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**«Agrarian Credit Corporation»
Joint Stock Company**

**Interim condensed
financial statements**

For the six-month period ended June 30, 2020



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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim condensed financial statements of Agrarian Credit Corporation JSC (the "Company"), which consists of the interim condensed statement of financial position on June 30, 2020, as well as the corresponding interim condensed statements of profit or loss and comprehensive income, changes in equity and cash flows for the six months ended on that date, and selected explanatory notes to the interim condensed financial statements (hereinafter "the interim condensed financial information").

The management of the Company is responsible for the preparation and presentation of these interim condensed financial information in accordance with International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

The scope of review

We conducted our review in accordance with International Standard for Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. The review consists of making inquiries, principally to those responsible for financial and accounting matters, as well as conducting analytical and other review procedures. The review involves substantially less work than an audit conducted in accordance with International Standards on Auditing and therefore does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, we have found no facts that would give us reason to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standard (IAS) 34, «Interim Financial Reporting».


Saule Badambayeva
Audit Partner



Qualification certificate of the auditor
№ MF-0000720 dated January 10,
2019.


Sholpanay Kudaibergenova
General Director
IAC Russell Bedford A+ Partners LLP



State license for engaging in audit activities
in the Republic of Kazakhstan
№ 18013076, issued by the Committee of
Internal State Audit of the Ministry of
Finance of the Republic of Kazakhstan on
July 3, 2018.

A15E2X0, Republic of Kazakhstan, Almaty
Al-Farabi Ave. 202

November 24, 2020



INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

on June 30, 2020

(in thousands of Kazakhstani Tenge)

	<i>Note</i>	<i>On June 30, 2020 (unaudited)</i>	<i>On December 31, 2019</i>
Assets			
Cash and cash equivalents	4	38.055.139	48.578.130
Funds in banks	5	61.672.264	45.063.483
Loans to customers	6	428.635.034	361.783.687
Assets held for sale		707.112	1.880.310
Finance lease receivable		3.158.310	2.287.406
Investment securities	7	29.007.609	604.896
Investment property	8	442.992	447.821
Property, plant and equipment	9	308.735	367.500
Intangible assets	10	235.054	254.653
Current corporate income tax assets	18	142.931	-
Other assets		1.625.873	1.663.281
Total assets		563.991.053	462.931.167
Liabilities			
Payables to the Shareholder	11	185.019.754	155.214.588
Payables to the Government of the Republic of Kazakhstan	12	70.002.372	-
Payables to state and budget organizations	13	44.496.288	36.435.103
Funds of credit organizations	14	-	9.876.118
Debt securities issued	15	97.861.923	86.340.978
Short-term estimated liabilities		512.660	373.023
Current corporate income tax liabilities	18	-	135.976
Deferred corporate income tax liabilities		2.215.696	1.486.049
Other liabilities		4.389.137	4.231.587
Total liabilities		404.497.830	294.093.422
Equity			
Authorized (share) equity	16	167.809.534	167.809.534
Additional paid-in capital	16	65.194.872	58.624.854
Reserve capital	16	5.339.751	5.339.751
Contingent distribution reserve	16	(74.996.896)	(67.467.287)
Retained earnings/(accumulated deficit)		(3.854.038)	4.530.893
Total equity		159.493.223	168.837.745
Total liabilities and equity		563.991.053	462.931.167
Carrying amount of one common share (in tenge)	16	947,26	1.002,72

Signed and approved for release on behalf of the Board of Directors of the Company:

Kultayev Baglan Kulibayevich

Member of the Board of Directors

Zaytullayeva Irina Nikolayevna

Chief Accountant

The accompanying selected explanatory notes on pages from 6 to 25 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

for the six-month period ended June 30, 2020

(in thousands of Kazakhstani Tenge)

	<i>For the six-month period ended June 30</i>		
	<i>Note</i>	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Interest income calculated using the effective interest rate			
Cash and cash equivalents		2.161.054	2.623.496
Funds in banks		2.411.821	2.372.070
Loans to customers		28.533.242	19.172.716
Investment securities		770.770	1.994.094
		<u>33.876.887</u>	<u>26.162.376</u>
Other interest income			
Finance lease receivables		57.630	1.771
		<u>33.934.517</u>	<u>26.164.147</u>
Interest expenses			
Payables to the Shareholder		(5.978.512)	(5.751.232)
Payables to the Government of the Republic of Kazakhstan		(2.372)	(2.650)
Payables to state and budget organizations		(1.627.614)	(1.108.240)
Funds of credit organizations		(59.203)	(383.646)
Debt securities issued		(4.273.889)	(2.542.371)
Other liabilities		(20.012)	(58.258)
		<u>(11.961.602)</u>	<u>(9.846.397)</u>
Net interest income		21.972.915	16.317.750
Credit losses expenses		(9.614.205)	(5.766.101)
Net interest income, net of credit losses expenses		<u>12.358.710</u>	<u>10.551.649</u>
Net income/(expense) on foreign exchange operations		(144)	7
Other income		132.035	65.341
Personnel expenses	17	(1.853.103)	(1.825.443)
Other operating expenses	17	(879.800)	(918.097)
Other expenses		(540.036)	(45.280)
Non-interest expenses		<u>(3.141.048)</u>	<u>(2.723.472)</u>
Profit before corporate income tax expenses		9.217.662	7.828.177
Corporate income tax expenses	18	(1.568.557)	(1.426.009)
Profit for the reporting period		<u>7.649.105</u>	<u>6.402.168</u>
Basic and diluted earnings per common share (in tenge)		45,50	40,36

Signed and approved for release on behalf of the Board of Directors of the Company:

Kultayev Baglan Kulibayevich

Member of the Board of Directors

Zaytullayeva Irina Nikolaevna

Chief Accountant

The accompanying selected explanatory notes on pages from 6 to 25 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME**for the six-month period ended June 30, 2020***(in thousands of Kazakhstani Tenge)*

Note	For the six-month period ended June 30	
	2020 (unaudited)	2019 (unaudited)
Profit for the reporting period	7.649.105	6.402.168
Other comprehensive income for the reporting period	—	—
Total comprehensive income for the reporting period	7.649.105	6.402.168

Signed and approved for release on behalf of the Board of Directors of the Company:

Kultayev Baglan Kulbarovich

Zaytullayeva Irina Nikolayevna



Member of the Board of Directors

Chief Accountant

The accompanying selected explanatory notes on pages from 6 to 25 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

for the six-month period ended June 30, 2020

(in thousands of Kazakhstani Tenge)

	Note	Authorized (share) equity	Additional paid-in capital	Reserve capital	Contingent distribution reserve	Retained earnings/ (accumula- ted deficit)	Total
On January 1, 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 (unaudited)		-	-	-	-	6.402.168	6.402.168
Profit from initial recognition of loans received from the Shareholder at fair value, net of tax (unaudited)	16	-	9.283.874	-	-	-	9.283.874
Reserve for contingent distribution for the year, net of tax (unaudited)	16	-	-	-	(7.970.871)	-	(7.970.871)
Increase in reserve capital (unaudited)	16	-	-	-	-	-	-
Dividends declared (unaudited)	16	-	-	-	-	(10.375.617)	(10.375.617)
On June 30, 2019 (unaudited)		158.630.371	43.954.728	5.339.751	(54.190.643)	(5.100.975)	148.633.232
On January 1, 2020		167.809.534	58.624.854	5.339.751	(67.467.287)	4.530.893	168.837.745
Total comprehensive income for the reporting period (unaudited)		-	-	-	-	7.649.105	7.649.105
Profit from initial recognition of loans received from the Shareholder at fair value, net of tax (unaudited)	16	-	6.570.018	-	-	-	6.570.018
Reserve for contingent distribution for the year, net of tax (unaudited)	16	-	-	-	(7.529.609)	-	(7.529.609)
Dividends declared (unaudited)	16	-	-	-	-	(16.034.036)	(16.034.036)
On June 30, 2020 (unaudited)		167.809.534	65.194.872	5.339.751	(74.996.896)	(3.854.038)	159.493.223

