Joint Stock Company
Agrarian Credit Corporation

Financial statements

for 2019,
together with independent auditor's report

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

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

Opinion

We have audited the financial statements of Agrarian Credit Corporation Joint Stock Company (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's 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' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers	
Estimation of the allowance for expected credit losses on loans to customers in accordance with IFRS 9 *Financial Instruments* is a key area of judgement for the Company's management. Identification of indicators of significant increase in credit risk since the initial recognition of the asset, determination of the probability of default and the loss given default are the processes involving a significant level of subjective judgement, use of assumptions and analysis of various historical, current and forward-looking information. The use of different models and assumptions can significantly affect the allowance for expected credit losses on loans to customers. Due to the significant amount of loans to customers, which in aggregate amount to 78% of the total assets of the Company as at 31 December 2019, and because of an extensive use of professional judgment, estimation of allowance for expected credit losses was a key audit matter. Information on expected credit losses on loans to customers is presented in Note 7 *Loans to customers* and Note 23 *Risk management* to the financial statements.	Our audit procedures included analysis of the methodology for estimating the allowance for expected credit losses on loans to customers, as well as the analysis and testing of controls over the processes of identifying indicators of significant increase in credit risk since the initial recognition of the asset, including overdue dates and availability of debt restructuring due to credit deterioration of the asset. As part of the audit procedures, we performed, on a selective basis, an analysis of assumptions and testing of inputs used by the Company in estimating the allowance for expected credit losses on loans to customers, including statistical data on debt servicing, recovery of losses in the event of default as a result of sale of collateral and repayment of debt in cash, as well as impact of forward-looking macroeconomic factors. We have restated allowance for expected credit losses. We analysed the information on the allowance for expected credit losses on loans to customers disclosed in the notes to the financial statements.

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Other information included in the Company's 2019 Annual Report

Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Company's 2019 Annual Report is expected to be made available to us after the date of this auditor's 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 Board of Directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's 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 auditor's 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 the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with the Board of Directors, 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 auditor's 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 partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khegay
Auditor

Gulmira Turmagambetova
General Director
Ernst & Young LLP

Auditor Qualification Certificate No. МФ-0000286 dated 25 September 2015

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty,
77 Al-Farabi Ave., Esentai Tower

10 April 2020

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

(in thousands of tenge)

	Notes	*31 December 2019*	*31 December 2018*
Assets			
Cash and cash equivalents	6	**48.578.130**	70.889.857
Amounts due from banks	7	**45.063.483**	32.815.837
Loans to customers	8	**361.783.687**	265.103.066
Assets held for sale	8	**1.880.310**	864.739
Finance lease receivables	10	**2.287.406**	–
Investment securities	9	**604.896**	–
Investment property	11	**447.821**	345.724
Property, plant and equipment	12	**367.500**	362.767
Intangible assets	13	**254.653**	297.828
Current corporate income tax assets	20	**–**	359.009
Deferred corporate income tax assets	20	**–**	982.220
Other assets	14	**1.663.281**	274.320
Total assets		**462.931.167**	372.295.367
Liabilities			
Amounts due to the Shareholder	15	**155.214.588**	127.888.348
Due to credit institutions	16	**9.876.118**	9.546.645
Debt securities issued	17	**86.340.978**	56.898.981
Due to state and state-financed organisations	18	**36.435.103**	22.634.685
Current provisions		**373.023**	344.507
Current corporate income tax liabilities	20	**135.976**	–
Deferred corporate income tax liabilities	20	**1.486.049**	–
Other liabilities	19	**4.231.587**	3.688.523
Total liabilities		**294.093.422**	221.001.689
Equity			
Share capital	21	**167.809.534**	158.630.371
Additional paid in capital	21	**58.624.854**	34.670.854
Reserve funds	21	**5.339.751**	5.339.751
Provision for notional distribution	21	**(67.467.287)**	(46.219.772)
Retained earnings / (accumulated loss)		**4.530.893**	(1.127.526)
Total equity		**168.837.745**	151.293.678
Total liabilities and equity		**462.931.167**	372.295.367
Book value per ordinary share (tenge)	21	**1.002,72**	951,87

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

Baglan Kulibayevich Kultayev — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

10 April 2020

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

(in thousands of tenge)

	Notes	*2019*	*2018*
Interest income calculated using effective interest rate			
Cash and cash equivalents		**4.323.045**	3.749.649
Amounts due from banks		**5.529.233**	4.046.964
Loans to customers		**41.966.531**	24.660.881
Investment securities		**3.099.505**	4.533.535
		54.918.314	36.991.029
Other interest income			
Finance lease receivables		**42.844**	–
		54.961.158	36.991.029
Interest expenses			
Amounts due to the Shareholder		**(11.632.992)**	(4.396.260)
Due to credit institutions		**(902.375)**	(122.454)
Debt securities issued		**(5.317.449)**	(5.810.686)
Due to state and state-financed organisations		**(2.546.677)**	(1.785.800)
Amounts due to the Government of the Republic of Kazakhstan		**(5.467)**	(5.417)
Other liabilities		**(114.313)**	(119.301)
		(20.519.273)	(12.239.918)
Net interest income		**34.441.885**	24.751.111
Credit loss expense	22	**(7.966.793)**	(5.076.898)
Net interest income less loan loss expense		**26.475.092**	19.674.213
Net gain / (loss) from foreign currencies		**49**	(629)
Other income		**218.832**	201.759
Personnel expenses	23	**(3.328.928)**	(2.810.515)
Other operating expenses	23	**(2.100.061)**	(2.038.261)
Net losses as a result of modification of financial assets measured at amortised cost	8	**(303.107)**	(1.287.749)
Net losses on derecognition of financial liabilities measured at amortised cost		**(663.174)**	(388.195)
Other expense		**(198.385)**	(2.992)
Non-interest expense		**(6.374.774)**	(6.326.582)
Profit before corporate income tax expense		**20.100.318**	13.347.631
Corporate income tax expenses	20	**(4.066.282)**	(2.972.014)
Profit for the year		**16.034.036**	10.375.617
Basic and diluted earnings per common share (in tenge)	21	**100,63**	65,41

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

Baglan Kulibayevich Mukhtarov — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

10 April 2020

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

(in thousands of tenge)

	Notes	*2019*	*2018*
Profit for the year		**16.034.036**	10.375.617
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**16.034.036**	10.375.617

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

Baglan Kulibayevich Kultayev — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

10 April 2020

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

(in thousands of tenge)

	Notes	*Share capital*	*Additional paid-in capital*	*Reserve funds*	*Allowance for notional distribution*	*Accumulated loss / retained earnings*	*Total*
As at 1 January 2018		158.630.371	12.538.954	2.546.627	(24.051.401)	2.894.127	152.558.678
Impact of adopting IFRS 9		–	–	–	–	(7.414.461)	(7.414.461)
Restated opening balance under IFRS 9		158.630.371	12.538.954	2.546.627	(24.051.401)	(4.520.334)	145.144.217
Total comprehensive income for the reporting period		–	–	–	–	10.375.617	10.375.617
Income from initial recognition of loans from the Shareholder at fair value net of tax	21	–	22.131.900	–	–	–	22.131.900
Provision for notional distribution for the year net of tax	21	–	–	–	(22.168.371)	–	(22.168.371)
Increase in reserve funds	21	–	–	2.793.124	–	(2.793.124)	–
Dividends declared	21	–	–	–	–	(4.189.685)	(4.189.685)
As at 31 December 2018		158.630.371	34.670.854	5.339.751	(46.219.772)	(1.127.526)	151.293.678
1 January 2019		158.630.371	34.670.854	5.339.751	(46.219.772)	(1.127.526)	151.293.678
Total comprehensive income for the reporting period		–	–	–	–	16.034.036	16.034.036
Increase in the share capital as part of KazAgroProduct JSC merger	21	9.179.163					9.179.163
Income from initial recognition of loans from the Shareholder at fair value net of tax	21	–	23.954.000	–	–	–	23.954.000
Provision for notional distribution for the year net of tax	21	–	–	–	(21.247.515)	–	(21.247.515)
Dividends declared	21	–	–	–	–	(10.375.617)	(10.375.617)
As at 31 December 2019		167.809.534	58.624.854	5.339.751	(67.467.287)	4.530.893	168.837.745

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

Baglan Kulibayevich Kultayev — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

10 April 2020

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

(in thousands of tenge)

	Notes	*2019*	*2018*
Cash flows from operating activities			
Interest received		32.257.118	26.139.685
Interest paid		(11.373.040)	(8.247.414)
Personnel expenses paid		(2.443.471)	(1.995.653)
Other operating expenses paid		(2.026.829)	(1.995.980)
Cash flows from operating activities before changes in operating assets and liabilities		16.413.778	13.900.638
Net (increase)/decrease in operating assets			
Amounts due from banks		(10.026.355)	(22.272.865)
Loans to customers		(111.503.497)	(115.299.936)
Other assets		405.405	56.595
Net increase/(decrease) in operating liabilities			
Other liabilities		1.644.965	(547.911)
Net cash used in operating activities before corporate income tax		(103.065.704)	(124.163.479)
Corporate income tax paid		(2.005.681)	(889.448)
Net cash used in operating activities		(105.071.385)	(125.052.927)
Cash flows from investing activities			
Proceeds from redemption of investment securities		404.712.426	798.538.221
Purchase of investment securities		(404.678.244)	(747.540.056)
Purchase of property, plant and equipment		(42.187)	(208.881)
Purchase of intangible assets		(105.763)	(95.938)
Net cash flows (used in)/from investing activities		(113.768)	50.693.346
Cash flows from financing activities			
Proceeds from loans from the Government of the Republic of Kazakhstan	26	60.000.000	60.000.000
Repayment of loans from the Government of the Republic of Kazakhstan	26	(60.000.000)	(60.000.000)
Proceeds from loans from credit institutions	26	9.800.000	9.477.052
Repayment of loans from credit institutions	26	(9.477.051)	(1.553.480)
Proceeds from loans from the Shareholder	26	69.601.108	133.228.800
Repayment of loans from the Shareholder	26	(23.348.012)	(4.674.673)
Debt securities issued	26	28.729.231	–
Redemption of debt securities issued	26	–	(10.000.000)
Proceeds from loans from state and state-financed organisations	26	17.867.780	18.463.010
Repayment of borrowings from state and state-financed organisations	26	(365.127)	(2.041.701)
Receipt of funds from KazAgroProduct JSC	5	437.983	–
Repayment of loans from related parties		–	(500.000)
Payment of dividends	21	(10.375.617)	(4.189.685)
Net cash from financing activities		82.870.295	138.209.323
Effect of changes in expected credit losses on cash and cash equivalents		3.131	(6.867)
Net change in cash and cash equivalents		(22.311.727)	63.842.875
Cash and cash equivalents, beginning		70.889.857	7.046.982
Cash and cash equivalents, ending	6	48.578.130	70.889.857
Non-cash transactions			
Transfer of an asset on CIT within KazAgroProduct JSC merger	5	75.398	–

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

Baglan Kulbayevich Kultayev — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

10 April 2020

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

(in thousands of tenge)

1. Principal activities

Agrarian Credit Corporation JSC (the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 "On issues of credit financing of agricultural sector" in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Company carries out activities on the basis of a license to conduct operations provided for by banking legislation of the Republic of Kazakhstan No. 5.2.24 as of 5 November 2013, issued by the Committee on Regulation and Supervision of the Financial Market and Financial Organizations under the National Bank of the Republic of Kazakhstan. The Company activities are regulated by the National Bank of the Republic of Kazakhstan (the "NBRK").

