Agrarian Credit Corporation
Joint Stock Company

Financial Statements

For 2020
And Independent Auditor's Report

CONTENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER AND BOARD OF DIRECTORS OF AGRARIAN CREDIT CORPORATION JSC

Opinion

We have audited the financial statements of Agrarian Credit Corporation JSC (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The financial statements of the Company for the year ended 31 December 2019 were audited by other auditors, whose report expressed an unmodified opinion on those financial statements for 2019.

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 for the reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Below is the description of how we have addressed each of the below matters in this context in the course of our audit.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report with respect to those matters. Accordingly, our audit included procedures designed in response to our assessment of risks of material misstatement in the financial statements.

The results of our audit procedures, including those performed during addressing the below matters, provide a basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the key matter has been addressed during the audit
Measurement of the Allowance for Expected Credit Losses on Loans to Customers under IFRS 9 *Financial Instruments* The matters of initial recognition of an asset, determination of the values of the probability of default and the loss given default are processes that involve significant subjective judgment, assumptions and analysis of various historical, current and forecast information. The use of different models and assumptions can significantly affect the amount of the allowance for expected credit losses on loans to customers. As at 31 December 2020, loans to customers account for 82% of the total assets of the Company. Due to the materiality of the amounts, as well as the significance of judgments involved, measurement of the allowance for expected credit losses was a key audit matter.	We have evaluated the consistency in the application of accounting policies in measuring allowances for expected credit losses. Our audit procedures with respect to the risk of material misstatement in the measurement of loans to customers included the following: - Analysis of the methodology for measuring the allowance for expected credit losses on loans to customers; - Analysis of age of receivables past due, and whether the restructuring has taken place due to the deterioration of the credit quality of the asset is provided for, and testing of controls over the processes for identifying factors of a significant increase in credit risk since the initial recognition of the asset; - Analysis of the assumptions used by the Company in measuring the allowance for expected credit losses on loans to customers, including statistical data on debt servicing, expected loss recovery in case of default as a result of seizure or realisation of collateral and repayment of debt in cash, and remeasurement of allowances; - Analysis of contracts for whether restructuring has been carried out, and evaluation of the impact of the modification on the financial statements. Management's approach to recognition of expected credit losses is disclosed in Note 4. Disclosures of expected credit losses on loans to customers are set out in Note 8 *Loans to Customers* and Note 25 *Risk Management*.

Other Information Included in the Company's Annual Report for 2020

Other information includes the information contained in the Annual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for other information. We expect to receive the Company's Annual Report after the release of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility to review the other information mentioned above when it becomes available and to consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, and whether the other information contains other material misstatements.

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

Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of the 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 alternatives but to do so.

Those charged with governance are 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 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 International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit in accordance with International Standards on Auditing, 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our 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 engagement partner on the audit resulting in this independent auditor's report is

Кырыкбаева Алтынай Маратовна
№ МФ-0000995
Казақстан Республикасының Аудиторы

Auditor A.M. Kyrykbayeva
Auditor Qualifying Certificate No. MF-0000995
issued by the Qualification Commission
for Certification of Auditors of the Republic of Kazakhstan on 17 January 2020

BDO Kazakhstan LLP
State license No.15003448 dated 19 February 2015 for audit activities as issued by the Committee on Financial Monitoring of the Ministry of Finance of the Republic of Kazakhstan

BDO

Director T. A. Omarov

BDO Kazakhstan LLP
6 Gabdullin St., Bostandyk district,
Almaty, Kazakhstan

25 February 2021

Statement of Management's Responsibilities for the Preparation and Approval of the Financial Statements for the Year Ended 31 December 2020

The following statement, which should be read in conjunction with the Independent Auditor's Report presented, is made with a view to distinguishing the respective responsibilities of management and the auditor with respect to the financial statements of Agrarian Credit Corporation JSC (hereinafter the "Company").

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of the Company as at 31 December 2020, as well as its financial performance, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (hereinafter "IFRS").

In preparing the financial statements, management is responsible for:

- Selecting and applying appropriate accounting policies;
- Providing relevant, reliable, comparable and understandable information, including accounting policies;
- Ensuring compliance with IFRS, or disclosing all significant deviations from IFRS in notes to the financial statements;
- Assessing the Company's ability to continue as a going concern.