Signed and approved for release on behalf of the Board of Directors of the Company:

Kultayev Baglan Kulbayevich

Member of the Board of Directors

Zaytullayeva Irina Nikolayevna

Chief Accountant



The accompanying selected explanatory notes on pages from 6 to 25 are an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

for the six-month period ended June 30, 2020

(in thousands of Kazakhstani Tenge)

	Note	For the six-month period ended June 30	
		2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities			
Interest received		14.559.084	13.838.114
Interests paid		(7.009.606)	(5.218.803)
Personnel expenses paid		(1.212.036)	(1.256.315)
Other operating expenses paid		(1.276.338)	(867.426)
Cash flows from operating activities before changes in operating assets and liabilities		5.061.104	6.495.570
<i>Net (increase)/ decrease in operating assets</i>			
Funds in banks		(16.006.381)	(18.839.393)
Loans to customers		(68.318.520)	(87.490.941)
Other assets		114.705	77.112
<i>Net (increase)/ decrease in operating liabilities</i>			
Other liabilities		825.769	803.887
Net cash flow from operating activities before corporate income tax		(78.323.323)	(98.953.765)
Corporate income tax paid		(1.115.051)	(482.337)
Net cash flows from operating activities		(79.438.374)	(99.436.102)
Cash flows from investing activities			
Receipts from redemption of investment securities		83.049.998	262.176.976
Acquisition of investment securities		(111.343.294)	(275.466.269)
Acquisition of property, plant and equipment		(51.682)	(26.654)
Acquisition of intangible assets		(9.487)	(92.512)
Net cash flows from investing activities		(28.354.465)	(13.408.459)
Cash flows from financing activities			
Receipts from borrowing from the Government of the Republic of Kazakhstan		70.000.000	60.000.000
Receipts from attracting loans from credit organizations		-	9.800.000
Repayment of loans from credit organizations		(9.800.000)	(9.477.051)
Receipts from borrowings from the Shareholder		17.643.702	41.071.695
Repayment of loans from the Shareholder		(3.115.193)	(3.288.592)
Debt securities issued		11.244.556	-
Receipts from attraction of loans from state and budgetary organizations		12.856.780	17.453.687
Repayment of borrowed funds from state and budget organizations		(1.562.343)	-
Payment of dividends	16	-	(10.375.617)
Net cash flows from financing activities		97.267.502	105.184.122
Effect of changes in expected credit losses on cash and cash equivalents	4	2.346	(8.264)
Net change in cash and cash equivalents		(10.522.991)	(7.668.703)
Cash and cash equivalents at beginning of period		48.578.130	70.889.857
Cash and cash equivalents at end of period		38.055.139	63.221.154

Signed and approved for release on behalf of the Board of Directors of the Company:

Kultayev Baglan Kumbayevich

Zaytullayeva Irina Nikolayevna



Member of the Board of Directors

Chief Accountant

The accompanying selected explanatory notes on pages from 6 to 25 are an integral part of these interim condensed financial statements.

(in thousands of Kazakhstani Tenge)

1. General information

Agrarian Credit Corporation Joint Stock Company (hereinafter referred to as the Company) was established by the Resolution of the Government of the Republic of Kazakhstan dated January 25, 2001 No. 137 *On Issues of Lending to the Agricultural Sector* in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The company operates on the basis of a license to conduct operations provided for by the banking legislation of the Republic of Kazakhstan, No. 5.2.24 dated November 5, 2013, issued by the Committee for Regulation and Supervision of Financial Market and Financial Organizations under the National Bank of the Republic of Kazakhstan. The Company's activities are regulated by the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBRK).

The main activity of the Company is to implement government programs to support the agricultural sector, to attract domestic and foreign investments for the implementation of its own projects in the agro-industrial complex, the development and implementation of projects in the agro-industrial complex, the sale of collateralized property and agricultural products received through the repayment of funds issued, the implementation of bank loans operations on the basis of an appropriate license, leasing activities, as well as, including also other types of activities not prohibited by legislative acts, that meet the goals and objectives of the Company provided for by the Charter.

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

KazAgro National Managing Holding Joint Stock Company (hereinafter referred to as KazAgro or Shareholder) owns 100% of the shares of the Company on June 30, 2020 and December 31, 2019. The ultimate controlling party of the Company is the Government of the Republic of Kazakhstan.

The Company has 17 registered branches in the Republic of Kazakhstan on June 30, 2020 and December 31, 2019.

The registered office of the Company is located at the following address: Republic of Kazakhstan, Nur-Sultan, Imanov street, 11.

2. Basis of financial statements preparation

These interim condensed financial statements for the six months ended June 30, 2020 have been prepared in accordance with International Financial Reporting Standard (IAS) 34, *Interim Financial Reporting*.

The interim condensed financial statements do not contain all the information and data that must be disclosed in the annual financial statements and should be considered in conjunction with the annual financial statements of the Company on December 31, 2019.

Impact of the COVID-19 pandemic

Many governments, including the Government of the Republic of Kazakhstan, have taken various measures to combat the outbreak, including imposing travel restrictions, quarantines, closing businesses and other institutions, and closing certain regions due to the rapid spread of the COVID-19 pandemic in early 2020. These measures had an impact on the global supply chain, on the demand for goods and services, as well as on the degree of business activity in general. It is expected that the pandemic itself, as well as measures to minimize its consequences, may have an impact on the activities of organizations in various sectors of the economy. There has been significant volatility in the stock, currency and commodity exchanges, including a decline in oil prices and a decline in the exchange rate of the tenge against the US dollar and euro since March 2020.

In 2020, the Government and the National Bank of the Republic of Kazakhstan took support measures to prevent a significant deterioration in economic performance as a result of the outbreak of the COVID-19 disease. These measures include, but are not limited to, concessional loans to organizations operating in affected industries and affected individuals, credit holidays, and the relaxation of certain regulatory constraints to support the financial sector and its ability to provide resources and help clients avoid liquidity shortages resulting from measures to containing the spread of COVID-19.

The restrictive measures introduced during the state of emergency (March-May 2020) had a significant impact on the activities of the agro-industrial complex, such as: the closure of regional and district centers, which affected the timing of product delivery and supply chains, a ban on the external borders of Kazakhstan, which is essential reduced the volume of export operations. At the same time, the Company also took part in providing support measures to borrowers in the form of providing technical restructuring for the period of the emergency. The pandemic had a general impact on the financial performance and the quality of the Company's loan portfolio:

- increase in the volume of the restructured portfolio in the 2nd quarter of 2020, while 67% of the provided restructurings were related to the state of emergency;

(in thousands of Kazakhstani Tenge)

- increase in the volume of formed reserves at the end of the 2nd quarter of 2020;
- deterioration of the NPL indicator at the end of the half of 2020

The Company is working to improve financial performance based on the results of the third quarter of 2020, to improve loans, and to reduce overdue debts.