The core activities of the Company include implementation of government programs to support the agricultural sector, attraction of domestic and foreign investment for the realization of their own projects in the agricultural sector, development and implementation of projects in the agricultural sector, realization of collateral and agricultural products received in repayment of issued funds, banking borrowing operations on the basis of a license, leasing activities, and other activities not prohibited by the legislative acts that meet the goals and objectives of the Company stipulated by the Charter.

The financing activities of the Company provide for specific requirements and limitations on the use of funds. Interest rate for granted loans to customers is below market owing to implementation of the programs of agriculture development in the Republic of Kazakhstan.

As at 31 December 2019 and 2018, KazAgro National Managing Holding Joint Stock Company ("KazAgro" or the "Shareholder") owns 100% shares of the Company. The ultimate controlling party of the Company is the Government of the Republic of Kazakhstan.

On 5 December 2019, the Company carried out a voluntary reorganisation through KazAgroProduct JSC (KAP) merger based on the decision of the sole Shareholder's Management Board No. 47 dated 18 October 2019. As at 31 December 2019, the Company has 17 registered branches throughout the Republic of Kazakhstan (as at 31 December 2018: 16 branches).

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

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are prepared under the historical cost convention except as disclosed in Summary of significant accounting policies.

These financial statements are presented in thousands of Kazakh tenge ("KZT thousand), except per common share amounts and unless otherwise indicated.

3. Summary of accounting policies

Changes in accounting policies

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after 1 January 2019. The Company did not apply ahead the standards, clarifications or amendments that were issued, but did not enter into force. The nature and the impact of each amendment is described below:

New standards, interpretations and amendments thereof

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

(in thousands of tenge)

3. Summary of accounting policies (continued)

New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Company is the lessor.

The Company first applied IFRS 16 on 1 January 2019. The Company elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets). Since the Company's lease agreements are short-term and do not contain a renewal option, this standard did not have a significant impact on the Company's financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the interpretation, the Company considered whether it has any uncertain tax positions. The Interpretation did not have an impact on the financial statements of the Company in 2019.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments had no impact on the financial statements of the Company.

(in thousands of tenge)

3. Summary of accounting policies (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity shall apply IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures*. These amendments had no impact on the financial statements as the Company does not have long term interests in its associate and joint venture.

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt those standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for insurance contracts with direct participation terms (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

IFRS 17 is effective for reporting periods starting on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company has not early adopted this standard in 2019.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.- The amendment is effective for acquisitions to occur on or after 1 January 2020; earlier application is permitted.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1: Presentation of Financial Statements – Classification of Financial Liabilities as Current or Non-Current and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments are effective from 1 January 2020. Early application is allowed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company's financial statements will not be affected by these amendments in 2019.

Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial Instruments: Interest Rate Benchmark Reform

Amendments to IFRS 7 *Financial instruments — Disclosures* and IFRS 9 *Financial Instruments* include a number of exemptions that apply to all hedging relationships that are directly affected by the base interest rate reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. The amendments are effective from 1 January 2020. Early application is allowed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company's financial statements will not be affected by these amendments in 2019.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS Annual Improvements 2015-2017 Cycle

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Early adoption is permitted. Since the Company's current policy is in line with these amendments, the Company does not expect any effect on its financial statements.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Mergers of subsidiaries from parties under common control

Mergers of subsidiaries from parties under common control are accounted for using the pooling of interests method.

The assets and liabilities of the subsidiary transferred under common control are recorded in these financial statements prospectively at the carrying amounts of the transferring entity (the predecessor) at the date of the transfer. Any difference between the total book value of net assets, and the consideration paid is accounted for in these financial statements as an adjustment to the shareholders' equity.

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

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company 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 are 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.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, 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
- FVOCI
- FVPL

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, 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 FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from banks, loans to customers, investments securities 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:

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

The details of these conditions are outlined 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 on an instrument-by-instrument basis, 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 are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Business model assessment (continued)

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.

The SPPI test

As a second step of its classification process the Company assesses the contractual terms of 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 at 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 judgement 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 FVPL.

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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 FVPL.

Undrawn loan commitments

Undrawn loan 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 commitments are in the scope of the ECL requirements.

The Company occasionally issues loan commitments at below market interest rates drawdown. Such commitments are initially recognised at fair value and subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(in thousands of tenge)

3. Summary of accounting policies (continued)

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 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, due to credit institutions and debt securities issued, due to the 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 profit or loss when the borrowings 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.

This is not generally the case with 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, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- 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 result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss that is presented in other expenses in the statement of profit or loss.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Renegotiated loans (continued)

For modifications not resulting in derecognition, the Company also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired.

Derecognition of financial assets and 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 rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them 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 either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. Write-off is related to derecognition.

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.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of 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 tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred 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 Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are included as a component of other operating expenses.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Property, plant and equipment

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

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

	Depreciation rates
Buildings	1-5%
Machinery and equipment	4-20%
Motor vehicles	10-25%
Other	10-33%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Investment property

Investment property is intended to earn rentals or capital appreciation, and which is not used by the Company as fixed assets.

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property at the time when such cost are incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at cost, less accumulated depreciation. Investment property is depreciated on a straight-line basis over the period of useful life, which is 50 years.

Investment properties are derecognised when either they have been disposed of or when no future economic benefit is expected from its disposal. Any income and losses from disposal of investment properties are recognised within 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 is not changed because the Company uses the model of cost accounting for both categories: investment property and owner occupied property.

Intangible assets

Intangible assets comprise computer software and licenses.

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

(in thousands of tenge)

3. Summary of accounting policies (continued)

Assets held for sale

The Company classifies non-current assets as held for sale if its current 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.

The sale qualifies as highly probable if the Company's management is committed to a plan to sell the non-current asset. An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at 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 an asset classified as held for sale at the lower of its current 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 current amount may be impaired.

Repossessed collateral

Repossessed collateral represents pledged property repossessed from the Company's borrowers to repay the debt on loans on a voluntary or compulsory basis. The decision on the recognition of repossessed property in the Company's balance sheet by the Credit Committee and then the Management Board of the Company. After all the procedures, property is recognized in the Company's balance sheet at its current assessed value. These assets are recorded within assets held for sale in the statement of financial position.

Share capital

Share capital

Contributions to share capital are recognised at historic cost, less direct issuance costs.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared 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.

Provision for notional distribution

When the Company enters into a loan agreement with borrowers at below market rates on behalf of the Shareholder, the difference between the nominal value and fair value of the loan upon initial recognition is recorded as provision for notional distribution as deemed distribution to the Shareholder.

Additional paid in capital

When the Company receives loans or other financial support from the Shareholder and state and state-financed organization of the Republic of Kazakhstan at below market rates, the difference between received cash consideration and fair value of loans or other financial support at the date of initial recognition is recorded as additional paid-in capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

(in thousands of tenge)

3. Summary of accounting policies (continued)

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.

Revenue and expense recognition

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 revenue and expense

The Company calculates interest revenue 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 (before 1 January 2019: by applying EIR to the amortised cost of financial assets). EIR 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 options) 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 revenue or expense.

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

For purchased or originated credit-impaired (POCI) financial assets, the Company calculates interest revenue 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.

Foreign currency translation

The financial statements are presented in Kazakh tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as net income/(loss) from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Difference between the contractual exchange rate of a transaction in a foreign currency and the Kazakhstan Stock Exchange official exchange rate on the date of the transaction are included in gains less losses from foreign exchange difference. Below are the exchange rates used by the Company in preparation of these financial statements:

	2019	*2018*
KZT/USD	**381,18**	384,2
KZT/EUR	**426,85**	439,37
KZT/RUR	**6,17**	5,52

(in thousands of tenge)

3. Summary of accounting policies (continued)

Segment reporting

Business and geographical segments of the Company were not presented separately in these financial statements, since the Company's management believes that the chief operating segment for granting loans are agricultural entities in the Republic of Kazakhstan, for which risks and recoverability level are considered to be the same throughout the country. Making decisions about allocation of the Company's resources and performance assessment by the Company's management, which makes operational decisions, are based on IFRS financial statements.

4. Significant accounting judgements and estimates

Uncertainty of estimates and judgements

In the process of applying the Company's accounting policies, management has made the following judgements and estimates, apart from those involving estimates, which have the most significant effect on 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 judgement is required in establishing fair values.

Expected credit losses on financial assets

The measurement of impairment losses both under IFRS 9 as at 1 January 2019 and IAS 39 as at 1 January 2019 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of 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 LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Assessment of collateral

The management of the Company monitors collateral on a regular basis using experienced judgements or independent estimate in order to adjust the cost of collateral considering the current market situation.

(in thousands of tenge)

4. Significant accounting judgements and estimates (continued)

Uncertainty of estimates and judgements (continued)

Taxation

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 nonexistent 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 conflict. 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.

5. Business combination

In accordance with the decision of the sole Shareholder's Management Board No. 47 dated 18 October 2019, the Company carried out a voluntary reorganisation through KAP merger on 5 December 2019. Property, rights and obligations of KAP were transferred to the Company as part of voluntary reorganisation from the date of approval of the transfer act with due account for the requirements of the legislation of the Republic of Kazakhstan.

As a result of the reorganisation, the Company became the legal successor of KAP for all its obligations and property rights in respect of all creditors and debtors of KAP, including obligations and property rights disputed by the parties (KAP and/or third parties).

Prior to the merger, on 5 December 2019, KazAgro owned 100% of KAP's shares. Since KAP merger is a combination of businesses under common control, the Company has applied the pooling of interests method without historical restatement.

KAP share purchase price and share offering price of the Company are identified with an accuracy of six decimal places, namely as the ratio of KAP or the Companys' equity to the number of outstanding shares of KAP or the Company respectively (excluding the shares repurchased by KAP or the Company, respectively). The Company placed ordinary shares to the sole Shareholder in the amount of 9,494,625 shares at a price of 966.77 tenge for the amount of KZT 9,179,163 thousand in exchange for ordinary shares of KAP.