Management of the Company is responsible for:

- Designing, implementing, and maintaining effective and reliable internal control within the Company;
- Maintaining accounting records in a manner that enables to prepare, at any time, with reasonable accuracy, the information on the Company's financial position and to ensure compliance of the financial statements with IFRS requirements;
- Maintaining accounting records in compliance with the laws of the Republic of Kazakhstan and IFRS;
- Taking such steps as are reasonably available to safeguard Company's assets;
- Detecting and preventing fraud and other irregularities.

The accompanying financial statements for the year ended 31 December 2020 were approved by management of the Company on 25 February 2021.

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

Nur-Sultan, the Republic of Kazakhstan

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(KZT thousand)

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	6	48.744.242	48.578.130
Amounts due from banks	7	14.941.678	45.063.483
Loans to customers	8	449.226.953	361.783.687
Assets held-for-sale	8	3.409.307	1.880.310
Finance lease receivables	10	740.711	2.287.406
Investment securities	9	27.569.113	604.896
Investment property	11	438.163	447.821
Property, plant and equipment	12	314.557	367.500
Intangible assets	13	245.064	254.653
Other assets	14	1.546.266	1.663.281
Total assets		547.176.054	462.931.167
Liabilities			
Accounts payable to the Shareholder	15	164.128.030	155.214.588
Amounts due to credit institutions	16	–	9.876.118
Debt securities issued	17	164.197.490	86.340.978
Accounts payable to governmental and government-funded organisations	18	44.770.133	36.435.103
Short-term estimated liabilities		447.545	373.023
Current corporate income tax liabilities	20	49.345	135.976
Deferred corporate income tax liabilities	20	1.468.832	1.486.049
Other liabilities	19	5.050.086	4.231.587
Total liabilities		380.111.461	294.093.422
Equity			
Share capital	21	167.809.534	167.809.534
Additional paid-in capital	21	70.446.355	58.624.854
Capital reserve	21	5.339.751	5.339.751
Contingent Distribution Provision	21	(84.687.953)	(67.467.287)
Retained earnings/ (Accumulated loss)		8.156.906	4.530.893
Total equity		167.064.593	168.837.745
Total liabilities and equity		547.176.054	462.931.167
Book value per one common share (KZT)	21	992,24	1.002,72

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

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2020

(KZT thousand)

	Note	*2020*	*2019*
Interest income calculated using the effective interest method			
Cash and cash equivalents		3.790.549	4.323.045
Amounts due from banks		4.074.947	5.529.233
Loans to customers		53.691.035	41.966.531
Investment securities		1.942.584	3.099.505
		63.499.115	54.918.314
Other interest income			
Finance lease receivables		87.422	42.844
		63.586.537	54.961.158
Interest expense			
Accounts payable to the Shareholder		(12.597.806)	(11.632.992)
Amounts due to credit institutions		(59.203)	(902.375)
Debt securities issued		(10.596.697)	(5.317.449)
Accounts payable to governmental and government-funded organisations		(3.588.080)	(2.546.677)
Accounts payable to the Government of the Republic of Kazakhstan		(5.678)	(5.467)
Other liabilities		(40.192)	(114.313)
		(26.887.656)	(20.519.273)
Net interest income		36.698.881	34.441.885
Credit losses	22	(4.115.936)	(7.966.793)
Net interest income, net of credit loss expenses		32.582.945	26.475.092
Net gain/ (loss) from foreign currency transactions		(710)	49
Other income		184.300	218.832
Staff costs	23	(3.594.708)	(3.328.928)
Other operating expenses	23	(2.180.486)	(2.100.061)
Net loss from modification of financial assets measured at amortised cost	8	(2.430.216)	(303.107)
Net loss from derecognition of financial liabilities measured at amortised cost		–	(663.174)
Other expenses		(540.036)	(198.385)
Non-interest expense		(8.561.856)	(6.374.774)
Profit before corporate income tax		24.021.089	20.100.318
Corporate income tax expense	20	(4.361.040)	(4.066.282)
Profit for the year		19.660.049	16.034.036
Basic and diluted earnings per common share (KZT)	21	116,94	100,63