Changes in accounting policy

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

New standards, clarifications and amendments to existing standards and interpretations

IFRS 16, Lease

IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, Interpretation of SIC 15 *Operating Leases – Incentives*, and Interpretation of SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The standard establishes principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to record all leases using a single balance model.

IFRS 16, Lease

The accounting for a lessor under IFRS 16 is virtually unchanged from IAS 17. Lessors will continue to classify leases using the same classification principles as in IAS 17, distinguishing two types of lease: operating and finance. Therefore, the application of IFRS 16 did not have an impact on the accounting for leases in which the Company is the lessor.

The Company first applied IFRS 16 on January 1, 2019. The Company decided to use the recognition exemptions for leases with a lease term of no more than 12 months at the commencement date and which do not contain a call option (short-term lease), as well as for leases in which the underlying asset is of low value (lease assets with low value). Since the Company's lease agreements are short-term and do not contain an extension option, this standard did not have a significant impact on the Company's financial statements.

The followings are the amendments and clarifications to the standards that came into force on January 1, 2020.

Amendments to IFRS 3 - Business Combinations

The amendments to IFRS 3 clarify that, to be considered a business, an integrated set of activities and assets must include at least input and a fundamentally significant process that together can significantly contribute to the creation of outputs. It also clarifies that a business does not have to include all inputs and processes needed to generate outputs. These amendments did not have any impact on the financial statements of the Company. Amendments to IFRS 7, IFRS 9 and IAS 39 - Interest Rate Benchmark Reform.

The amendments to IFRS 7, IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement provide a number of exemptions that apply to all hedging relationships that are directly affected by the interest rate reform. The benchmark interest rate reform affects hedging relationships if it creates uncertainties about the timing or amount of cash flows based on the benchmark interest rate on the hedged item or the hedging instrument. These amendments did not have an impact on the financial statements of the Company, since it does not have a hedging relationship that may be affected by the reform of the base interest rate.

Amendments to IAS 1 and IAS 8 - Definition of materiality

The amendments propose a new definition of materiality, according to which "information is material if omission, misstatement or masking can reasonably be expected to influence the decisions of the principal users of general purpose financial statements that they make on the basis of these financial statements that provide financial information about a specific reporting entity".

(in thousands of Kazakhstani Tenge)

The amendments clarify that materiality will depend on the nature or quantity of the information (whether taken separately or in combination with other information) in the context of the financial statements as a whole. Misstatement is material if it can be reasonably expected to influence the decisions of the primary users of the financial statements. These amendments did not have an impact on the financial statements of the Company and it is expected that in the future there will also be no impact.

Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the provisions of the Conceptual Framework take precedence over any provision or requirement of the standard. The objectives of the Conceptual Framework are to: assist the IASB in developing standards; assist preparers of financial statements in the development of accounting policies when none of the standards govern a specific transaction or other event; and assist all parties to understand and interpret the standards.

The revised Conceptual Framework contains several new concepts, updated definitions of assets and liabilities and criteria for their recognition, and clarifies some significant provisions. The revision of this document did not affect the financial statements of the Company.

New standards, clarifications and amendments to existing standards and interpretations (continuation)

Interpretation of IFRIC 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes in the context of uncertainty about tax treatment that affects the application of IAS 12 *Income Taxes*. The Interpretation does not apply to taxes or levies that are not within the scope of IAS 12 and does not contain specific requirements for interest and penalties associated with uncertain tax treatment. Specifically, the clarification focuses on the following issues:

- ▶ whether an entity considers uncertain tax treatment separately.
- ▶ the assumptions that an entity makes about the tax authorities' review of tax interpretations;
- ▶ how an entity determines taxable profit (tax loss), tax base, 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 treatment, and uses an approach that makes it possible to more accurately predict the result of resolving the uncertainty.

The Company analyzed whether it has any uncertain tax interpretations when applying the clarification. This clarification 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 amortized cost or fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (SPPI criterion) and the instrument is held within an appropriate business model that allows this classification. The amendments to IFRS 9 clarify that a financial asset meets the SPPI criterion regardless of what event or circumstance leads to the early termination of the contract, and regardless of which party pays or receives reasonable consideration for the early termination of the contract. These amendments did not have any impact on the financial statements of the Company.



(in thousands of Kazakhstani Tenge)

New standards, clarifications and amendments to existing standards and interpretations (continuation)

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting treatment when a plan change, plan reduction or settlement occurs during the reporting period. The amendments clarify that if a plan change, plan reduction or settlement of a plan occurs during an annual reporting period, an entity must determine the current service cost for the remainder of the period after the plan change, reduction, or full settlement of the plan based on the actuarial assumptions used to revalue the net defined benefit liability (asset), reflecting the benefits offered by the plan and the assets of the plan after the event. The entity shall also determine the net interest for the remainder of the period after the plan is changed, reduced or fully settled using the net defined benefit liability (asset) reflecting the benefits offered by the plan and the plan assets thereafter events, and the discount rate used to revalue that net defined benefit liability (asset). These amendments did not have any impact on the financial statements of the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term investments in an associate or joint venture that do not apply the equity method, but which, in essence, form part of a net investment in an associate or joint venture (long-term investments). This interpretation is important because it implies that the expected credit loss model in IFRS 9 applies to such long-term investments.

The amendments also clarify that in applying IFRS 9, an entity does not take into account losses incurred by an associate or joint venture, or impairment losses on a net investment recognized as adjustments to a net investment in an associate or joint venture arising from the application of IAS 28 *Investments in Associates and Joint Ventures*. These amendments did not have an impact on the financial statements of the Company, since the Company does not have long-term investments in an associate or a joint venture considered in them.



(in thousands of Kazakhstani Tenge)

3. Significant accounting judgments and estimates

Uncertainty of estimates

In the process of applying the accounting policy, the management of the Company, in addition to accounting estimates, made the following judgments and estimates, which have the most significant effect on the amounts reflected in the financial statements. The most significant uses of judgment and estimates are below:

Fair value of financial instruments

If the fair value of financial assets and financial liabilities in the statement of financial position cannot be determined based on prices in an active market, they are determined using various valuation techniques, including mathematical models. The inputs for such models are determined based on the observed market, if possible; otherwise, judgment is required to determine fair value.

Expected credit losses on financial assets

Assessing losses both under IFRS 9 from January 1, 2019 and under IAS 39 through January 1, 2019 for all categories of financial assets requires judgment, in particular when determining ECL and assessing a significant increase in credit risk estimate the amount and timing of future cash flows and the value of collateral. Such estimates are dependent on a number of factors, changes in which could result in different amounts of the allowance for impairment losses. ECL calculations The Company is the result of complex models that include a number of basic assumptions regarding the choice of input variables and their interdependencies. Elements of ECL models that are considered judgments and estimates include:

- the criteria used by the Company to assess whether there has been a significant increase in credit risk, as a result of which the estimated allowance for impairment of financial assets should be estimated at an amount equal to the ECL for the entire period, and a qualitative assessment;
- grouping financial assets when ECLs are measured on a group basis;
- development of models for calculating ECL, including various formulas and choice of input data;
- determining the relationship between macroeconomic scenarios and economic data, as well as the impact on the indicators of the probability of default (PD), the amount at risk of default (EAD) and the level of loss in case of default (LGD);
- selecting forecast macroeconomic scenarios and weighting them against probability to obtain economic inputs for ECL valuation models.

Assessment of collateral

The Company's management monitors collateral on a regular basis, using judgments based on experience or an independent assessment, in order to adjust the value of collateral in view of the current market situation.