The carrying value of the acquired identifiable assets and liabilities was as follows:

	As at 5 December 2019
Assets	
Loans issued	1.999.509
Finance lease receivables (Note 10)	1.943.447
Accounts receivable (*Note 14*)	1.338.595
Assets held for sale	1.314.229
Inventories	808.427
Investment securities measured at amortised cost	600.000
Loans to customers (Note 8)	318.153
Corporate income tax prepaid	75.398
Other taxes prepaid	176.015
Investment properties (*Note 11*)	176.523
Property, plant and equipment (Note 12)	19.278
Other	47
Total assets	8.769.621
Liabilities	
Short-term accounts payable to suppliers and contractors	8.989
Short-term advances received	19.452
Total current liabilities	28.441
Total liabilities	28.441

5. Business combinations (continued)

Cash and cash equivalents in the amount of KZT 437,983 thousand on the current bank account of KAP at the end of the business day on 6 December 2019 were transferred to the Company's current bank account.

(in thousands of tenge)

ECL allowance for received identifiable financial assets was as follows:

	As at 5 December 2019
Loans to customers (Note 8)	(319.967)
Finance lease receivables (Note 10)	(1.761.598)
Accounts receivable (Note 14)	(6.942.650)
	(9.024.215)

6. Cash and cash equivalents

Cash and cash equivalents comprised the following:

	31 December 2019	*31 December 2018*
Cash in current bank accounts	**48.581.865**	70.896.723
Cash on hand	**1**	1
	48.581.866	70.896.724
Less ECL allowance	**(3.736)**	(6.867)
Cash and cash equivalents	**48.578.130**	70.889.857

All balances of cash equivalents are allocated to Stage 1 for ECL measurement purpose. An analysis of changes in the ECL allowance for 2019 is as follows:

	2019	*2018*
ECL allowance as at 1 January	**6.867**	1.270
Change in ECL for the period	**(3.131)**	5.597
ECL allowance at 31 December	**3.736**	6.867

Concentration of cash and cash equivalents

As at 31 December 2019, cash placed on current accounts included funds in the amount of KZT 26,744,778 thousand or 55% of the total cash and cash equivalents placed with Citibank Kazakhstan JSC (as at 31 December 2018: KZT 28,569,603 thousand or 40% of the total amount of cash and cash equivalents).

7. Amounts due from banks

Amounts due from banks comprise:

	31 December 2019	*31 December 2018*
Loans to the second-tier banks	**34.102.894**	37.142.226
Time deposits for more than 90 days	**11.102.767**	1.009.342
	45.205.661	38.151.568
Less ECL allowance	**(142.178)**	(5.335.731)
Amounts due from banks	**45.063.483**	32.815.837

As at 31 December 2019, amounts due from banks include loans in tenge provided by Bank RBK JSC, Nurbank JSC, Tengri Bank JSC, ATF Bank JSC, SB Sberbank of Russia JSC, Halyk Bank of Kazakhstan JSC, SB VTB Bank (Kazakhstan) JSC and First Heartland Jýsan Bank JSC for lending to agroindustrial complex facilities with maturity until 2028 and interest rates from 2.8% to 12.5% per annum (as at 31 December 2018: from 2.8% to 13.2% per annum and maturity until 2023).

(in thousands of tenge)

7. Amounts due from banks (continued)

The table below shows an analysis of changes in the gross carrying amount and the corresponding ECL allowances during the year ended 31 December 2019:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2019	**29.938.561**	–	**8.213.007**	**38.151.568**
New assets originated or purchased	**57.473.100**	–	–	**57.473.100**
Assets repaid	**(49.737.484)**	–	**(588.853)**	**(50.326.337)**
Transfers to Stage 1	**7.624.154**	–	**(7.624.154)**	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Change in interest accrued	**(92.670)**	–	–	**(92.670)**
As at 31 December 2019	**45.205.661**	–	–	**45.205.661**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL as at 1 January 2019	**251.551**	–	**5.084.180**	**5.335.731**
New assets originated or purchased	**253.138**	–	–	**253.138**
Assets repaid	**(232.206)**	–	**(364.523)**	**(596.729)**
Transfers to Stage 1	**4.876.530**	–	**(4.876.530)**	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	**(5.006.835)**	–	-	**(5.006.835)**
Unwinding of discount	–	–	**156.873**	**156.873**
As at 31 December 2019	**142.178**	–	–	**142.178**

The changes in the provision for impairment of amounts due from credit institutions for the year ended 31 December 2018 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2018	10.914.277	16.963.782	–	27.878.059
New assets originated or purchased	25.852.305	–	–	25.852.305
Assets repaid	(4.793.012)	(879.836)	(9.611.725)	(15.284.573)
Transfers to Stage 1	7.501.639	(7.501.639)	–	–
Transfers to Stage 2	(9.621.056)	9.621.056	–	–
Transfers to Stage 3	–	(17.832.955)	17.832.955	–
Change in interest accrued	84.408	(370.408)	(8.223)	(294.223)
As at 31 December 2018	29.938.561	–	8.213.007	38.151.568

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL as at 1 January 2018	144.332	11.392.544	–	11.536.876
New assets originated or purchased	106.670	–	–	106.670
Assets repaid	–	(24.566)	(6.611.236)	(6.635.802)
Transfers to Stage 1	4.840.719	(4.840.719)	–	–
Transfers to Stage 2	(201.574)	201.574	–	–
Transfers to Stage 3	–	(7.210.980)	7.210.980	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	(4.638.596)	482.147	4.243.303	86.854
Unwinding of discount	–	–	241.133	241.133
As at 31 December 2018	251.551	–	5.084.180	5.335.731

In 2019, the loss of KZT 3,626,717 thousand (2018: KZT 3,459,350 thousand) resulting from initial recognition of fair values of loans granted to second-tier banks in 2019 at below market rate, which were financed by the Shareholder, was recognized within equity as increase in the provision for notional distribution (*Note 21*).

(in thousands of tenge)

8. Loans to customers

Loans to customers comprise loans to borrowers operating in the agricultural sector and include the following items:

	31 December 2019	*31 December 2018*
Loans to legal entities	**365.530.528**	264.496.999
Loans to individuals	**51.628.720**	40.342.502
	417.159.248	304.839.501
Less ECL allowance	**(55.375.561)**	(39.736.435)
Loans to customers	**361.783.687**	265.103.066

Allowance for impairment of loans to customers

An analysis of changes in the gross carrying value and corresponding ECL on loans to legal entities during the year ended 31 December 2019 is as follows:

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2019	149.850.968	475.311	112.369.675	1.801.045	264.496.999
KAP merger (Note 5)	–	–	544.789	–	544.789
New assets originated or purchased	172.298.456	–	46.501.761	1.036.767	219.836.984
Assets repaid	(83.835.425)	(1.543.276)	(40.671.500)	(338.445)	(126.388.646)
Transfers to Stage 1	47.555.638	(15.008.238)	(32.547.400)	–	–
Transfers to Stage 2	(31.837.399)	36.485.778	(4.648.379)	–	–
Transfers to Stage 3	(69.103.092)	(12.072.827)	81.175.919	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(302.812)	–	(302.812)
Change in interest accrued	2.940.901	84.355	5.875.608	280.575	9.181.439
Amounts written off	–	–	(1.838.225)	–	(1.838.225)
As at 31 December 2019	187.870.047	8.421.103	166.459.436	2.779.942	365.530.528

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Allowance for ECL as at 1 January 2019	2.156.348	–	36.071.917	14.755	38.243.020
KAP merger (Note 5)	–	–	272.406	–	272.406
New assets originated or purchased	2.908.740	–	5.431.093	–	8.339.833
Assets repaid	(1.327.276)	(68)	(4.766.827)	–	(6.094.171)
Transfers to Stage 1	10.287.782	(544.548)	(9.743.234)	–	–
Transfers to Stage 2	(133.445)	1.437.702	(1.304.257)	–	–
Transfers to Stage 3	(1.101.098)	(512.560)	1.613.658	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	(9.829.071)	(343.810)	17.919.378	731.390	8.477.887
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(16.097)	–	(16.097)
Unwinding of discount	–	–	4.803.402	–	4.803.402
Amounts written off	–	–	(1.838.225)	–	(1.838.225)
As at 31 December 2019	2.961.980	36.716	48.443.214	746.145	52.188.055

(in thousands of tenge)

8. Loans to customers (continued)

Provision for impairment of loans to customers (continued)

An analysis of changes in the gross carrying value and corresponding ECL on loans to individuals during the year ended 31 December 2019 is as follows:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2019	31.205.435	603.265	8.533.802	–	40.342.502
KAP merger (Note 5)	30.292	–	63.039	–	93.331
New assets originated or purchased	22.067.179	–	–	789.701	22.856.880
Assets repaid	(10.487.318)	(269.750)	(2.866.343)	–	(13.623.411)
Transfers to Stage 1	7.268.388	(2.228.724)	(5.039.664)	–	–
Transfers to Stage 2	(7.566.336)	7.758.726	(192.390)	–	–
Transfers to Stage 3	(4.062.751)	(4.968.036)	9.030.787	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(295)	–	(295)
Change in interest accrued	1.265.503	56.558	617.188	20.464	1.959.713
Amounts written off	–	–	–	–	–
As at 31 December 2019	39.720.392	952.039	10.146.124	810.165	51.628.720

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Allowance for ECL as at 1 January 2019	186.179	–	1.307.236	–	1.493.415
KAP merger (Note 5)	917	–	46.644	–	47.561
New assets originated or purchased	427.606	–	–	–	427.606
Assets repaid	(9.116)	(40)	(341.821)	–	(350.977)
Transfers to Stage 1	338.158	(15.016)	(323.142)	–	–
Transfers to Stage 2	(50.243)	126.831	(76.588)	–	–
Transfers to Stage 3	(63.409)	(84.164)	147.573	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	(365.447)	(4.374)	1.536.772	252.767	1.419.718
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(1.010)	–	(1.010)
Unwinding of discount	–	–	151.193	–	151.193
Amounts written off	–	–	–	–	–
As at 31 December 2019	464.645	23.237	2.446.857	252.767	3.187.506

(in thousands of tenge)

8. Loans to customers (continued)

Provision for impairment of loans to customers (continued)

A reconciliation of the provision for impairment of loans to customers for the year ended 31 December 2018 is as follows:

