilities	**23,994,377**	**9,441,613**	**10,402,218**	**46,423,979**	**716,636,370**	**806,898,557**
Credit related commitments	–	–	**452**	**4,099**	**1,087,644**	**1,092,195**

	Demand and less than 1 month	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*More than 1 year*	*Total*
Non-derivative financial liabilities						
Loans from the Parent Company	545,439	3,266,889	37,952,364	17,361,861	163,039,330	222,165,883
Loans from state and budget organisations	–	1,689,022	1,934,985	4,414,369	52,189,325	60,227,701
Debt securities issued	–	3,511,790	6,183,367	43,505,384	236,875,427	290,075,968
Other financial liabilities	–	–	–	428,560	183,446	612,006
Total liabilities	**545,439**	**8,467,701**	**46,070,716**	**65,710,174**	**452,287,528**	**573,081,558**
Credit related commitments	–	–	**449**	**33,451**	**1,011,145**	**1,045,045**

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The table below shows the contractual expiry by maturity of the Company's contractual commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

	Less than 3 months	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
2021	**155,298,995**	–	–	–	**155,298,995**
2020	96,630,974	–	–	–	96,630,974

The Company expects that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchanges.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate for assets and liabilities of the Company is fixed.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is not exposed to currency risk as all its assets and liabilities are denominated in KZT.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access rights, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

25. Changes in liabilities arising from financing activities

	Amounts due to the Shareholder	*Amounts due to credit institutions*	*Debt securities issued*	*Amounts due to the Government of the Republic of Kazakhstan*	*Amounts due to the state and budget organisations*	*Total liabilities from financing activities*
Carrying amount at 31 December 2020	**155,214,588**	**9,876,118**	**86,340,978**	–	**36,435,103**	**287,866,787**
Additions	33,523,182	–	76,206,439	70,000,000	12,856,780	192,586,401
Repayment	(20,533,889)	(9,800,000)	–	(70,000,000)	(3,066,250)	(103,400,139)
Dividends declared	16,034,036	–	–	–	–	16,034,036
Payment of dividends	(16,034,036)	–	–	–	–	(16,034,036)
Discount on initial recognition of liabilities at fair value	(9,738,641)		–	(5,287,922)	(5,038,235)	(20,064,798)
Other	5,662,790	(76,118)	1,650,073	5,287,922	3,582,735	16,107,402
Carrying amount at 31 December	**164,128,030**	–	**164,197,490**	–	**44,770,133**	**373,095,653**
Carrying amount at 2020	**164,128,030**	–	**164,197,490**	–	**44,770,133**	**373,095,653**
Additions	18,591,199	–	83,951,457	70,000,000	35,029,196	207,571,852
Repayment	(52,182,190)	–	(38,988,349)	(70,000,000)	(10,152,235)	(171,322,774)
Dividends declared	13,762,035	–	–	–	–	13,762,035
Payment of dividends	(13,762,035)	–	–	–	–	(13,762,035)
Discount/premium on initial recognition of liabilities at fair value	(42,302,269)		4,601,440	(5,711,976)	(20,368,775)	(63,781,580)
Reclassification			(23,914,950)			(23,914,950)
Recognized due to business combination	-	-	7,732,456	-	112,360,228	120,092,684
Other	6,025,652	–	(925,306)	5,711,976	5,175,848	13,988,170
Carrying amount at 31 December 2021	**94,260,422**	–	**196,654,238**	–	**166,814,395**	**457,729,055**

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The 'Other' item includes the effect of accrued but not yet paid interest on liabilities arising from financing activities. The Company classifies the interest paid as cash flows from operating activities.

26. Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

		Fair value measurement using			
	Valuation date	*Input data of Level 1*	*Input data of Level 2*	*Input data of Level 3*	*Total*
31 December 2021					
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2021	–	102,853,173	–	102,853,173
Loans to banks	31 December 2021	–	13,650,671	–	13,650,671
Loans to customers	31 December 2021	–	386,861,953	191,427,526	578,289,479
Finance lease receivables	31 December 2021	–	3,839,375	4,291,425	8,130,800
Investment securities	31 December 2021	–	835,891	–	835,891
Other financial assets	31 December 2021	–	4,966,637	–	4,966,637
Liabilities whose fair value is disclosed					
Due to the Shareholder	31 December 2021	–	87,047,530	–	87,047,530
Due to state and budget organisations	31 December 2021	–	160,515,209	–	160,515,209
Debt securities issued	31 December 2021	–	197,086,612	–	197,086,612
Other financial liabilities	31 December 2021	–	26,127,826	–	26,127,826
At 31 December 2020					
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2020	–	75,643,105	–	75,643,105
Loans to banks	31 December 2020	–	11,935,299	–	11,935,299
Loans to customers	31 December 2020	–	220,671,187	199,423,928	420,095,115
Investment securities	31 December 2020	–	658,279	–	658,279
Other financial assets	31 December 2020	–	–	1,861,095	1,861,095
Liabilities whose fair value is disclosed					
Due to the Shareholder	31 December 2020	–	148,455,904	–	148,455,904
Due to state and budget organisations	31 December 2020	–	40,597,531	–	40,597,531
Debt securities issued	31 December 2020	–	150,872,522	–	150,872,522
Other financial liabilities	31 December 2020	–	595,985	–	595,985

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

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

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	31 December 2021		
	Carrying amount	*Fair value*	*Unrecognised profit/(loss)*
Financial assets			
Cash and cash equivalents	102,853,173	102,853,173	–
Loans to banks	12,708,512	13,650,671	942,159
Loans to customers	665,016,227	578,289,479	(86,726,748)
Finance lease receivables	9,626,642	8,130,800	(1,495,842)
Investment securities	839,325	835,891	(3,434)
Other financial assets	4,966,637	4,966,637	–
Financial liabilities			
Due to the Shareholder	94,260,422	87,047,530	7,212,892
Due to state and budget organisations	166,814,395	160,515,209	6,299,186
Debt securities issued	196,654,238	197,086,612	(432,374)
Other financial liabilities	26,127,826	26,127,826	–
Total unrecognised change in unrealised fair value			**(74,204,161)**

	31 December 2020		
	Carrying amount	*Fair value*	*Unrecognised profit/(loss)*
Financial assets			
Cash and cash equivalents	75,643,105	75,643,105	–
Loans to banks	14,941,678	11,935,299	(3,006,379)
Loans to customers	449,226,953	420,095,115	(29,131,838)
Investment securities	670,250	658,279	(11,971)
Other financial assets	1,946,771	1,861,095	(85,676)
Financial liabilities			
Due to the Shareholder	164,128,030	148,455,904	15,672,126
Due to state and budget organisations	44,770,133	40,597,531	4,172,602
Debt securities issued	164,197,490	150,872,522	13,324,968
Other financial liabilities	608,002	595,985	12,017
Total unrecognised change in unrealised fair value			**945,849**

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

Assets whose fair value approximates their present value

For financial assets and financial liabilities that are liquid or have a short maturity (less than three months), it is assumed that their present value approximates fair value. This assumption also applies to the call deposits and savings accounts with no fixed maturity date.

Fixed rate instruments

For listed debt instruments, the fair value is based on quoted market prices. In case of non-quoted debt instruments, a discounted cash flow model is used using the current interest rate, taking into account the remaining period to maturity for debt instruments with similar terms and credit risk.

For loans to banks and loans to customers future cash flows are discounted using an average market rate of financial instruments with similar maturities, based on statistics published by NBRK. This approach has been used to measure the fair value of loans to customers. As at 30 December 2021, an average market rate was 10.54-16.70% p.a. (31 December 2020: 9.60-14.60% p.a.).