Taxation

Currently, Kazakhstan has a unified Tax Code that regulates the main tax issues. Current taxes include value added tax, corporate income tax, social and other taxes. Often, executive orders on the application of regulations are incomprehensible or absent altogether, and few precedents have been established. There are often different opinions regarding the legal interpretation of provisions, both between departments and within one department, which creates some uncertainty and conflict situations. Tax returns, as well as other areas of legal regulation (for example, issues of customs and currency control), are under the control of several departments, which, by law, have the right to impose significant fines, penalties and forfeits. This situation creates a greater likelihood of tax risks in Kazakhstan than, for example, in other countries with more developed systems of tax legislation.

Management believes that the Company adheres to the provisions of the tax legislation of the Republic of Kazakhstan that govern its activities. However, the risk remains that the relevant authorities may take different positions on controversial tax issues.



*(in thousands of Kazakhstani Tenge)***4. Cash and cash equivalents**

Cash and cash equivalents include the following items:

	<i>June 30, 2020</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2019</i>
Cash on current accounts in banks	38.056.517	48.581.865
Cash on hand	12	1
	<u>38.056.529</u>	<u>48.581.866</u>
Net of provision for expected credit losses (ECL)	<u>(1.390)</u>	<u>(3.736)</u>
Cash and cash equivalents	<u>38.055.139</u>	<u>48.578.130</u>

All cash equivalent balances have been allocated to Stage 1. Analysis of changes in ECL provision for the six months ended 30 June 2020 is provided below:

	<i>June 30, 2020</i> <i>(unaudited)</i>	<i>2019 (unaudited)</i>
Provision for ECL on January 1	3.736	6.867
Change in ECL for the period	<u>(2.346)</u>	<u>8.264</u>
Provision for ECL on June 30	<u>1.390</u>	<u>15.131</u>

5. Funds in banks

Amounts due from banks include the following items:

	<i>June 30, 2020</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2019</i>
Loans to second-tier banks	59.634.963	34.102.894
Term deposits placed for period longer than 90 days	2.219.890	11.102.767
	<u>61.854.853</u>	<u>45.205.661</u>
Less provision for ECL	<u>(182.589)</u>	<u>(142.178)</u>
Funds in banks	<u>61.672.264</u>	<u>45.063.483</u>

The table below provides an analysis of changes in ECL provision for the six months ended June 30, 2020:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Provision for ECL on January 1, 2020	142.178	-	-	142.178
Newly created or acquired assets	-	-	-	-
Assets that have been repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Changes in ECL for the year as a result of transfers from one Stage to another and changes in outgoing data	40.411	-	-	40.411
Discount amortization	-	-	-	-
On June 30, 2020	<u>182.589</u>	<u>-</u>	<u>-</u>	<u>182.589</u>



(in thousands of Kazakhstani Tenge)

The table below provides an analysis of changes in ECL provision for the six months ended June 30, 2019:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Provision for ECL on January 1, 2019	251.551	–	5.084.180	5.335.731
Newly created or acquired assets	203.051	–	–	203.051
Assets that have been repaid	(60.358)	–	–	(60.358)
Transfers to Stage 1	4.719.657	–	(4.719.657)	–
Change in ECL for the period	(4.674.849)	–	(516.236)	(5.191.085)
Discount amortization (recognized in interest income)	–	–	151.713	151.713
On June 30, 2019	439.052	–	–	439.052

6. Loans to customers

Loans provided to customers are represented by loans to borrowers operating in the agricultural sector and include the following items:

	<i>June 30, 2020 (unaudited)</i>	<i>December 31, 2019</i>
Loans to legal entities	431.820.731	365.530.528
Loans to individuals	61.683.025	51.628.720
	493.503.756	417.159.248
Less provision for ECL	(64.868.722)	(55.375.561)
Loans to customers	428.635.034	361.783.687

Provision for impairment of loans to customers

The following is an analysis of changes in ECL provision for loans to legal entities for the six months ended June 30, 2020:

<i>Loans to legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>DCCA</i>	<i>Total</i>
Provision for ECL on January 1, 2020	2.961.980	36.716	48.443.214	746.145	52.188.055
Newly created or acquired assets	–	–	–	–	–
Assets that have been repaid	–	–	–	–	–
Transfers to Stage 1	1.208.246	(20.584)	(1.187.662)	–	–
Transfers to Stage 2	(73.253)	73.261	(8)	–	–
Transfers to Stage 3	(248.163)	(401.598)	649.761	–	–
Changes in ECL for the year as a result of transfers from one Stage to another and changes in outgoing data	(639.583)	314.989	9.402.625	232.259	9.310.290
Changes in contractual cash flows due to a modification that does not result in derecognition	–	–	–	–	–
Discount amortization	–	–	–	–	–
Written off amounts	–	–	(632.588)	–	(632.588)
On June 30, 2020	3.209.227	2.784	56.675.342	978.404	60.865.757



(in thousands of Kazakhstani Tenge)

The following is an analysis of changes in ECL provision for loans to individuals for the six months ended June 30, 2020:

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>DCCA</i>	<i>Total</i>
Provision for ECL on January 1, 2020	464.645	23.237	2.446.857	252.767	3.187.506
Newly created or acquired assets	-	-	-	-	-
Assets that have been repaid	-	-	-	-	-
Transfers to Stage 1	209.333	(9.757)	(199.576)	-	-
Transfers to Stage 2	(69.837)	173.862	(104.025)	-	-
Transfers to Stage 3	(8.861)	(359.775)	368.636	-	-
Changes in ECL for the year as a result of transfers from one Stage to another and changes in outgoing data	(26.953)	183.682	908.246	(249.516)	815.459
Changes in contractual cash flows due to a modification that does not result in derecognition	-	-	-	-	-
Discount amortization	-	-	-	-	-
Written off amounts	-	-	-	-	-
On June 30, 2020	568.327	11.249	3.420.138	3.251	4.002.965

The following is an analysis of changes in ECL provision for loans to legal entities for the six months ended June 30, 2019:

<i>Loans to legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>DCCA</i>	<i>Total</i>
Provision for ECL on January 1, 2019	2.156.348	-	36.071.917	14.755	38.243.020
Newly created or acquired assets	5.662.833	-	-	568	5.663.401
Assets that have been repaid	(152.514)	-	(1.768.261)	-	(1.920.775)
Transfers to Stage 1	7.893.324	(1.111.524)	(6.781.800)	-	-
Transfers to Stage 2	(1.686.135)	3.509.859	(1.823.724)	-	-
Transfers to Stage 3	(3.547.275)	(482.215)	4.029.490	-	-
Change in ECL for the period	(8.338.612)	1.338.734	12.117.079	637.025	5.754.226
Discount amortization (recognized in interest income)	-	-	1.356.101	-	1.356.101
Written off amounts	-	-	(1.366.680)	-	(1.366.680)
On June 30, 2019	1.987.969	3.254.854	41.834.122	652.348	47.729.293

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>DCCA</i>	<i>Total</i>
Provision for ECL on January 1, 2019	186.179	-	1.307.236	-	1.493.415
Newly created or acquired assets	895.631	-	-	-	895.631
Assets that have been repaid	(1.241)	(40)	(4.216)	-	(5.497)
Transfers to Stage 1	20.679	(3.322)	(17.357)	-	-
Transfers to Stage 2	(4.377)	4.695	(318)	-	-
Transfers to Stage 3	(425.831)	(3.405)	429.236	-	-
Change in ECL for the period	(357.210)	7.453	542.289	-	192.532
Discount amortization (recognized in interest income)	-	-	23.011	-	23.011
On June 30, 2019	313.830	5.381	2.279.881	-	2.599.092

A loss of 9.412.011 thousand tenge arising from recognition at fair value of loans was recognized in equity as an increase in the provision for deemed allocation during the six months ended June 30, 2020.