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

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2020

(KZT thousand)

	Note	*2020*	*2019*
Profit for the year		19.660.049	16.034.036
Other comprehensive income for the year		–	–
Total comprehensive income for the year		19.660.049	16.034.036

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

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2020

(KZT thousand)

	Note	*Share capital*	*Additional paid-in capital*	*Capital reserve*	*Contingent distribution provision*	*Accumulated loss/ Retained earnings*	*Total*
As at 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 share capital due to the merger of KazAgroProduct JSC	21	9.179.163	–	–	–	–	9.179.163
Gains from initial recognition at fair value of loans obtained from the Shareholder, net of tax	21	–	23.954.000	–	–	–	23.954.000
Contingent distribution provision 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
As at 1 January 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		–	–	–	–	19.660.049	19.660.049
Gains from initial recognition at fair value of loans obtained from the Shareholder, net of tax	21	–	11.821.501	–	–	–	11.821.501
Contingent distribution provision net of tax	21	–	–	–	(17.220.666)	–	(17.220.666)
Dividends declared	21	–	–	–	–	(16.034.036)	(16.034.036)
As at 31 December 2020		167.809.534	70.446.355	5.339.751	(84.687.953)	8.156.906	167.064.593

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

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

(KZT thousand)

	Note	*2020*	*2019*
Cash flows from operating activities			
Interest earned		35.106.929	32.257.118
Interest paid		(15.005.193)	(11.373.040)
Staff costs paid		(2.604.373)	(2.443.471)
Other operating expenses paid		(1.738.231)	(2.026.829)
Cash flows from operating activities before changes in operating assets and liabilities		15.759.132	16.413.778
Net (increase)/ decrease in operating assets			
Amounts due from banks		31.290.430	(10.026.355)
Loans to customers		(92.486.705)	(111.503.497)
Other assets		762.552	405.405
Net increase/ (decrease) in operating liabilities			
Other liabilities		2.334.558	1.644.965
Net cash used in operating activities before corporate income tax		(42.340.033)	(103.065.704)
Corporate income tax paid		(3.716.566)	(2.005.681)
Net cash used in operating activities		(46.056.599)	(105.071.385)
Cash flows from investing activities			
Proceeds from repayment of investment securities		257.229.023	404.712.426
Purchase of investment securities		(284.043.533)	(404.678.244)
Purchase of property, plant and equipment		(95.521)	(42.187)
Purchase of intangible assets		(22.585)	(105.763)
Net cash (used in)/inflow from investing activities		(26.932.616)	(113.768)
Cash flows from financing activities			
Proceeds from loans obtained from the Government of the Republic of Kazakhstan	26	70.000.000	60.000.000
Repayment of loans from the Government of the Republic of Kazakhstan	26	(70.000.000)	(60.000.000)
Proceeds from loans from credit institutions	26	–	9.800.000
Repayment of loans from credit institutions	26	(9.800.000)	(9.477.051)
Proceeds from loans obtained from the Shareholder	26	33.523.182	69.601.108
Repayment of loans from the Shareholder	26	(20.533.889)	(23.348.012)
Debt securities issued	26	76.206.439	28.729.231
Proceeds from loans obtained from governmental and government-funded organisations	26	12.856.780	17.867.780
Repayment of loans from governmental and government-funded organisations	26	(3.066.250)	(365.127)
Funds received from KazAgroProduct JSC	5	–	437.983
Distribution of dividends	21	(16.034.036)	(10.375.617)
Net cash inflow from financing activities		73.152.226	82.870.295
Effect of changes in expected credit losses on cash and cash equivalents		3.101	3.131
Net change in cash and cash equivalents		166.112	(22.311.727)
Cash and cash equivalents as at the beginning of the period		48.578.130	70.889.857
Cash and cash equivalents as at the end of the period	6	48.744.242	48.578.130
Non-monetary transactions			
Transfer of corporate income tax asset as part of the merger with KazAgroProduct JSC	5	-	75.398

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

Baglan K. Kultayev — Chairman of the Management Board

Irina N. Zaitullayeva — Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

(KZT thousand)

1. Activities Description

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

The principal activities of the Company include implementation of government programs aimed at supporting the agricultural sector, raising domestic and foreign investments for the implementation of its own projects in the agro-industrial complex, development and implementation of projects in the agro-industrial complex, realisation of collateral and agricultural products received in repayment of funds issued, carrying out banking loan operations under an appropriate license, leasing operations, as well as, including also other types of activities, which are not prohibited by laws and regulations, that meet the goals and objectives of the Company set out in the Articles of Association.