For liabilities whose fair value is disclosed in the financial statements, future cash flows are discounted at market rate calculated using build-up model using all observable inputs such as KASE yield curve and credit spread for the rating of the Company adjusted by maturity and published by S&P (Capital IQ financials). As at 31 December 2021, the market rate used to measure the fair value of loans raised was 10.42-12.47% p.a. (31 December 2020: 5.92-11.48% p.a.). Future cash flows include repayment of a principal debt and interest calculated at the contractual interest rate applied to the principal debt.

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27. Maturity analysis of assets and liabilities

The following table shows assets and liabilities by expected maturities: See Note 25 Risk Management for the Company's contractual undiscounted repayment obligations.

	2021			*2020*		
	Within one year	*More than 1 year*	*Total*	*Within one year*	*More than 1 year*	*Total*
Assets						
Cash and cash equivalents	102,853,173	–	102,853,173	75,643,105	–	75,643,105
Due from banks	3,526,004	9,182,508	12,708,512	3,290,300	11,651,378	14,941,678
Loans to customers	143,896,846	521,119,381	665,016,227	149,158,337	300,068,616	449,226,953
Finance lease receivables	1,032,981	8,593,661	9,626,642	–	–	–
Assets held for sale	1,601,806	–	1,601,806	3,409,307	–	3,409,307
Investment securities	251,412	587,913	839,325	–	670,250	670,250
Investment property	–	3,128,638	3,128,638	–	438,163	438,163
Property, plant and equipment	–	1,425,804	1,425,804	–	314,557	314,557
Intangible assets	–	624,683	624,683	–	245,064	245,064
Deferred corporate income tax assets	1,785,126	–	1,785,126	–	362,905	362,905
Other assets	3,644,198	3,230,844	6,875,042	1,505,199	781,778	2,286,977
Total assets	**258,591,546**	**547,893,432**	**806,484,978**	**233,006,248**	**314,532,711**	**547,538,959**

	2021			*2020*		
	Within one year	*More than 1 year*	*Total*	*Within one year*	*More than 1 year*	*Total*
Liabilities						
Due to the Shareholder	7,683,563	86,576,859	94,260,422	55,771,725	108,356,305	164,128,030
Debt securities issued	21,026,916	175,627,322	196,654,238	52,394,152	111,803,338	164,197,490
Due to state and budget organisations	6,770,617	160,043,778	166,814,395	6,384,741	38,385,392	44,770,133
Current corporate income tax liabilities	–	–	–	49,345	–	49,345
Deferred corporate income tax liabilities	–	6,614,451	6,614,451	–	–	–
Current estimated liabilities	1,205,120	–	1,205,120	447,545	–	447,545
Government grants	6,873,178	33,641,832	40,515,010	3,312,883	9,158,681	12,471,564
Other liabilities	29,731,901	-	29,731,901	1,564,350	172,853	1,737,203
Total liabilities	**73,291,295**	**462,504,242**	**535,795,537**	**119,924,741**	**267,876,569**	**387,801,310**
Net position	**185,300,251**	**85,389,190**	**270,689,441**	**113,081,507**	**46,656,142**	**159,737,649**

28. Segment reporting

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

29. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The Government of the Republic of Kazakhstan controls the Company's operations through the Shareholder.

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

	31 December 2021				*31 December 2020*			
	Nominal rate, %	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*	*Nominal rate, %*	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*
Assets								
Cash and cash equivalents	–	–	–	29,486,336	–	–	–	26,898,863
Investment securities	9.70-12.00	–	597,255	242,070	12.00	–	670,250	–
Loans to customers	5.00	–	11,282,534	–	5.00	–	13,632,477	–
Current corporate income tax	–	–	–	1,785,126	–	–	–	–
Deferred corporate income tax assets	–	–	–	–	–	–	–	362,905
Liabilities								
Due to the Shareholder	1.00-5.00	94,260,422	–	–	0.32-15.50	164,128,030	–	–
Due to state and budget organisations	0.01	–	–	166,814,395	0.01	–	–	44,770,133
Debt securities issued	7.10-15.00	115,185,764	–	71,996,304	5.00-14.00	56,359,847	797,237	106,518,295
Current corporate income tax liabilities	–	–	–	–	–	–	–	49,345
Deferred corporate income tax liabilities	–	–	–	6,431,650	–	–	–	-
Government grants	–	–	–	40,515,010	–	–	–	12,471,564
Other liabilities	–	–	–	23,914,950	–	–	–	–