*(in thousands of Kazakhstani Tenge)***7. Investment securities**

Investment securities include the following items:

	<i>June 30, 2020</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2019</i>
NBRK notes	28.371.217	–
Corporate bonds	639.074	606.258
	<u>29.010.291</u>	<u>606.258</u>
		–
Less provision for ECL	(2.682)	(1.362)
Investment securities	<u>29.007.609</u>	<u>604.896</u>

8. Investment property

The movement in investment property is presented below:

	<i>Buildings</i>
Initial cost	
On December 31, 2018	445.266
Receipts (unaudited)	–
On June 30, 2019 (unaudited)	<u>445.266</u>
On December 31, 2019	529.474
Receipts (unaudited)	–
Disposals (unaudited)	–
On June 30, 2020 (unaudited)	<u>529.474</u>
Accumulated depreciation	
On December 31, 2018	(99.542)
Accrued depreciation (unaudited)	(5.879)
On June 30, 2019	<u>(105.421)</u>
On December 31, 2019	(81.653)
Accrued depreciation (unaudited)	(4.829)
Disposals (unaudited)	–
On June 30, 2020 (unaudited)	<u>(86.482)</u>
Carrying amount	
On December 31, 2019	<u>447.821</u>
On June 30, 2020 (unaudited)	<u>442.992</u>

Income from the lease of investment property for the six-month period ended June 30, 2020 amounted to 4.119 thousand tenge (six-month period ended June 30, 2019: 23.109 thousand tenge).

9. Property, plant and equipment

The movements in property, plant and equipment items are presented below:

	<i>Land</i>	<i>Machinery and equipment</i>	<i>Vehicles</i>	<i>Other</i>	<i>Total</i>
Initial cost					
On December 31, 2018	5.397	370.581	201.015	117.486	694.479
Receipts (unaudited)	–	23.723	–	1.102	24.825
Disposals (unaudited)	–	(8.489)	(16.671)	(2.341)	(27.501)
On June 30, 2019 (unaudited)	<u>5.397</u>	<u>385.815</u>	<u>184.344</u>	<u>116.247</u>	<u>691.803</u>
On December 31, 2019	100	437.196	211.385	145.587	794.268
Receipts (unaudited)	–	–	–	289	289

(in thousands of Kazakhstani Tenge)

Disposals (unaudited)	-	-	(27.041)	-	(27.041)
On June 30, 2020 (unaudited)	100	437.196	184.344	145.876	767.516
Accumulated depreciation					
On December 31, 2018	-	(232.041)	(47.278)	(52.393)	(331.712)
Accrued depreciation (unaudited)	-	(26.626)	(12.360)	(5.292)	(44.278)
Disposals (unaudited)	-	8.455	12.110	1.988	22.553
On June 30, 2019 (unaudited)	-	(250.212)	(47.528)	(55.697)	(353.437)
On December 31, 2019	-	(282.148)	(72.489)	(72.131)	(426.768)
Accrued depreciation (unaudited)	-	(27.071)	(12.645)	(6.301)	(46.017)
Disposals (unaudited)	-	-	14.004	-	14.004
On June 30, 2020 (unaudited)	-	(309.219)	(71.130)	(78.432)	(458.781)
Carrying amount					
On December 31, 2019	100	155.048	138.896	73.456	367.500
On June 30, 2020 (unaudited)	100	127.977	113.214	67.444	308.735

10. Intangible assets

The movement in intangible assets is presented below:

	<i>Software</i>
Initial cost	
On December 31, 2018	759.659
Receipts (unaudited)	
On June 30, 2019 (unaudited)	759.659
On December 31, 2019	780.447
Receipts (unaudited)	8.460
On June 30, 2020 (unaudited)	788.907
Accumulated amortization	
On December 31, 2018	(461.831)
Accrued amortization (unaudited)	(35.503)
On June 30, 2019 (unaudited)	(497.334)
On December 31, 2019	(525.794)
Accrued amortization (unaudited)	(28.059)
On June 30, 2020 (unaudited)	(553.853)
Carrying amount	
On December 31, 2019	254.653
On June 30, 2020 (unaudited)	235.054



*(in thousands of Kazakhstani Tenge)***11. Payables to the Shareholder**

Payables to shareholders include the following items:

	<i>Maturity date</i>	<i>Nominal interest rate per year, %</i>	<i>Currency</i>	<i>June 30, 2020 (unaudited)</i>	<i>December 31, 2019</i>
Loan under agreement No. 81	June 21, 2021	14.5-15.5%	Tenge	37.242.673	36.385.643
Loan under agreement No. 61	August 24, 2032	0.32-1.02%	Tenge	30.202.266	27.128.094
Loan under agreement No. 32	December 14, 2032	1.0%	Tenge	17.658.850	17.139.713
Loan under agreement No. 76	December 14, 2025	1.0%	Tenge	14.337.896	13.903.823
Loan under agreement No. 101	December 14, 2033	1.0%	Tenge	13.321.100	12.921.363
Loan under agreement No. 85	December 14, 2025	1.0%	Tenge	10.824.601	10.509.809
Loan under agreement No. 122	December 14, 2025	1.0%	Tenge	10.770.986	10.453.030
Loan under agreement No. 135	December 14, 2032	1.0%	Tenge	9.499.290	9.212.303
Loan under agreement No. 136	December 14, 2032	1.0%	Tenge	9.499.290	9.212.303
Investment loan under agreement No. 36	December 31, 2023	1.02%	Tenge	3.542.951	4.256.906
Payables under the cession agreement dated July 3, 2018	December 20, 2024	5.0%	Tenge	2.250.110	2.170.163
Payables under the debt transfer agreement dated July 3, 2018	December 9, 2024	3.0%	Tenge	924.487	1.017.761
Loan under agreement No. 70	October 13, 2024	1.02%	Tenge	721.473	692.538
Loan under agreement No. 124	December 1, 2022	10.00%	Tenge	179.659	211.139
Loan under agreement No. 20	January 31, 2034	1.00%	Tenge	6.631.248	-
Loan under agreement No. 24	June 20, 2035	1.02%	Tenge	1.378.838	-
Dividend payable			Tenge	16.034.036	-
				185.019.754	155.214.588

Loan under agreement No. 32

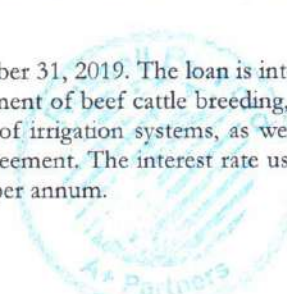
The Company entered into Loan Agreement No. 32 with the Shareholder on February 27, 2019. The loan is intended for lending to subjects of the agro-industrial complex to finance projects for the development of beef cattle breeding, the dairy industry, processing of meat and crop products, food production, for the purchase of irrigation systems, as well as crop production. The interest rate used by the Company to determine the cost of the loan at the date of initial recognition was 7.3% per annum.

Loan under agreement No. 61

The Company entered into a loan agreement No. 61 with the Shareholder on August 24, 2017. The interest rates used by the Company to determine the cost of the loan at the date of initial recognition was 7.6-8.6% per annum. Loans are intended to direct funds to subjects of the agro-industrial complex for the implementation of a set of measures aimed at creating, expanding and modernizing material production, production infrastructure in the agro-industrial complex.