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

As at 31 December 2020 and 2019, KazAgro National Management Holding Joint Stock Company (hereinafter referred to as "KazAgro" or the "Shareholder") owns 100% of the Company's shares. The ultimate controlling party of the Company is the Government of the Republic of Kazakhstan.

As at 31 December 2020, the Company has 17 registered branches in Kazakhstan (31 December 2019: 17 branches).

On 5 December 2019, the Company carried out a voluntary restructuring by merging with KazAgroProduct JSC ("KAP") by Resolution of the Sole Shareholder No. 47 dated 18 October 2019.

The registered office of the Company is located at 11 Imanov St., Astana, Kazakhstan.

2. Basis of Preparation

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

The financial statements have been prepared on the historical cost basis of accounting, except as described in *Significant Accounting Policies* Section.

These financial statements are presented in thousands of Kazakhstani tenge (hereinafter referred to as "KZT thousand"), except per common share data or unless otherwise stated.

The accompanying financial statements have been prepared on a going concern basis, which implies realisation of assets and settlement of liabilities in the normal course of business. The Company's ability to realise its assets, as well as its operations in the future can be significantly influenced by the current and future economic conditions in Kazakhstan.

Impact of the COVID-19 pandemic

The outbreak of COVID-19 has caused a significant deterioration in economic conditions and contributed to economic uncertainty for many businesses from various high-risk industries.

Management assessed in a timely manner the potential impact of the pandemic on the Company's business and took a number of steps that later helped reduce the degree of negative impact of the COVID-19 pandemic, including:

- In order to ensure that the Company continue as a going concern, Risk Management Department (hereinafter referred to as the "RMD"), together with the structural divisions, developed a business continuity plan (hereinafter "BC Plan"), which was approved by Order of the Chairman of the Management Board No. 77-Ө dated 13 July 2020.
- As part of the BC Plan, the Company determined business processes of high priority, an action plan for business processes of high priority and structural units responsible for these business processes. To avoid the virus spread, the Company took measures to switch employees to remote working; substitute employees were appointed in the responsible structural divisions.

(KZT thousand)

2. Basis of Preparation (continued)

- The Security Department and IT Automation and Development Department have taken all the necessary measures to ensure information security, owing to which the information security risk, including risk of software and hardware failure, did not materialise.
- As part of monitoring the performance indicators of the Company, structural divisions analysed the possible impact of the pandemic on the Company's financial performance. RMD made calculations of possible scenarios (best case/ worst case) of the expected losses on financial instruments and the possible impact on the Company's net profit. After lifting the official state of emergency, the main indicators in the financial statements remained at the same level within the planned ones.

In connection with COVID-19, no changes were made to the Company's Development Strategy.

The assessment of the potential impact of the COVID-19 pandemic on the Company's business in 2020 identified the following:

- The Company had no financial difficulties caused by COVID-19; expenses did not excess the planned amounts.
- The Company continues to comply with all covenants for debt obligations. In addition, the Company may request short-term financing on loyal conditions to refinance a portion of any debt; however, it is unlikely.
- No internal and external sources of impairment of non-financial assets were identified.
- There were no staff cuts. The Company organised remote work for administrative staff. There were also no delays in the payment of salaries to employees.
- In 2020, during the economic downturn, there was an overall slight deterioration in the quality of the loan portfolio and, accordingly, the amount of provisions for financial assets increased in general.

The main activity of the Company is to promote the sustainable development of the agro-industrial complex of the Republic of Kazakhstan through creating an affordable and effective financing system. The pandemic and announcement of state of emergency in Kazakhstan, as well as the imposition of restrictive measures, had a significant impact on the solvency of the Company's borrowers. We note that the state of emergency and closure of external borders had a negative impact on entities operating in the agro-industrial complex and on their activities, in particular, in realisation of goods and in the field of logistics between the regions of the country. Those events occurred for reasons beyond the control of borrowers. In addition, the Company, on an individual basis, gave a standstill period for payments to borrowers, who were adversely affected by the pandemic.