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying value as at 1 January 2018	85.976.920	6.809.384	55.982.583	–	148.768.887
New assets originated or purchased	181.920.449	–	–	1.700.000	183.620.449
Assets repaid	(36.891.216)	(28.751.152)	(1.930.847)	–	(67.573.215)
Transfers to Stage 1	88.184.736	(72.825.088)	(15.359.648)	–	–
Transfers to Stage 2	(114.650.399)	190.075.563	(75.425.164)	–	–
Transfers to Stage 3	(56.002.934)	(94.816.075)	150.819.009	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(1.155.361)	–	(1.155.361)
Change in interest accrued	1.313.412	(17.321)	2.842.124	101.045	4.239.260
Amounts written off	–	–	(3.403.021)	–	(3.403.021)
As at 31 December 2018	149.850.968	475.311	112.369.675	1.801.045	264.496.999

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Allowance for ECL as at 1 January 2018	1.089.879	130.166	27.607.329	–	28.827.374
New assets originated or purchased	1.917.639	–	–	14.755	1.932.394
Assets repaid	(27.712)	(4.643)	(522.248)	–	(554.603)
Transfers to Stage 1	9.757.171	(7.389.406)	(2.367.765)	–	–
Transfers to Stage 2	(6.698.540)	33.889.045	(27.190.505)	–	–
Transfers to Stage 3	(2.338.908)	(33.094.594)	35.433.502	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	(1.543.181)	6.469.432	5.649.994	–	10.576.245
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(925.295)	–	(925.295)
Unwinding of discount	–	–	1.789.926	–	1.789.926
Amounts written off	–	–	(3.403.021)	–	(3.403.021)
As at 31 December 2018	2.156.348	–	36.071.917	14.755	38.243.020

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2018	33.511.349	2.241.314	6.377.065	42.129.728
New assets originated or purchased	7.033.989	–	–	7.033.989
Assets repaid	(6.781.772)	(1.528.738)	(371.627)	(8.682.137)
Transfers to Stage 1	8.943.283	(7.152.745)	(1.790.538)	–
Transfers to Stage 2	(9.356.882)	18.413.329	(9.056.447)	–
Transfers to Stage 3	(2.067.103)	(11.381.219)	13.448.322	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(132.388)	(132.388)
Change in interest accrued	(77.429)	11.324	320.344	254.239
Amounts written off	–	–	(260.929)	(260.929)
As at 31 December 2018	31.205.435	603.265	8.533.802	40.342.502

(in thousands of tenge)

8. Loans to customers (continued)

Provision for impairment of loans to customers (continued)

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL as at 1 January 2018	33.240	73.045	1.223.745	1.330.030
New assets originated or purchased	164.985	–	–	164.985
Assets repaid	(5.624)	(1.220)	(27.353)	(34.197)
Transfers to Stage 1	305.569	(199.453)	(106.116)	–
Transfers to Stage 2	(69.735)	1.778.072	(1.708.337)	–
Transfers to Stage 3	(3.456)	(1.553.529)	1.556.985	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	(238.800)	(96.915)	595.583	259.868
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	(8.117)	(8.117)
Unwinding of discount	–	–	41.775	41.775
Amounts written off	–	–	(260.929)	(260.929)
As at 31 December 2018	186.179	–	1.307.236	1.493.415

Modified and restructured loans

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, with the related modification loss suffered by the Company.

	2019
Loans modified during the period	
Amortised cost before modification	**23.623.147**
Net loss from modification	**(303.107)**

	2018
Loans modified during the period	
Amortised cost before modification	15.084.088
Net loss from modification	(1.287.749)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- for commercial lending — collateral of residential and commercial premises, equipment, vehicles, guarantees and other assets;
- for retail lending — collateral of residential properties, vehicles, guarantees and other assets.

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

(in thousands of tenge)

8. Loans to customers (continued)

Collateral and other credit enhancements (continued)

In the absence of collateral or other credit enhancements, the ECL allowance on loans to customers of Stage 3 as at 31 December would be higher by:

	2019	*2018*
Loans to legal entities	**117.208.183**	75.661.556
Loans to individuals	**6.516.321**	5.948.792
	123.724.504	81.610.348

It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use. The carrying value of the assets repossessed during the period and held as at the reporting date is as follows:

	31 December 2019	*31 December 2018*
Land plots	**276.907**	771.286
Other assets	**1.603.403**	93.453
Total repossessed collateral	**1.880.310**	864.739

Repossessed collateral is recorded within assets held for sale in the statement of financial position.

Concentration of loans issued to customers

As at 31 December 2019, the Company had a concentration of loans represented by KZT 57,644,728 thousand due from the ten largest unrelated parties or 16% of gross loan portfolio (31 December 2018: KZT 41,715,935 thousand or 16% of gross loan portfolio).

In 2019, the loss of KZT 22,932,676 thousand (2018: KZT 24,251,114 thousand) resulting from recognition of fair values of loans granted to customers in 2019 at below market rate, which were financed by the Shareholder, was recognized within equity as increase in the provision for notional distribution (*Note 21*).

9. Investment securities

Investment securities comprise:

	31 December 2019	*31 December 2018*
Corporate bonds of KazAgroFinance JSC	**606.258**	–
	606.258	–
		–
Less ECL allowance	**(1.362)**	–
Investment securities measured at amortised cost	**604.896**	–

As at 31 December 2019, securities measured at amortised cost are allocated to Stage 1 for ECL measurement purposes.

(in thousands of tenge)

10. Finance lease receivables

The analysis of finance lease receivables as of 31 December 2019 is presented below:

	31 December 2019			
	Not later than 1 year	*Later than 1 year and not later than 5 years*	*More than 5 years*	*Total*
Gross investments in finance leases	3.245.186	1.699.123	–	4.944.309
Unearned finance income on finance lease of future periods	(111.551)	(310.333)	–	(421.884)
Investments into finance lease	**3.133.635**	**1.388.790**	–	**4.522.425**
ECL allowance	(1.337.200)	(897.819)	–	(2.235.019)
Finance lease receivables	**1.796.435**	**490.971**	–	**2.287.406**

An analysis of changes in the gross carrying value and corresponding ECL on accounts receivable on finance lease for the year ended 31 December 2019 is as follows:

	2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	–	–	–	–	–
KAP merger (Note 5)	–	–	3.705.045	–	3.705.045
New assets originated or purchased	779.623	–	–	–	779.623
Assets repaid	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(779.623)	779.623	–	–	–
Transfers to Stage 3	–	–	–	–	–
Change in interest accrued	–	–	37.757	–	37.757
As at 31 December	–	779.623	3.742.802	–	4.522.425

ECL allowance for finance lease receivables

A reconciliation of the provision for ECL on accounts receivable on finance lease for the year ended 31 December 2019 is as follows:

	2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January	–	–	–	–	–
KAP merger (Note 5)	–	–	1.761.598	–	1.761.598
New assets originated or purchased	11.926	–	–	–	11.926
Assets repaid	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(11.926)	11.926	–	–	–
Transfers to Stage 3	–	–	–	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	–	–	461.495	–	461.495
As at 31 December	–	11.926	2.223.093	–	2.235.019

(in thousands of tenge)

11. Investment property

The movements in investment property were as follows:

	Buildings
Cost	
As at 31 December 2017	426.300
Additions	18.966
As at 31 December 2018	445.266
Additions	–
KAP merger (Note 5)	**236.842**
Disposal	**(152.634)**
As at 31 December 2019	**529.474**
Accumulated depreciation	
As at 31 December 2017	(88.606)
Depreciation charge	(10.936)
As at 31 December 2018	(99.542)
Depreciation charge	**(11.484)**
KAP merger (Note 5)	**(60.319)**
Disposal	**89.692**
As at 31 December 2019	**(81.653)**
Carrying amount	
As at 31 December 2018	345.724
As at 31 December 2019	**447.821**

Income from lease of investment property amounted to KZT 34,515 thousand for 2019 (2018: KZT 43,599 thousand).

12. Property, plant and equipment

The movements in property, plant and equipment were as follows:

	Land	*Machinery and equipment*	*Motor vehicles*	*Other*	*Total*
Cost					
As at 31 December 2017	5.397	312.019	106.188	91.615	515.219
Additions	–	69.443	105.817	29.010	204.270
Disposals	–	(10.881)	(10.990)	(3.139)	(25.010)
As at 31 December 2018	5.397	370.581	201.015	117.486	694.479
Additions	–	**65.712**	–	**18.528**	**84.240**
KAP merger (Note 5)	**100**	**12.910**	**27.041**	**14.428**	**54.479**
Disposals	**(5.397)**	**(12.007)**	**(16.671)**	**(4.855)**	**(38.930)**
As at 31 December 2019	**100**	**437.196**	**211.385**	**145.587**	**794.268**
Accumulated depreciation					
As at 31 December 2017	–	(191.368)	(35.317)	(46.478)	(273.163)
Depreciation charge	–	(51.412)	(22.951)	(8.376)	(82.739)
Disposals	–	10.739	10.990	2.461	24.190
As at 31 December 2018	–	(232.041)	(47.278)	(52.393)	(331.712)
Depreciation charge	–	**(52.954)**	**(24.161)**	**(10.616)**	**(87.731)**
KAP merger (Note 5)	–	**(9.088)**	**(13.160)**	**(12.953)**	**(35.201)**
Disposals	–	**11.935**	**12.110**	**3.831**	**27.876**
As at 31 December 2019	–	**(282.148)**	**(72.489)**	**(72.131)**	**(426.768)**
Carrying amount					
As at 31 December 2018	5.397	138.540	153.737	65.093	362.767
As at 31 December 2019	**100**	**155.048**	**138.896**	**73.456**	**367.500**

(in thousands of tenge)

13. Intangible assets

The movements in intangible assets were as follows:

	Software
Cost	
As at 31 December 2017	615.750
Additions	143.909
As at 31 December 2018	759.659
Additions	**20.788**
As at 31 December 2019	**780.447**
Accumulated depreciation	
As at 31 December 2017	(384.791)
Depreciation charge	(77.040)
As at 31 December 2018	(461.831)
Depreciation charge	**(63.963)**
As at 31 December 2019	**(525.794)**
Carrying amount	
As at 31 December 2018	297.828
As at 31 December 2019	**254.653**

14. Other assets

Other non-financial assets comprise:

	31 December 2019	*31 December 2018*
Advances paid	**12.986**	88.437
Inventories	**130.034**	13.840
Other	**226.421**	48.432
Other non-financial assets	**369.441**	150.709

Other financial assets comprise:

	31 December 2019	*31 December 2018*
Accounts receivable	**8.643.231**	320.039
	8.643.231	320.039
Less ECL allowance	**(7.349.391)**	(196.428)
Other financial assets	**1.293.840**	123.611

Other accounts receivable mainly represent accounts receivable received as a result of KAP merger in 2019 (Note 5) from companies engaged in cattle feeding.