Loan under agreement No. 101

The Company entered into Loan Agreement No. 101 with the Shareholder on December 31, 2019. The loan is intended for lending to subjects of the agro-industrial complex to finance projects for the development of beef cattle breeding, the dairy industry, processing of meat and crop products, food production, for the purchase of irrigation systems, as well as crop production. 20,000,000 thousand tenge was received within the framework of this agreement. The interest rate used by the Company to determine the cost of the loan at the date of initial recognition was 7.9% per annum.



(in thousands of Kazakhstani Tenge)

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 the terms of loans, totaling 3.352.895 thousand tenge, was recognized by the Company as additional paid-in capital during the six-month period ended June 30, 2020.

There are no liabilities to fulfill financial covenants for the payables to the Shareholder on June 30, 2020 and December 31, 2019.

12. Payables to the Government of the Republic of Kazakhstan

The payables to the Government of the Republic of Kazakhstan includes a short-term loan in tenge provided by the Ministry of Finance of the Republic of Kazakhstan in the amount of 70.000.000 thousand tenge in accordance with agreement No. 9 PRCH1058 dated February 20, 2020 for carrying out support activities subjects of the agro-industrial complex by financing spring field and harvesting works with maturity until December 20, 2020 and a remuneration rate of 0.01% per annum on June 30, 2020.

13. Payables to state and budget organizations

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

Since 2017, the Company has been raising funds from local executive bodies as part of the implementation of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021, approved by the Resolution of the Government of the Republic of Kazakhstan No. 919 dated December 29, 2016. Loans with nominal interest rates of 0.01% per annum are intended for funding microfinance organizations and credit partnerships for lending to business projects under the Program. Interest rates used by the Company in determining the cost of loans at initial recognition amounted to 7.14-8.93% per annum. The Company's debt under this Program is 41.216.335 thousand tenge on June 30, 2020 (on December 31, 2019: 33.346.949 thousand tenge).

Employment Roadmap 2020

In August 2016, the Company entered into two loan agreements with the State Institution Department of Entrepreneurship, Industrial and Innovative Development and Tourism of the South Kazakhstan Region and with the Akimat of the Almaty Region as part of the implementation of the Roadmap 2020 approved by the Resolution of the Government of the Republic of Kazakhstan No. 162 dated September 30, 2015. Amounts received under the above agreements have nominal interest rates of 0.01% per annum. The loans are intended to ensure sustainable and balanced growth of regional entrepreneurship in rural areas for 2016-2017, as well as to maintain existing and create new permanent jobs within the framework of the Employment Roadmap 2020. Interest rates used by the Company in determining the cost of loans at initial recognition amounted to 13.3% per annum. The Company's debt under these agreements is 3.279.953 thousand tenge on June 30, 2020 (on December 31, 2019: 3.088.154 thousand tenge).

The difference between the nominal and fair value of loans received from government and budgetary organizations at the date of initial recognition in the total amount of 4.859.628 thousand tenge was recognized by the Company as additional paid-in capital during the six-month period ended June 30, 2020.

14. Funds of credit organizations

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

	<i>Maturity date</i>	<i>Nominal interest rate per year, %</i>	<i>Currency</i>	<i>June 30, 2020 (unaudited)</i>	<i>December 31, 2019</i>
ATF Bank JSC	February 3, 2020	10.5%	Tenge	-	9.876.118
				-	9.876.118

15. Debt securities issued

Debt securities issued include the following items:

	<i>Maturity date</i>	<i>Rate per year, %</i>	<i>Currency</i>	<i>June 30, 2020 (unaudited)</i>	<i>December 31, 2019</i>
Fixed income bonds (1 issue of 3 bond programs)	December 30, 2021	8.5%	Tenge	23.885.354	23.874.632

(in thousands of Kazakhstani Tenge)

Fixed income bonds (2 issue of 2 bond programs)	December 17, 2022	8.0%	Tenge	18.009.289	17.968.126
Fixed income bonds (1 issue of 2 bond programs)	February 20, 2023	8.5%	Tenge	10.192.489	10.173.689
Fixed income bonds (2 issue of 3 bond programs)	June 22, 2026	14.0%	Tenge	5.366.083	5.365.966
Fixed income bonds (1 issue of 4 bond programs)	October 10, 2026	10.8%	Tenge	40.408.708	28.958.565
Debt securities issued				97.861.923	86.340.978

16. Equity

During 2020, the Company declared dividends in the amount of 16.034.036 thousand tenge or 95.37 tenge per common share for the year ended December 31, 2019 in accordance with the decision of the Sole Shareholder dated May 29, 2020.

The declared and issued common shares of the Company in the amount of 168.124.996 pieces were fully paid by the sole Shareholder June 30, 2020 and December 31, 2019.

In December 2019, the Company placed 9.494.625 common shares to the sole Shareholder at the price of 966.77 tenge for the amount of 9.179.163 thousand tenge in exchange for common shares of KNA as part of the merger.

During 2019, the Company declared and paid dividends in the amount of 10.375.617 thousand tenge or 65.41 tenge per common share for the year ended December 31, 2018 in accordance with the decision of the Sole Shareholder dated May 31, 2019.

In 2018, the Company declared and paid dividends in the amount of 4.189.685 thousand tenge or 26.41 tenge per common share for the year ended December 31, 2017 in accordance with the decision of the Sole Shareholder dated May 11, 2018.

The reserve capital is formed for general risks, including future losses and other unforeseen risks and liabilities, according to the Company's policy. The reserve capital is subject to distribution based on the decision of the Shareholder.

The movements in additional paid-in capital and reserves for the six-month period ended June 30, 2020 are presented below:

	<i>Reserve capital</i>	<i>Additional paid-in capital</i>	<i>Contingent distribution reserve</i>
On January 1, 2020	5.339.751	58.624.854	(67.467.287)
Reserve for deemed distribution for the period (unaudited)*	—	—	(9.412.011)
Tax effect of recognition of reserve for deemed distribution (unaudited)	—	—	1.882.402
Income from initial recognition of loans received from the Shareholder and government organizations at fair value (unaudited)	—	8.212.523	—
Tax effect of initial recognition of loans received from the Shareholder at fair value (unaudited)	—	(1.642.505)	—
Increase in reserve capital from retained earnings (unaudited)	—	—	—
On June 30, 2020 (unaudited)	5.339.751	65.194.872	(74.996.896)

The movements in additional paid-in capital and reserves for the six-month period ended June 30, 2019 are presented below:

	<i>Reserve capital</i>	<i>Additional paid-in capital</i>	<i>Contingent distribution reserve</i>
On January 1, 2019	5.339.751	34.670.854	(46.219.772)
Reserve for deemed distribution for the period (Note 5, 6) (unaudited)	—	—	(9.963.589)

(in thousands of Kazakhstani Tenge)

	<i>Reserve capital</i>	<i>Additional paid- in capital</i>	<i>Contingent distribution reserve</i>
Tax effect of recognition of reserve for deemed distribution (unaudited)	-	-	1.992.718
Income from initial recognition of loans received from the Shareholder and government organizations at fair value (Note 11, 13) (unaudited)	-	11.604.842	-
Tax effect of initial recognition of loans received from the Shareholder at fair value (unaudited)	-	(2.320.968)	-
On June 30, 2019 (unaudited)	5.339.751	43.954.728	(54.190.643)