The Company had neither onerous contracts nor contingent liabilities arising from lawsuits related to breaches of contracts in connection with the COVID-19 pandemic.

The accompanying financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

3. Significant Accounting Policies

Changes in Accounting Policies

The Company has applied for the first time some amendments to standards that are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any standards, interpretations or amendments that have been issued but not yet effective. The nature and impact of each amendment are described below.

New and Amended IFRS that are Effective for the Current Year

Impact of First Adoption of the *Interest Rate Benchmark Reform* Amendments to IFRS 9 and IFRS 7

In September 2019, the IASB published *Interest Rate Benchmark Reform* Amendments to IFRS 9, IAS 39 and IFRS 7.

(KZT thousand)

3. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

The amendments change the accounting for hedging relationships that are directly affected by the interest rate benchmark reform, which allows entities to continue accounting for such transactions until the hedging item or hedging instruments that are directly affected by the current interest rates are not changed because of interest rate benchmark reform.

The amendments also expand the disclosure requirements under IFRS 7 regarding hedging relationships subject to the exemptions introduced by the amendments to IFRS 9. New disclosure requirements are presented in Note 63(c)(ii).

Entities shall apply the amendments to all hedging relationships directly affected by interest rate benchmark reform. The amendments had no impact on the financial statements of the Company.

Effect of First Time Adoption of the Amendment to IFRS 16

Leases - Covid-19-Related Rent Concessions

In May 2020, IASB has published the Amendment to IFRS 16 *Leases - Covid-19-Related Rent Concessions,* which provides lessees with an exemption from application of IFRS 16 requirements in terms of accounting for modifications of leases in case of COVID-19-related rent concessions. The practical expedient entitles lessees not to assess whether a COVID-19-related rent concession is a lease modification. Lessees that apply this exemption must account for any change in lease payments arising from the COVID-19-related rent concession in the same way that the change would be accounted for under IFRS 16 if it were not a lease modification.

This amendment applies only to rent concessions that are directly attributable to COVID-19 and only if all of the following conditions are met:

- As a result of changes in lease payments, the revised consideration for the lease becomes lower or remains substantially unchanged than the consideration that was payable immediately prior to the concession;
- Any decrease in lease payments applies only to payments that were originally due before 30 June 2021 (rent concession is eligible, if it results in a decrease in lease payments on or before 30 June 2021, or an increase in lease payments that occurs after 30 June 2021); and
- Other terms of the lease do not change significantly.

In the current financial year, the Company early adopted the amendment to IFRS 16 (issued by the IASB in May 2020). Application of these amendments had no material impact on disclosures or amounts reported in these financial statements.

Effect of Initial Application of Other New and Amended IFRS that Become Effective for the Current Period

In the current year, the Company has applied the following amendments to IFRSs and Interpretations, which are effective for annual periods beginning on or after 1 January 2020, issued by the IASB. Application of those amendments had no material impact on disclosures or amounts reported in these financial statements.

Amendments to References to *the Conceptual Framework* in IFRS Standards

The Company has applied the amendments included in the *Amendments to References to the Conceptual Framework.* The amendments contain changes to the standards that refer to the new *Conceptual Framework.* However, not all amendments have references to or quote the revised Conceptual Framework.

(KZT thousand)

3. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

In some standards, the updates outline the version of the Conceptual Framework, to which they refer (the IASC's Conceptual Framework for Financial Reporting adopted in 2001, the IASB's Conceptual Framework adopted in 2010, or the new revised Conceptual Framework adopted in 2018), or state that the definitions in the Standard have not been updated in accordance with the definitions presented in the newly issued Conceptual Framework.

The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32.

Amendments to IFRS 3 *Definition of a Business*

The Company has applied the amendments to IFRS 3 in the current year. The amendments clarify that, although a business generally generates income, its existence is not mandatory to qualify an integrated set of activities and assets as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

These amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments added guidance to assess whether a substantive process has been acquired.