(in thousands of tenge)

14. Other assets (continued)

An analysis of changes in the gross carrying value and corresponding ECL on accounts receivable during the year ended 31 December 2019 is as follows:

	2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	–	125.622	194.417	–	320.039
KAP merger (Note 5)	–	1.190	8.280.055	–	8.281.245
New assets originated or purchased	51.429	–	–	–	51.429
Assets repaid	–	(651)	(12.046)	–	(12.697)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(51.429)	51.429	–	–	–
Transfers to Stage 3	–	(764)	764	–	–
Change in interest accrued	–	3.714	(499)	–	3.215
As at 31 December	–	180.540	8.462.691	–	8.643.231

A reconciliation of the provision for ECL on accounts receivable for the year ended 31 December 2019 is as follows:

	2019				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January	–	2.010	194.418	–	196.428
KAP merger (Note 5)	–	225	6.942.425	–	6.942.650
New assets originated or purchased	1.864	–	–	–	1.864
Assets repaid	–	(3)	(4.250)	–	(4.253)
Transfers to Stage 1	(1.864)	1.864	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	(764)	764	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	–	(3.108)	215.810	–	212.702
Unwinding of discount	–	–	–	–	
As at 31 December	–	224	7.349.167	–	7.349.391

An analysis of changes in the gross carrying value and corresponding ECL on accounts receivable during the year ended 31 December 2018 is as follows:

	2018				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January	–	486.912	77.760	–	564.672
New assets originated or purchased	–	902	–	–	902
Assets repaid	–	(192.362)	(53.173)	–	(245.535)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	(169.830)	169.830	–	–
Change in interest accrued	–	–	–	–	–
As at 31 December	–	125.622	194.417	–	320.039

(in thousands of tenge)

14. Other assets (continued)

A reconciliation of the provision for ECL on accounts receivable for the year ended 31 December 2018 is as follows:

	2018				
	Stage 1	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL allowance as at 1 January	–	34.043	80.421	–	114.464
New assets originated or purchased	211	–	–	–	211
Assets repaid	(211)	(292)	–	–	(503)
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	–	–	–	–	–
Transfers to Stage 3	–	(112.952)	112.952	–	–
Changes in year end ECL of exposures transferred between stages and changes to inputs	–	80.708	1.548	–	82.256
As at 31 December	–	1.507	194.921	–	196.428

15. Amounts due to the Shareholder

Amounts due to the Shareholder consist of the following:

	Maturity	*Nominal interest rate per a year, %*	*Currency*	*31 December 2019*	*31 December 2018*
The loan under contract No. 81	21 June 2020	14,5-15,5%	Tenge	**36.385.643**	36.061.366
The loan under contract No. 61	24 August 2032	0,32-1,02%	Tenge	**27.128.094**	14.465.214
The loan under contract No. 32	14 December 2032	1,0%	Tenge	**17.139.713**	–
The loan under contract No. 76	14 December 2025	1,0%	Tenge	**13.903.823**	15.770.443
The loan under contract No. 101	14 December 2033	1,0%	Tenge	**12.921.363**	–
The loan under contract No. 85	14 December 2025	1,0%	Tenge	**10.509.809**	11.915.618
The loan under contract No. 122	14 December 2025	1,0%	Tenge	**10.453.030**	11.860.276
The loan under contract No. 135	14 December 2032	1,0%	Tenge	**9.212.303**	11.868.865
The loan under contract No. 136	14 December 2032	1,0%	Tenge	**9.212.303**	11.868.865
Investment loan under contract No. 36	31 December 2023	1,02%	Tenge	**4.256.906**	5.586.770
Due under the assignment agreement dated 3 July 2018	20 December 2024	5,0%	Tenge	**2.170.163**	2.932.227
Due under the debt transfer agreement dated 3 July 2018	9 December 2024	3,0%	Tenge	**1.017.761**	1.199.325
The loan under contract No. 70	13 October 2024	1,02%	Tenge	**692.538**	801.542
The loan under contract No. 124	1 December 2022	10,0%	Tenge	**211.139**	269.642
Due under the assignment agreement No. 35-4/322 dated 1 August 2018	29 October 2019	5,0%	Tenge	–	1.702.360
The loan under contract No. 148	9 December 2019	9,0%	Tenge	–	1.507.991
The loan under contract No. 148	9 December 2019	1,0%	Tenge	–	77.844
				155.214.588	127.888.348

15. Due to the Shareholder (continued)

The loan under contract No. 32

(in thousands of tenge)

On 27 February 2019 the Company entered into Lending Agreement No. 32 with the Shareholder. The loan is intended for lending to agroindustrial complex facilities to finance projects for the development of beef farming, dairy industry, processing of meat and crop products, food production, for the purchase of irrigation systems, as well as crop farming. The interest rate used by the Company to determine the value of the loan at the date of initial recognition was 7.3% per annum.

The loan under contract No. 61

On 24 August 2017 the Company entered into Lending Agreement No. 61 with the Shareholder. The interest rates used by the Company to determine the value of the loan at the date of initial recognition were 7.6-8.6% per annum. The loans are intended to direct funds to the agricultural entities for the implementation of a set of measures aimed at creation, expansion and modernisation of material production, production infrastructure in the agricultural sector.

The loan under contract No. 101

On 31 December 2019 the Company entered into Lending Agreement No. 101 with the Shareholder. The loan is intended for lending to agroindustrial complex facilities to finance projects for the development of beef farming, dairy industry, processing of meat and crop products, food production, for the purchase of irrigation systems, as well as crop farming. The amount of KZT 20,000,000 thousand was received under this agreement. The interest rate used by the Company to determine the value of the loan at the date of initial recognition was 7.9% per annum.

During 2019, the difference between the nominal and fair value of loans received from the Shareholder at the date of initial recognition, as well as the effect of changes in loans conditions for a total of KZT 23,697,782 thousand (2018: KZT 22,203,644 thousand) was recognised by the Company as part of additional paid-in capital (Note 21).

As at 31 December 2019 and 31 December 2018, there are no obligations to comply with financial covenants related to payables to the Shareholder.

16. Due to credit institutions

Amounts due to credit institutions include loans from the following banks:

	Maturity date	*Nominal interest rate per a year, %*	*Currency*	*31 December 2019*	*31 December 2018*
ATF Bank JSC	3 February 2020	10,5%	Tenge	**9.876.118**	6.981.087
Bank Center Credit JSC	19 April 2019	10,5%	Tenge	**–**	2.565.558
				9.876.118	9.546.645

On 25 April 2019 and 21 May 2019, the Company received short-term loans from ATF Bank JSC for the total amount of KZT 9,800,000 thousand with maturity until 3 February 2020 under the Credit Facility Agreement No. MK020-2019 dated 27 February 2019.

On 29 November 2018 and 19 December 2018, the Company received short-term loans from ATF Bank JSC for the total amount of KZT 6,921,052 thousand with maturity until 19 April 2019 under the Credit Facility Agreement No. MK126-2018 dated 29 November 2018.

(in thousands of tenge)

17. Debt securities issued

Debt securities issued consisted of the following:

	Maturity	*Rate per a year, %*	*Currency*	*31 December 2019*	*31 December 2018*
Fixed income bonds (1st issue of the 3d bond Programme)	30 December 2021	8,5%	Tenge	**23.874.632**	23.854.501
Fixed income bonds (2nd issue of the 2nd bond programme)	17 December 2022	8,0%	Tenge	**17.968.126**	17.890.515
Fixed income bonds (1st issue of the 2nd bond programme)	20 February 2023	8,5%	Tenge	**10.173.689**	10.138.235
Fixed income bonds (2nd issue of the 3d bond programme)	22 June 2026	14,0%	Tenge	**5.365.966**	5.015.730
Fixed income bonds (1st issue of the 4th bond programme)	10 October 2026	10,8%	Tenge	**28.958.565**	–
Debt securities issued				**86.340.978**	56.898.981

18. Due to state and state-financed organisations

Program for the development of productive employment and mass entrepreneurship for 2018-2021

Since 2017, the Company has been attracting funds from local executive bodies within the framework of the Program for the development of productive employment and mass entrepreneurship for 2017-2021, approved by the Decree of the Government of the Republic of Kazakhstan No. 919 dated 29 December 2016. The loans with nominal interest rates of 0.01% per annum are intended for funding microfinance institutions and credit cooperatives for crediting business projects under the Program. The interest rates used by the Company in determining the value of loans at initial recognition were 7.14%-8.93% per annum. As at 31 December 2019, the amount due from the Company within the framework of this Program is KZT 33,346,949 thousand (31 December 2018: KZT 19,897,208 thousand).

Employment Roadmap 2020

In August 2016, the Company entered into two loan agreements with the State Institution "Administration of entrepreneurship, industrial-innovative development and tourism of the South-Kazakhstan oblast" and akimat of the Almaty oblast within the framework of the implementation of the Roadmap 2020 approved by the Decree of the Government of the Republic of Kazakhstan No. 162 dated 30 September 2015. The funds received under the above agreements bear nominal interest rates of 0.01% per annum. The loans are intended for ensuring sustainable and balanced growth of regional entrepreneurship in rural areas for 2016-2017, as well as to support existing and create new permanent jobs within the framework of the Employment Roadmap 2020. The interest rates used by the Company in determining the value of loans at initial recognition were 13.3% per annum. As at 31 December 2019 the amounts due from the Company on these agreements is KZT 3,088,154 thousand (31 December 2018: KZT 2,737,477 thousand).

During 2019, the difference between the nominal and fair value of loans received from state and state-financed organisations at the date of initial recognition for a total amount of KZT 6,244,717 thousand (2018: KZT 5,461,231 thousand) was recognised by the Company as part of additional paid-in capital (Note 21).

19. Other liabilities

Other non-financial liabilities comprise:

	31 December 2019	*31 December 2018*
Subsidizing of interest rates by the Ministry of Agriculture of the Republic of Kazakhstan as part of the program to support agriculture	**1.971.296**	571.025
Other taxes payable	**115.857**	29.192
Other	**84.401**	43.390
Other non-financial liabilities	**2.171.554**	643.607

(in thousands of tenge)

19. Other liabilities (continued)

Other financial liabilities comprise:

	31 December 2019	*31 December 2018*
ECL allowance on contingencies (*Note 24*)	**1.255.464**	822.999
Due under the assignment agreement	**537.662**	1.983.272
Accounts payable	**266.907**	238.645
Other financial liabilities	**2.060.033**	3.044.916

As at 31 December 2019 and 2018, other liabilities of the Company include amounts received from the Ministry of Agriculture of the Republic of Kazakhstan to reimburse the subsidized portion of interest on loans granted to customers for the acquisition of farm animals under budget program 056 "Subsidizing interest rates on loans, and leasing of technological equipment and agricultural machinery".