The carrying amount of one common share, calculated according to Kazakhstan Stock Exchange methodology, is presented below:

	<i>June 30, 2020 (unaudited)</i>	<i>December 31, 2019</i>
Assets	563.991.053	462.931.167
Less intangible assets	(235.054)	(254.653)
Less liabilities	(404.497.830)	(294.093.422)
Net assets	159.258.169	168.583.092
Number of common shares, pieces	168.124.996	168.124.996
Carrying amount of one common share (in tenge)	947,26	1.002,72

17. Personnel expenses and other operating expenses

Personnel expenses and other operating expenses include the following items:

	<i>For the six-month period ended June 30</i>	
	<i>2020 (unaudited)</i>	<i>2019 (unaudited)</i>
Personnel expenses and other payments	(1.702.363)	(1.671.982)
Social security expenses	(150.740)	(153.461)
Personnel expenses	(1.853.103)	(1.825.443)
Legal and consulting services	(298.522)	(272.585)
Maintenance and lease of premises	(207.549)	(203.596)
Depreciation and amortization	(78.906)	(85.660)
Travel expenses	(20.479)	(47.613)
Insurance expenses	(42.150)	(44.552)
Marketing and advertising	(8.296)	(24.609)
Maintenance of PPE and IA	(10.011)	(22.190)
Communication services	(34.930)	(19.810)
Materials	(19.815)	(19.073)
State duty	(12.704)	(13.540)
Assessment of collateralized property	(11.664)	(10.140)
Banking services	(4.881)	(8.984)
Charity and sponsorship	(17.493)	(7.655)
Training of staff		(4.903)
Others	(112.400)	(133.187)
Other operating expenses	(879.800)	(918.097)



*(in thousands of Kazakhstani Tenge)***18. Corporate income tax**

Corporate income tax expenses consist of the following items:

	<i>For the six-month period ended</i>	
	<i>June 30</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current corporate income tax expense	(599.013)	(814.101)
Deferred corporate income tax expense - occurrence and reduction of temporary differences	(729.647)	(940.158)
Less deferred tax recognized in equity <i>(Note 16)</i>	(239.897)	328.250
Corporate income tax expenses	(1.568.557)	(1.426.009)

19. Commitments and contingencies**Business conditions**

Economic reforms and the development of legal, tax and administrative infrastructure that would meet the requirements of a market economy are continuing in Kazakhstan. The stability of the Kazakh economy will largely depend on the progress of these reforms, as well as on the effectiveness of measures taken by the Government in the field of the economy, financial and monetary policy.

The volatility of the exchange rate of the tenge against major foreign currencies continues to have a negative impact on the Kazakh economy in 2020.

The management of the Company believes that it is taking all necessary measures to maintain the economic stability of the Company in the current conditions.

Taxation

Kazakhstan tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation applied to transactions and activities of the Company may be challenged by the relevant regional or state authorities. Thus, additional taxes, fines and penalties may be assessed. Tax periods remain open to review by the relevant authorities for tax purposes during the five calendar years preceding the year under review. Under certain circumstances, such reviews may cover longer periods.

The Company's management believes that on June 30, 2020 and on December 31, 2019, their interpretation of the legislation is appropriate and the Company's position on compliance with tax, currency and customs legislation will be confirmed.

Legal issues

In the normal course of business, the Company is subject to lawsuits and claims. In the opinion of management, the probable liabilities (if any) arising from such actions or claims will not have a material adverse effect on the financial position or results of the Company's operations in the future.

Credit related commitments

The Company's commitments and contingencies include the following:

	<i>June 30, 2020</i>	<i>December 31,</i>
	<i>(unaudited)</i>	<i>2019</i>
Credit related commitments		
Commitments to provide loans	81.094.455	93.469.181
Less provision for ECL	(653.736)	(1.255.464)
	80.440.719	92.213.717
Operating lease commitments		
Up to 1 year	27.107	-
Commitments and contingencies	80.467.826	92.213.717

*(in thousands of Kazakhstani Tenge)***19. Commitments and contingencies (continuation)****Credit related commitments (continuation)**

Many of these credit contingencies can be terminated without being fully or partially fulfilled. Consequently, the contractual credit related commitments in the table above do not represent expected cash outflows.

The loan commitment agreement provides for the right of the Company to unilaterally withdraw from the agreement in the event of unfavorable conditions for the Company, as well as in the absence of resources for lending.

Analysis of changes in ECL provisions is presented below:

<i>Commitments to provide loans</i>	<i>Stage 1</i>
Assessment provision for ECL on January 1, 2019	822.999
Changes in ECL for the year	432.465
On December 31, 2018	1.255.464
Changes in ECL for the year	(601.728)
On December 31, 2019	653.736

20. Fair value of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are classified within the fair value hierarchy described below based on the lowest inputs that are significant to the overall fair value measurement:

- Level 1: quoted market prices in an active market for identical assets or liabilities (without any adjustments).
- Level 2: valuation models in which inputs at the lowest level in the hierarchy that are material to the measurement of fair value are directly or indirectly observable in the market.
- Level 3: valuation models in which inputs at the lowest level in the hierarchy are not observable in the market, material to the measurement of fair value.



*(in thousands of Kazakhstani Tenge)***20. Fair value of financial instruments (continuation)**

The following table provides an analysis of financial instruments for which fair values are disclosed by level of the fair value hierarchy:

	<i>Assessment date</i>	<i>Fair value measurement</i>			<i>Total</i>
		<i>Using Level 1 inputs</i>	<i>Using Level 2 inputs</i>	<i>Using Level 3 inputs</i>	
<i>On June 30, 2020 (unaudited)</i>					
Assets for which fair values are disclosed					
Cash and cash equivalents	June 30, 2020	38.055.139	-	-	38.055.139
Funds in banks	June 30, 2020	-	54.016.539	-	54.016.539
Loans to customers	June 30, 2020	-	-	429.689.603	429.689.603
Finance lease receivable	June 30, 2020	-	-	3.158.310	3.158.310
Investment securities	June 30, 2020	28.369.970	637.639	-	29.007.609
Other financial assets	June 30, 2020	-	-	1.215.317	1.215.317
Liabilities for which fair values are disclosed					
Payables to the Shareholder	June 30, 2020	-	186.039.932	-	186.039.932
Payables to the Government of the Republic of Kazakhstan	June 30, 2020	-	70.002.372	-	70.002.372
Payables to state and budget organizations	June 30, 2020	-	45.156.542	-	45.156.542
Debt securities issued	June 30, 2020	-	98.719.333	-	98.719.333
Other financial liabilities	June 30, 2020	-	556.946	262.541	819.487
<i>On December 31, 2019</i>					
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2019	48.578.130	-	-	48.578.130
Funds in banks	December 31, 2019	-	42.680.055	-	42.680.055
Loans to customers	December 31, 2019	-	-	363.961.235	363.961.235
Finance lease receivable	December 31, 2019	-	-	2.123.939	2.123.939
Investment securities	December 31, 2019	-	588.664	-	588.664
Other financial assets	December 31, 2019	-	-	1.293.840	1.293.840
Liabilities for which fair values are disclosed					
Payables to the Shareholder	December 31, 2019	-	154.582.601	-	154.582.601
Payables to the Government of the Republic of Kazakhstan	December 31, 2019	-	36.580.082	-	36.580.082
Amounts of credit institutions	December 31, 2019	-	9.876.118	-	9.876.118
Debt securities issued	December 31, 2019	-	88.746.438	-	88.746.438
Other financial liabilities	December 31, 2019	-	-	803.491	803.491



*(in thousands of Kazakhstani Tenge)***20. Fair value of financial instruments (continuation)****Financial instruments not carried at fair value in the condensed statement of financial position**

Comparison of the carrying amount and fair values of the Company's financial instruments reflected in the financial statements is below. The table does not show the fair values of non-financial assets and non-financial liabilities.