	Twelve months ended 31 December 2021			*Twelve months ended 31 December 2020*		
	Shareholder	*Entities under common control of the Shareholder*	*Government-related organisations*	*Shareholder*	*Entities under common control of the Shareholder*	*Government-related organisations*
Interest income on cash and cash equivalents	–	–	2,352,212	–	–	1,877,082
Interest income on investment securities	–	65,250	1,875	–	65,502	–
Interest income on loans to customers	–	1,727,677	–	–	1,952,111	–
Interest expense on loans received	(10,513,105)	–	(10,901,040)	(12,597,806)	–	(3,593,758)
Interest expense on debt securities issued	(7,629,704)	(60,590)	(10,035,048)	(5,034,677)	(63,594)	(5,310,402)
Credit loss expenses	–	(359,112)	–	–	(162,782)	–
Other expenses	–	–	20,554,771	–	–	25,493,550
Corporate income tax expense	–	–	(2,202,454)	–	–	(4,097,000)

Key management remuneration

Key management remuneration comprises the following:

	Twelve months ended 31 December	
	2021	*2020*
Salaries and other short-term benefits	167,210	110,292
Remuneration of the Board of Directors	32,366	10,630
The Board of Directors administrative expenses	11,709	-
Social contributions	18,247	11,075
Total key management remuneration	**229,532**	**131,997**

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30. Capital adequacy

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

As at 31 December 2021 and 31 December 2020, the Company was in full compliance with the externally imposed capital requirements.

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

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

NBRK requires that the organisations engaged in certain types of banking activity to maintain a Tier 1 capital adequacy ratio (k1) of at least 6% of the assets; capital adequacy ratio (k1-2) in the amount of at least 6% of assets and risk-weighted contingent liabilities and commitments, and a total capital adequacy ratio (k1-3) of at least 12% of the assets and contingent liabilities and commitments weighted based on risk and operational risk.

As at 31 December 2021 and 31 December 2020, the Company's capital adequacy ratios calculated in accordance with the requirements of the NBRK were as follows:

	31 December 2021	*31 December 2020 (restated)*
Tier 1 capital	261,475,207	141,018,451
Tier 2 capital	8,695,040	18,603,885
Total capital	**270,170,247**	**159,622,336**
Risk-weighted assets	770,484,968	519,905,425
Contingent liabilities and commitments	77,649,498	48,315,487
Operational risk	21,785,778	24,259,013
Capital adequacy ratio (k1)	32.42%	25.75%
	30.83%	24.82%
Capital adequacy ratio (k1-3)	31.06%	26.94%

31. Subsequent events

On 2 January 2022 protests started in Western Kazakhstan related to an increase in the liquefied natural gas price from 60 tenge to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January 2022 the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including additional taxes.

On 19 January 2022 the state of emergency was lifted. The Company is currently unable to quantify what the impact, if any, may be on the financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The military conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

In February 2022, the National Bank of Kazakhstan increased the base rate and as at the date of issue of the financial statements the base rate is 14.00% with a corridor of +/- 1%.

According to press releases from the National Bank of Kazakhstan, the rapidly changing geopolitical and external economic environment in trading partner countries and the unprecedented level of uncertainty reduce significantly the possibility to make robust forecasts regarding the impact of the conflict on the economy of the Republic of Kazakhstan.

The Company is currently unable to quantify the impact of the above events on the Company's operations and financial position.

In February the Company received a loan from the Ministry of Finance of the Republic of Kazakhstan for the total amount of KZT 70,000,000 thousand bearing an interest rate of 0.01% per annum and maturing in 10 months to issue tranches for financing the spring and works.