The amount due under the assignment agreement comprised:

	Maturity date	*Nominal interest rate per a year, %*	*Currency*	*31 December 2019*	*31 December 2018*
Bank of Astana JSC	31 July 2022	3%	Tenge	**537.662**	708.468
KazMeat LLP	10 November 2028	2,0-10,6%	Tenge	–	1.199.287
KazAgroProduct JSC	10 October 2028	4,0%	Tenge	–	75.517
Due under the assignment agreement				**537.662**	1.983.272

As part of debt recovery measures with respect to Bank of Astana JSC in 2018, the Company concluded 7 claim assignment agreements for a total amount of KZT 8,886,585 thousand as repayment of debt to the Company for a total amount of KZT 8,112,591 thousand. The amount of KZT 537,662 thousand is payable by the Company according to the approved schedule, with maturity until 2022 and a nominal interest rate of 3.0% per annum (the effective interest rate is 7.58% per annum).

In 2019, the Company's debt to KazMeat LLP was transferred to KAP.

20. Taxation

The corporate income tax expenses comprise:

	2019	*2018*
Current corporate income tax charge	**(2.274.634)**	(571.488)
Deferred corporate income tax expense- origination and decrease of temporary differences	**(1.791.648)**	(2.400.526)
Corporate income tax expenses	**(4.066.282)**	(2.972.014)

	2019	*2018*
Deferred corporate income tax recognised in the statement of profit or loss	**(1.791.648)**	(2.400.526)
Deferred corporate income tax recognised in equity	**(676.621)**	9.118
Change in deferred corporate income tax	**(2.468.269)**	(2.391.408)

As at 31 December 2019 the Company's current corporate income tax liabilities amounted to KZT 135,976 thousand. As at 31 December 2018, current corporate income tax assets of the Company amounted to KZT 359,009 thousand. Corporate income tax rate for the Company was 20.0% in 2019 and 2018.

(in thousands of tenge)

20. Taxation (continued)

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

	2019	*2018*
Profit before corporate income tax expense	**20.100.318**	13.347.631
Statutory corporate income tax rate	20%	20%
Theoretical corporate income tax expenses at the statutory rate	**(4.020.064)**	(2.669.526)
Non taxable income from government securities	620.385	906.707
Non-deductible expenses	(666.603)	(604.219)
Corporate income tax expenses	**(4.066.282)**	(2.972.014)

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

			Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	2017	*Effect of adoption of IFRS 9*	*In the statement of profit or loss*	*Within equity*	*2018*	*In the statement of profit or loss*	*Within equity*	*2019*
Tax effect of deductible temporary differences								
Loans to customers	3.099.199	562.850	(1.622.064)	4.850.223	6.890.208	(2.618.464)	4.586.535	8.858.279
Amounts due from banks	455.426	1.066.046	(1.386.070)	691.870	827.272	(599.445)	725.343	953.170
Other assets	18.036	–	(10.730)	–	7.306	(2.587)	–	4.719
Current provisions	45.339	–	23.562	–	68.901	5.703	–	74.604
Deferred corporate income tax assets	3.618.000	1.628.896	(2.995.302)	5.542.093	7.793.687	(3.214.793)	5.311.878	9.890.772
Tax effect of taxable temporary differences								
Amounts due to the Shareholder	(502.968)	–	239.177	(4.440.729)	(4.704.520)	951.508	(4.739.556)	(8.492.568)
Due to state and state-financed organisations	(1.319.174)	–	356.611	(1.092.246)	(2.054.809)	508.435	(1.248.943)	(2.795.317)
Property, plant and equipment and intangible assets	(51.126)	–	(1.012)	–	(52.138)	(36.798)	–	(88.936)
Deferred corporate income tax liabilities	(1.873.268)	–	594.776	(5.532.975)	(6.811.467)	1.423.145	(5.988.499)	(11.376.821)
Net deferred corporate income tax assets/(liabilities)	1.744.732	1.628.896	(2.400.526)	9.118	982.220	(1.791.648)	(676.621)	(1.486.049)

Deferred corporate income tax recognized in equity is allocated as follows:

	2019	*2018*
By assets	5.311.878	5.542.093
By liabilities	(5.988.499)	(5.532.975)
CIT benefit recognised in equity	(676.621)	9.118

(in thousands of tenge)

20. Taxation (continued)

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 utilized.

21. Equity

Below is information on movement of declared, issued and fully paid common shares of the Company:

	Number of shares (pieces)	*Nominal value (tenge)*	*Total*
As at 31 December 2017	158.630.371	1.000,00	158.630.371
Issue of share capital	–	–	–
As at 31 December 2018	158.630.371	1.000,00	158.630.371
Increase in the share capital	**9.494.625**	**966,77**	**9.179.163**
As at 31 December 2019	**168.124.996**	**998,12**	**167.809.534**

As at 31 December 2019 and 2018, 168,124,996 outstanding ordinary shares of the Company were fully paid by the sole Shareholder.

In December 2019, the Company placed ordinary shares to the sole Shareholder in the amount of 9,494,625 shares at a price of 966.77 tenge for the amount of KZT 9,179,163 thousand in exchange for ordinary shares of KAP as part of the merger.

During 2019, in accordance with the decision of the sole Shareholder dated 31 May 2019, the Company declared and paid dividends in the amount of KZT 10,375,617 thousand or KZT 65.41 per one common share for the year ended 31 December 2018.

In 2018, in accordance with the decision of the sole Shareholder dated 11 May 2018, the Company declared and paid dividends in the amount of KZT 4,189,685 thousand or KZT 26.41 per one common share for the year ended 31 December 2017.

In accordance with the policy of the Company, the reserve capital is created for general risks including future losses and other unforeseen risks and obligations. The reserve capital is subject to distribution on the basis of the Shareholder's decision.

Presented below is movement in items of additional paid-in capital and provisions for 2018 and 2019:

	Reserve funds	*Additional paid-in capital*	*Reserve for notional distribution*
1 January 2019	5.339.751	34.670.854	(46.219.772)
Reserve for notional distribution for the year (Notes 7, 8)	–	–	**(26.559.393)**
Tax effect of recognition of provision for notional distribution (Note 20)	–	–	**5.311.878**
Income from initial recognition of loans from the Shareholder and state institutions at fair value (Notes 15, 18)	–	**29.942.499**	–
Tax effect from initial recognition of loans from the Shareholder at fair value (Note 20)	–	**(5.988.499)**	–
As at 31 December 2019	**5.339.751**	**58.624.854**	**(67.467.287)**

(in thousands of tenge)

21. Equity (continued)

	Reserve funds	*Additional paid-in capital*	*Reserve for notional distribution*
At 1 January 2018	2.546.627	12.538.954	(24.051.401)
Reserve for notional distribution for the period (Notes 7, 8)	–	–	(27.710.464)
Tax effect of recognition of provision for notional distribution (Note 20)	–	–	5.542.093
Income from initial recognition of loans from the Shareholder and state institutions at fair value (Notes 15, 18)	–	27.664.875	–
Tax effect from initial recognition of loans from the Shareholder at fair value (Note 20)	–	(5.532.975)	–
Increase of the reserve capital against the retained earnings	2.793.124	–	–
As at 31 December 2018	5.339.751	34.670.854	(46.219.772)

As at 31 December 2019, the Company's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology is:

	31 December 2019	*31 December 2018*
Assets	**462.931.167**	372.295.367
Less intangible assets	**(254.653)**	(297.828)
Less liabilities	**(294.093.422)**	(221.001.689)
Net assets	**168.583.092**	150.995.850
Number of ordinary shares, pieces	**168.124.996**	158.630.371
Book value per ordinary share (tenge)	**1.002,72**	951,87

Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year attributable to common shareholders by the weighted average number of shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations for the years ended 31 December:

	31 December 2019	*31 December 2018*
Net profit attributable to the Shareholder for calculating basic and diluted earnings per share	**16.034.036**	10.375.617
Weighted average number of common shares for basic and diluted earnings per share	**159.332.713**	158.630.371
Basic and diluted earnings per common share (in tenge)	**100,63**	65,41

As at 31 December 2019 and 2018, the Company did not have any financial instruments diluting earnings per share.

(in thousands of tenge)

22. Credit loss expense

The table below discloses the ECL expenses on financial instruments recorded in the statement of profit or loss for the year ended 31 December 2019:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(3.131)	–	–	–	(3.131)
Amounts due from banks	7	(4.985.903)	–	(364.523)	–	(5.350.426)
Loans to customers	8	(8.194.564)	(348.292)	19.761.488	984.157	12.202.789
Investment securities		1.362	–	–	–	1.362
Other financial assets	14	1.864	(3.111)	211.560	–	210.313
Finance lease receivables	10	11.926	–	461.495	–	473.421
Undrawn loan commitments	24	432.465	–	–	–	432.465
Total credit loss expense		(12.735.981)	(351.403)	20.070.020	984.157	7.966.793

The table below discloses the ECL expenses on financial instruments recorded in the statement of profit or loss for the year ended 31 December 2018:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	5.597	–	–	–	5.597
Amounts due from banks	7	(4.531.926)	457.581	(2.367.933)	–	(6.442.278)
Loans to customers	8	267.307	6.366.654	4.762.564	14.755	11.411.280
Investment securities		(1.970)	–	–	–	(1.970)
Other financial assets	14	–	80.416	1.548	–	81.964
Undrawn loan commitments	24	22.305	–	–	–	22.305
Total credit loss expense		(4.238.687)	6.904.651	2.396.179	14.755	5.076.898

23. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2019	*2018*
Personnel expenses and other payments	(3.041.643)	(2.574.133)
Social security costs	(287.285)	(236.382)
Personnel expenses	(3.328.928)	(2.810.515)
Legal and advisory services	(598.757)	(648.465)
Occupancy and rent	(406.071)	(408.990)
Depreciation and amortisation (Notes 11, 12, 13)	(163.178)	(170.715)
Marketing and advertising	(93.232)	(103.595)
Business trip expenses	(87.826)	(83.427)
State duty	(86.030)	(1.491)
Insurance expenses	(78.024)	(66.697)
Taxes other than income tax	(76.594)	(107.352)
Communication services	(57.896)	(40.933)
Property, plant and equipment maintenance	(57.151)	(41.513)
Materials	(42.804)	(48.277)
Personnel training	(19.669)	(21.211)
Assessment of collateral	(19.472)	(29.241)
Bank services	(17.093)	(19.580)
Charity and sponsorship expenses	(14.155)	(39.912)
Other	(282.109)	(206.862)
Other operating expenses	(2.100.061)	(2.038.261)

(in thousands of tenge)

24. Commitments and contingencies

Commitments and contingencies

As at 31 December 2019, the Company's commitments and contingencies comprised the following:

	31 December 2019	*31 December 2018*
Credit related commitments		
Undrawn loan commitments	**93.469.181**	59.741.155
Less ECL allowance	**(1.255.464)**	(822.999)
	92.213.717	58.918.156
Operating lease commitments		
Not later than 1 year	–	16.029
	92.213.717	58.934.185

Most of these credit related commitments may terminate without being partially or fully funded. As a result, the contractual credit related commitments indicated in the table above do not represent the expected outflow of cash. Contingencies to extend loans do not represent unconditional obligations of the Company.