	<i>June 30, 2020 (unaudited)</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized profits / (losses)</i>
Financial assets			
Cash and cash equivalents	38.055.139	38.055.139	-
Funds in banks	61.672.264	54.016.539	(7.655.725)
Loans to customers	428.635.034	429.689.603	1.054.569
Finance lease receivable	3.158.310	3.158.310	-
Investment securities	29.007.609	29.007.609	-
Other financial assets	1.215.317	1.215.317	-
Financial liabilities			
Payables to the Shareholder	185.019.754	186.039.932	(1.020.178)
Payables to the Government of the Republic of Kazakhstan	70.002.372	70.002.372	-
Payables to state and budget organizations	44.496.288	45.156.542	(660.254)
Debt securities issued	97.861.923	98.719.333	(857.410)
Other financial liabilities	820.214	819.487	727
Total unrecognized change in unrealized fair value			(9.138.271)

	<i>December 31, 2019 (unaudited)</i>		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized profits / (losses)</i>
Financial assets			
Cash and cash equivalents	48.578.130	48.578.130	-
Funds in banks	45.063.483	42.680.055	(2.383.428)
Loans to customers	361.783.687	363.961.235	2.177.548
Finance lease receivable	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			
Payables to the Shareholder	155.214.588	154.582.601	631.987
Payables to the Government of the Republic of Kazakhstan	-	-	-
Payables to state and budget organizations	36.435.103	36.580.082	(144.979)
Amounts of 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 unrecognized change in unrealized fair value			(2.302.953)

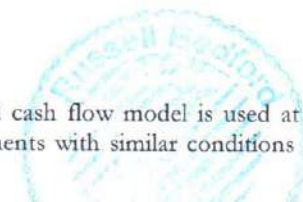
The techniques and assumptions used in determining the fair value of those financial instruments that are not reflected in these interim condensed financial statements at fair value are described below.

Assets whose fair value approximates its present value

It is assumed that their present value approximates fair value for financial assets and financial liabilities that are liquid or have a short maturity (less than three months). This assumption also applies to demand deposits, savings accounts without a specified maturity.

Fixed rate and floating rate financial instruments

Fair values are based on quoted market prices for quoted debt instruments. Discounted cash flow model is used at the current interest rate, taking into account the remaining time to maturity for debt instruments with similar conditions and credit risk for unquoted debt instruments.



*(in thousands of Kazakhstani Tenge)***21. Transactions with related parties**

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

Related parties can enter into transactions that would not take place between unrelated parties. The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

The Government of the Republic of Kazakhstan, through the Shareholder, controls the activities of the Company.

The balance of transactions with related parties at the end of the reporting period and the corresponding amounts of expenses and income are presented below:

	<i>On June 30, 2020 (unaudited)</i>			<i>On December 31, 2019</i>		
	<i>Companies under the common control of the</i>			<i>Companies under the common control of the</i>		
	<i>Shareholder</i>	<i>Shareholder</i>	<i>State-related organizations</i>	<i>Shareholder</i>	<i>Shareholder</i>	<i>State-related organizations</i>
Investment securities	–	637.639	28.369.970	–	–	–
Loans issued	–	16.078.933	–	–	15.717.549	–
Loans received	168.985.718	–	44.496.288	155.214.588	–	36.435.103
Debt securities issued	56.635.362	797.236	–	56.564.565	797.230	–
	<i>The six-month period ended June 30, 2020 (unaudited)</i>			<i>The six-month period ended June 30, 2019 (unaudited)</i>		
	<i>Companies under the common control of the</i>			<i>Companies under the common control of the</i>		
	<i>Shareholder</i>	<i>Shareholder</i>	<i>State-related organizations</i>	<i>Shareholder</i>	<i>Shareholder</i>	<i>State-related organizations</i>
Interest income on investment securities	–	32.816	737.954	–	–	1.835.657
Interest income on loans issued	–	985.183	–	–	642.335	–
Interest expense on loans received	(5.978.512)	–	(1.627.614)	(5.751.232)	–	(1.110.890)
Interest expense on debt securities issued	(2.515.497)	(31.796)	–	(2.376.715)	(31.791)	–
Interest expense under cession agreements	–	–	–	–	(58.258)	–

Compensation to key management personnel

Compensation to key management personnel includes the following items:

	<i>For the six-month period ended June 30</i>	
	<i>2020</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Salaries and other short-term payments	42.428	56.074
Social security contributions	3.951	5.196
Total compensation to key management personnel	46.379	61.270

22. Capital adequacy

The Company actively manages the level of capital adequacy in order to protect against risks inherent in its activities. The adequacy of the Company's capital is monitored using, among other methods, the ratios established by the NBRK.

The company fully complied with all external statutory capital requirements on June 30, 2020 and December 31, 2019.

The main goal of capital management for the Company is to ensure compliance with external capital requirements and maintain a high credit rating and capital adequacy ratios required to carry out business and maximize shareholder value.

(in thousands of Kazakhstani Tenge)

The Company manages its capital structure and adjusts it in the light of changes in economic conditions and risk characteristics of the activities carried out.

The NBRK requires organizations engaged in certain types of banking activities to maintain a Tier 1 capital adequacy ratio (k1) of at least 6% of assets; capital adequacy ratio (k1-2) in the amount of at least 6% of assets and contingent and potential liabilities, weighted taking into account risk; and the general capital adequacy ratio (k1-3) in the amount of at least 12% of assets and contingent and possible liabilities, weighted taking into account risk and operational risk. The capital adequacy ratios of the Company calculated in accordance with the requirements of the NBRK on June 30, 2020 and December 31, 2019 were as follows:

	<i>June 30, 2020</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2019</i>
Tier 1 capital	151.750.946	152.703.069
Tier 2 capital	7.649.105	16.034.036
Shares in the charter capital of legal entities	—	—
Total capital	159.400.051	168.737.105
Risk weighted assets	534.745.416	465.594.646
Contingencies and commitments	40.547.228	46.734.591
Operational risk	21.147.698	21.147.698
Capital adequacy ratio (k1)	26,91%	32,99%
Capital adequacy ratio (k1-2)	26,38%	29,81%
Capital adequacy ratio (k1-3)	26,73%	31,63%

23. Events after the end of the interim period

The issue of commercial bonds with a total nominal value of 10.000.000.000 tenge was approved for lending to private entrepreneurs according to the decision of the Board of Directors of the Company dated May 22, 2020. These bonds were included in the official list of Kazakhstan Stock Exchange JSC on July 2, 2020. Following the results of two specialized trades held on July 8 and July 17, 2020, the Company placed bonds in the total volume of 9.988.489.000 tenge. These bonds have not been placed June 30, 2020.

The second issue of bonds with a total par value of 30.496.202.000 tenge was approved within the framework of the fourth bond program for lending to private entrepreneurship entities according to the decision of the Board of Directors of the Company dated May 22, 2020 and amendments to it dated July 30, 2020. These bonds were included in the official list of Kazakhstan Stock Exchange JSC on August 26, 2020. These bonds have not been placed on June 30, 2020.