An analysis of changes in the ECL allowance for the year ended 31 December 2019 is as follows:

Undrawn loan commitments	*Stage 1*
ECL allowance as at 1 January 2018	800.694
Changes in ECL for the year	22.305
As at 31 December 2018	822.999
Changes in ECL for the year	**432.465**
As at 31 December 2019	**1.255.464**

Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. In 2019, the volatility of the tenge's exchange rate against major foreign currencies continued to have a negative impact on the Kazakhstan economy. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and republic authorities. As such, significant additional taxes, penalties and interest may be assessed. Tax periods remain open to review by relevant authorities for five calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2019 and 2018, management of the Company believes that its interpretation of the legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

Legal matters

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

(in thousands of tenge)

25. 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 risk, liquidity risk and market risk. It also subject to operating risks.

The independent risk control process does not include business risks such as changes in the 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.

Control of risks

The Risk Management Unit is responsible for introduction and performance of risk management related procedures in order to ensure an independent control process as well as compliance with principles, risk management policies and risk limits across the Company. The Risk Management Department consists of two structural units: the Department of financial risks and the Department of credit risks.

Treasury department

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 function

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 to the Management Board and Boards of Directors.

Risk measurement and reporting systems

The Company's risks are measured using a method which 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.

Monitoring and controlling risks is primarily performed based on limits established by KazAgro for the Company. These limits reflect the business strategy and market environment of the Company.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, Board of Directors, and the head of each business division. 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 and customer 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.

(in thousands of tenge)

25. Risk management (continued)

Introduction (continued)

Excessive risk concentration

In order to avoid excessive concentrations of risks, 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 for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Thus, in order to avoid a concentration of credit risk in one or a group of affiliates, has been established a limit of no more than 25.00% of the Company's own equity. Bank-counterparty limits are established by the Shareholder for interbank transactions.

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 which are performed by separate units of the Company. 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 undertake 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. The effect of collateral and other risk mitigation techniques is shown in *Note 8*.

Impairment assessment

The Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with 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:

PD	The 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.
EAD	The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in 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.
LGD	The Loss Given Default is an estimate of the loss arising in the case where a 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 12mECL is the portion of LTECL that represent 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 set significance threshold.

25. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

The Company has established a methodology 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 default occurring over the remaining life of the financial instrument. Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities 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 LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3:	Loans considered credit-impaired. The Company recognises an allowance for the LTECL.
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 at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are 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 an external credit rating to a counterparty at level D from an external rating agency;
- restructuring due to deterioration of financial condition of the borrower;
- The borrower is deceased;
- recognising a pledge agreement / loan agreement as invalid by a court ruling;
- deprivation of freedom of the borrower under a sanction/court ruling;
- filing of a claim for declaring the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan;
- enforcement at law;
- cross-default (if the information is available to the Company).

It is the Company's policy to consider a financial instrument re-classified out of Stage 3 when none of the default criteria have been present at the reporting date. The decision as to whether the asset should be classified to Stage 2 or Stage 1 depends on the availability of evidence of an increase in credit risk at the reporting date from the date of initial recognition.

25. Risk management (continued)

Credit risk (continued)

Treasury and interbank relationships

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

Lending to agroindustrial complex facilities

In case of lending to agroindustrial complex facilities, the Company's structural units participating in the process of calculating provisions work to determine whether there are signs of a significant increase in credit risk, as well as an impairment/default of the loan. The credit risk assessment is based on various historical, current and forecast 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.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

Loss Given Default (LGD)

To determine the loss given default (LGD), the Company accounts for cash returns from the borrower after default (the recovery rate after default, RR (Cash)) and collateral under the loan. The RR (Cash) indicator is evaluated once a quarter. The cost of collateral is reviewed every month.

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

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 its initial recognition. When making an assessment, the Company focuses on changes in the risk of default over the expected life of the financial instrument, rather than changes in the amount of expected credit losses. The Company compares the risk of default on a financial instrument at the reporting date with the risk of default on a financial instrument at the date of initial recognition and analyses reasonable and verifiable information available without excessive cost or effort that indicates a significant increase in credit risk since the initial recognition of the relevant instrument.

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

(in thousands of tenge)

25. Risk management (continued)

Credit risk (continued)

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.

Asset classes where the Company calculates ECL on an individual basis include:

- all financial assets having indicators of impairment and/or default with the total amount due exceeding 0.2% of equity at the prior reporting date according to the financial statements;
- The treasury and interbank relationships (such as amounts due from banks, cash equivalents and investment securities at amortised cost);
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring.

The Company calculates the ECL on a collective basis for financial assets that do not show signs of impairment/default and/or are less than 0.2% of equity at the previous reporting date according to the financial statements. When performing an assessment on a collective basis, loans with similar risk characteristics for collective analysis are segmented. The calculation of the ECL for assets measured on a collective basis is carried out for each segment separately.

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on macroeconomic forward looking information about the GDP growth rate 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 reflecting the influence of many other factors.

To obtain forecast information, the Company uses data from external sources (the official website of the relevant state bodies, the National Bank of the Republic of Kazakhstan, and other external information sources). The tables show the values of the forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario as at 31 December 2019:

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2020*	*2021*	*Subsequent years*
GDP growth					
	Upside	16%	1,90	0,85	1,45
	Base case	68%	0,90	-0,14	0,45
	Downside	16%	-0,10	-1,14	-0,55

The ECL is calculated in the same way as for loans.

The financial assets and liabilities of the Company 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, the management of the Company has arranged diversified funding sources. Also, it 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.

(in thousands of tenge)

25. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2019 and 2018, based on contractual undiscounted payments.

As at 31 December 2019	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the Shareholder	2.535.698	53.971.048	97.629.835	54.562.101	208.698.682
Due to credit institutions	9.969.151	–	–	–	9.969.151
Debt securities issued	425.000	7.570.002	76.810.848	36.672.357	121.478.207
Due to state and state-financed organisations	321.689	1.773.160	34.107.422	14.231.188	50.433.459
Other financial liabilities	–	477.868	402.233	–	880.101
Total undiscounted financial liabilities	13.251.538	63.792.078	208.950.338	105.465.646	391.459.600

As at 31 December 2018	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the Shareholder	2.561.670	54.767.810	80.809.168	20.315.735	158.454.383
Due to credit institutions	7.741.367	2.028.462	–	–	9.769.829
Debt securities issued	425.000	4.529.683	65.163.936	6.750.000	76.868.619
Due to state and state-financed organisations	167	268.209	26.940.280	5.715.317	32.923.973
Other financial liabilities	–	223.589	878.065	1.734.638	2.836.292
Total undiscounted financial liabilities	10.728.204	61.817.753	173.791.449	34.515.690	280.853.096

The table below shows the contractual expiry by maturity of the Company's credit related 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	*3 to 12 months*	*1 to 5 years*	*Later than 5 years*	*Total*
2019	93.469.181	–	–	–	93.469.181
2018	59.741.155	–	–	–	59.741.155

The Company expects that not all of the credit related commitments will be drawn before 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. Interest rates on assets and liabilities of the Company are fixed.

(in thousands of tenge)

25. Risk management (continued)

Market risk (continued)

Currency risk

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

The tables below indicate the currencies to which the Company had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on the statement of profit or loss (due to the fair value of currency sensitive trading monetary assets). The effect on equity does not differ from the effect on the statement of profit or loss. All other parameters are held constant. The negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

	2019		*2018*	
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
US dollar	**+12,00%**	**(2.745)**	+14,00%	(374)
US dollar	**-9,00%**	**2.058**	-10,00%	267
Russian ruble	**+12,00%**	**(370)**	–	–
Russian ruble	**-12,00%**	**370**	–	–

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 should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(in thousands of tenge)

26. Changes in liabilities arising from financing activities

	Due to the Shareholder	*Due to credit institutions*	*Debt securities issued*	*Due to the government of the Republic of Kazakhstan*	*Due to state and state-financed organisations*	*Total liabilities arising from financing activities*
Carrying amount as at 31 December 2017	13.745.153	1.515.288	66.867.978	–	9.891.167	92.019.586
Additions	133.228.800	9.477.052	–	60.000.000	18.463.010	221.168.862
Redemption	(4.674.673)	(1.553.480)	(10.000.000)	(60.000.000)	(2.041.701)	(78.269.854)
Dividends declared	4.189.685	–	–	–	–	4.189.685
Payment of dividends	(4.189.685)	–	–	–	–	(4.189.685)
Discount on initial recognition of liabilities at fair value	(22.203.644)	–	–	–	(5.461.231)	(27.664.875)
Other	7.792.712	107.785	31.003	–	1.783.440	9.714.940
Carrying amount as at 31 December 2018	127.888.348	9.546.645	56.898.981	–	22.634.685	216.968.659
Additions	**69.601.108**	**9.800.000**	**28.729.231**	**60.000.000**	**17.867.780**	**185.998.119**
Redemption	**(23.348.012)**	**(9.477.051)**		**(60.000.000)**	**(365.127)**	**(93.190.190)**
Dividends declared	**10.375.617**	–	–	–	–	**10.375.617**
Payment of dividends	**(10.375.617)**	–	–	–	–	**(10.375.617)**
Discount on initial recognition of liabilities at fair value	**(23.697.782)**	–	–	–	**(6.244.717)**	**(29.942.499)**
Other	**4.770.926**	**6.524**	**712.766**	–	**2.542.482**	**8.032.698**
Carrying amount as at 31 December 2019	**155.214.588**	**9.876.118**	**86.340.978**	–	**36.435.103**	**287.866.787**

The "Other" item reflects the effect of accrued but not yet paid interest on liabilities related to financial activities. The Company classifies interest paid as cash flows from operating activities.

27. Fair value of financial instruments

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(in thousands of tenge)

27. Fair value of financial instruments (continued)

The following table shows an analysis of financial instruments whose fair value is disclosed by levels of the fair value hierarchy:

		Fair value measurement using			
	Date of valuation	*inputs Level 1*	*inputs Level 2*	*inputs Level 3*	*Total*
As at 31 December 2019					
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2019	**48.578.130**	–	–	**48.578.130**
Amounts due from banks	31 December 2019	–	**42.680.055**	–	**42.680.055**
Loans to customers	31 December 2019	–	–	**363.961.235**	**363.961.235**
Finance lease receivables	31 December 2019	–	–	**2.123.939**	**2.123.939**
Investment securities	31 December 2019	–	**588.664**	–	**588.664**
Other financial assets	31 December 2019	–	–	**1.293.840**	**1.293.840**
Liabilities whose fair value is disclosed					
Amounts due to the Shareholder	31 December 2019	–	**154.582.601**	–	**154.582.601**
Due to state and state-financed organisations	31 December 2019	–	**36.580.082**	–	**36.580.082**
Due to credit institutions	31 December 2019	–	**9.876.118**	–	**9.876.118**
Debt securities issued	31 December 2019	–	**88.746.438**	–	**88.746.438**
Other financial liabilities	31 December 2019	–	–	**803.491**	**803.491**
As at 31 December 2018					
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2018	70.889.857	–	–	70.889.857
Amounts due from banks	31 December 2018	–	32.908.280	–	32.908.280
Loans to customers	31 December 2018	–	–	263.148.038	263.148.038
Other financial assets	31 December 2018	–	–	123.611	123.611
Liabilities whose fair value is disclosed					
Amounts due to the Shareholder	31 December 2018	–	128.345.631	–	128.345.631
Due to state and state-financed organisations	31 December 2018	–	23.599.252	–	23.599.252
Due to credit institutions	31 December 2018	–	9.591.776	–	9.591.776
Debt securities issued	31 December 2018	–	58.272.543	–	58.272.543
Other financial liabilities	31 December 2018	–	1.377.167	238.645	1.615.812

(in thousands of tenge)

27. Fair value of financial instruments (continued)

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

Set out below is a comparison of the current and fair values of the Company's financial instruments. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2019		
	Carrying amount	*Fair value*	*Unrecognised gains/ (losses)*
Financial assets			
Cash and cash equivalents	48.578.130	48.578.130	–
Amounts due from banks	45.063.483	42.680.055	(2.383.428)
Loans to customers	361.783.687	363.961.235	2.177.548
Finance lease receivables	2.287.406	2.123.939	(163.467)
Investment securities	604.896	588.664	(16.232)
Other financial assets	1.293.840	1.293.840	–
Financial liabilities			
Amounts due to the Shareholder	155.214.588	154.582.601	631.987
Due to state and state-financed organisations	36.435.103	36.580.082	(144.979)
Due to credit institutions	9.876.118	9.876.118	–
Debt securities issued	86.340.978	88.746.438	(2.405.460)
Other financial liabilities	804.569	803.491	1.078
Total unrecognised change in unrealised fair value			(2.302.953)

	31 December 2018		
	Carrying amount	*Fair value*	*Unrecognised gains/ (losses)*
Financial assets			
Cash and cash equivalents	70.889.857	70.889.857	–
Amounts due from banks	32.815.837	32.908.280	92.443
Loans to customers	265.103.066	263.148.038	(1.955.028)
Other financial assets	123.611	123.611	–
Financial liabilities			
Amounts due to the Shareholder	127.888.348	128.345.631	(457.283)
Due to state and state-financed organisations	22.634.685	23.599.252	(964.567)
Due to credit institutions	9.546.645	9.591.776	(45.131)
Debt securities issued	56.898.981	58.272.543	(1.373.562)
Other financial liabilities	2.221.917	1.615.812	606.105
Total unrecognised change in unrealised fair value			(4.097.023)

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

(in thousands of tenge)

27. Fair value of financial instruments (continued)

Financial instruments not carried at fair value in the statement of financial position (continued)

Financial assets and financial liabilities carried at amortised cost

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

28. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 25 "Risk management" for the Company's contractual undiscounted repayment obligations.

	2019			*2018*		
Assets	*Within one year*	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	48.578.130	–	48.578.130	70.889.857	–	70.889.857
Amounts due from banks	31.246.221	13.817.262	45.063.483	20.811.347	12.004.490	32.815.837
Loans to customers	120.543.198	241.240.489	361.783.687	94.061.198	171.041.868	265.103.066
Finance lease receivables	1.796.435	490.971	2.287.406	–	–	–
Assets held for sale	1.880.310	–	1.880.310	864.739	–	864.739
Investment securities	8.668	596.228	604.896	–	–	–
Investment property	–	447.821	447.821	–	345.724	345.724
Property, plant and equipment	–	367.500	367.500	–	362.767	362.767
Intangible assets	–	254.653	254.653	–	297.828	297.828
Current corporate income tax assets	–	–	–	359.009	–	359.009
Deferred corporate income tax assets	–	–	–	–	982.220	982.220
Other assets	1.622.756	40.525	1.663.281	214.545	59.775	274.320
Total assets	205.464.250	257.466.917	462.931.167	187.200.695	185.094.672	372.295.367

	2019			*2018*		
Liabilities	*Within one year*	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Amounts due to the Shareholder	52.256.425	102.958.163	155.214.588	53.757.468	74.130.880	127.888.348
Due to credit institutions	9.876.118	–	9.876.118	9.546.645	–	9.546.645
Debt securities issued	2.397.818	83.943.160	86.340.978	1.363.748	55.535.233	56.898.981
Due to state and state-financed organisations	2.091.399	34.343.704	36.435.103	265.579	22.369.106	22.634.685
Current corporate income tax liabilities	135.976	–	135.976	–	–	–
Deferred corporate income tax liabilities	–	1.486.049	1.486.049	–	–	–
Current provisions	373.023	–	373.023	344.507	–	344.507
Other liabilities	3.888.235	343.352	4.231.587	1.906.702	1.781.821	3.688.523
Total liabilities	71.018.994	223.074.428	294.093.422	67.184.649	153.817.040	221.001.689
Net position	134.445.256	34.392.489	168.837.745	120.016.046	31.277.632	151.293.678

(in thousands of tenge)

29. Related party disclosures

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, 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 activities of the Company through the Shareholder.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

	2019			*2018*		
	Shareholder	*Entities under common control*	*Government-related entities*	*Shareholder*	*Entities under common control*	*Government-related entities*
Loans issued as at 1 January	–	10.017.784	–	–	3.654.752	–
Loans issued	–	8.225.000	–	–	13.000.000	–
Loans repaid	–	(1.000.000)	–	–	–	–
Other differences	–	(675.867)	–	–	(6.636.968)	–
Loans issued as at 31 December	–	16.566.917	–	–	10.017.784	–
Less ECL allowance at 31 December	–	(849.368)	–	–	(222.614)	–
Loans issued at 31 December, less ECL allowance	–	15.717.549	–	–	9.795.170	–

	2019			*2018*		
	Shareholder	*Entities under common control*	*Government-related entities*	*Shareholder*	*Entities under common control*	*Government-related entities*
Loans obtained at 1 January	127.888.348	–	22.634.685	13.745.153	–	9.891.167
Loans obtained	69.601.108	–	17.867.780	133.228.800	–	78.463.010
Loans repaid	(23.348.012)	–	(365.127)	(4.674.673)	–	(62.041.701)
Other differences	(18.926.856)	–	(3.702.235)	(14.410.932)	–	(3.677.791)
Loans obtained at 31 December	155.214.588	–	36.435.103	127.888.348	–	22.634.685
Debt securities issued at 1 January	56.081.191	797.174	–	55.958.522	797.174	–
Debt securities placed	–	–	–	–	–	–
Repaid during the period	–	–	–	(4.889.400)	–	–
Other differences	483.374	56	–	5.012.069	–	–
Debt securities issued at 31 December	56.564.565	797.230	–	56.081.191	797.174	–
Due under the assignment agreements as at 31 December	–	–	–	–	1.274.804	–
Interest income on loans issued	–	1.366.689	–	–	8.609	–
Interest expenses on loans received	(11.633.922)	–	(2.546.677)	(4.396.260)	–	(1.791.217)
Interest costs on debt securities issued	(5.022.819)	(63.640)	–	(5.012.069)	(63.583)	–
Interest expense under assignment agreements	–	(61.531)	–	–	(492.584)	–
Credit loss expense	–	(628.116)	–	–	(222.614)	–

(in thousands of tenge)

29. Related party transactions (continued)

Loans received from the Shareholder as at 31 December 2019 have effective interest rates from 4.5% to 11.6% per annum (as at 31 December 2018: from 4.5% to 11.6% per annum).

Loans received from state and state-financed organisations as at 31 December 2019 have effective interest rates from 7.1% to 13.3% per annum (31 December 2018: from 8.9% to 13.3% per annum).

Compensation to the key management personnel

Key management personnel in 2019 and 2018 consisted of 5 persons. Compensation of key management personnel comprised of the following:

	2019	*2018*
Salaries and other short-term benefits	**105.372**	82.859
Social security costs	**9.693**	7.640
Total key management personnel compensation	**115.065**	90.499

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 National Bank of the Republic of Kazakhstan.

As at 31 December 2019 and 2018 the Company had complied in full with all its externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' 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.

The NBRK requires companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio (k1) of 6% of total assets; minimum capital adequacy ratio (k1-2) of 6% of risk-weighted assets and contingent liabilities; and minimum total capital adequacy ratio (k1-3) of 12% of risk-weighted assets and contingent liabilities and operational risk. As at 31 December 2019 and 31 December 2018 the capital adequacy ratios of the Company calculated in accordance with the requirements of the NBRK were as follows:

	31 December 2019	*31 December 2018*
Tier 1 capital	**152.703.069**	140.779.730
Tier 2 capital	**16.034.036**	10.375.617
Shares in the charter capital of legal entities	**–**	–
Total capital	**168.737.105**	151.155.347
Risk weighted assets	**465.594.646**	370.467.718
Commitments and contingencies	**46.734.591**	29.870.578
Operational risk	**21.147.698**	15.274.773
Capital adequacy ratio (k1)	**32,99%**	37,8%
Capital adequacy ratio (k1-2)	**29,81%**	35,2%
Capital adequacy ratio (k1-3)	**31,63%**	36,4%

(in thousands of tenge)

31. Subsequent events

On 20 February 2020, the Company signed a Loan agreement No. 9ПРЧ1058 with the Ministry of Finance of the Republic of Kazakhstan in the amount of KZT 70,000,000 thousand with a nominal interest rate of 0.01% per annum. Financing under this Loan agreement was received in full on 29 February 2020 for financing of agro-industrial complex entities.

Due to the recent rapid outbreak of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, have introduced quarantine measures, which has had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures taken to minimise its consequences can affect the activities of companies from various industries. The Company considers this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be reliably measured.

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including decline in oil prices and depreciation of tenge against the US dollar and euro. The Company's management is currently analysing possible impact of changing micro- and macro-economic conditions on the Company's financial position and performance results.