The amendments add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is a business. Based on the test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in one identifiable asset or a group of similar assets.

The amendments are applied prospectively to all business combinations and acquisitions of assets whose acquisition date falls on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The Company has applied the amendments to IAS 1 and IAS 8 in the current year. The purpose of the amendments is to simplify the definition of "materiality" in IAS 1 rather than to change the basic concept of materiality used in IFRS. The concept of "obscuring" material information by presenting it with immaterial information was included as part of the updated definition.

The materiality threshold that affects users has been changed from "can affect" to "could reasonably be expected to affect".

The definition is the same in IAS 8 and IAS 1, as well as in the Conceptual Framework and other standards, which contain the definition or reference to the term "materiality", to ensure consistency.

(KZT thousand)

3. Significant Accounting Policies (continued)

Changes in Accounting Policies (continued)

Standards Issued but not yet Effective

As of the date of approval of these financial statements, the Company has not applied the following new and revised IFRS that have been issued but are not effective:

IFRS 17	*Insurance Contracts*
IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*References to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to IFRS, 2018-2020 cycle	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and IAS 41 *Agriculture*

Management does not expect the adoption of the above standards to have a material effect on the Company's financial statements in future periods, except as noted below:

IFRS 17 ***Insurance Contracts***

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of information related to insurance contracts and supersedes IFRS 4 *Insurance Contracts.*

IFRS 17 outlines a General Model, which is modified for insurance contracts with direct participation features and described as the Variable Fee Approach. The General Model is simplified, if certain criteria are met, by measuring the liability for remaining coverage using the Premium Allocation Approach.
The General Model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. The Model takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB published Amendments to IFRS 17 to address implementation issues and difficulties that were identified following the release of IFRS 17. These amendments defer the date of initial application of IFRS 17 (including these amendments) until annual periods beginning on or after 1 January 2023. At the same time, the IASB has issued *Extension of the Temporary Exemption from Applying IFRS 9* (Amendments to IFRS 4), in which the fixed expiry date of the temporary exemption from applying IFRS 9 and IFRS 4 is deferred until annual reporting periods beginning on or after 1 January 2023.

IFRS 17 should be applied retrospectively, so far as is reasonably practicable, otherwise a modified retrospective approach or fair value accounting should be applied.

For purposes of meeting the transition requirements, the date of initial application is the beginning of the annual reporting period in which an entity first applies the standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

(KZT thousand)

3. Significant Accounting Policies (continued)

Standards Issued but not yet Effective (continued)

Amendments to IFRS 10 and IAS 28 *Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*

Amendments to IFRS 10 and IAS 28 apply to the sale or contribution of assets between an investor and its associate or joint venture. In particular, the amendments clarify that the gains or losses from loss of control of a subsidiary that is not a business in a transaction with an equity-accounted associate or joint venture are recognised in profit or loss of the parent company only in the proportion of other unrelated investors in that associate or joint venture. Similarly, gains or losses resulting from fair value remeasurement of the remaining interest in former subsidiary (which is classified as investment in an associate or joint venture and is equity accounted) are recognised by the former parent company only to the extent of unrelated investors' interests in a new associate or joint venture.

The IASB has not yet set an effective date, but early application is permitted.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 only affect the presentation of liabilities as current and non-current in the statement of financial position, rather than the amount or timing of any asset or liability, gains or losses, or the disclosures related to such items.

The amendments clarify that a liability is classified as non-current if an entity has the right to postpone settlement of the liability for at least 12 months as at the end of the reporting period. The classification depends only on the existence of such a right and depends on the expectations about whether the entity will exercise the right to defer the settlement of the liability until a later date; it is explained that the rights exist if the requirements of the restrictive conditions at the end of the reporting period are met; in addition, the definition of "settlement" is introduced to clarify that settlement means the transfer of cash, equity instruments, and other assets or services to a counterparty.

The amendments are retrospectively effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

Amendments to IFRS 3 *References to the Conceptual Framework*

The amendments update IFRS 3 so that it contains references to the 2018 *Conceptual Framework* rather than the 1989 *Conceptual Framework*. They also amend IFRS 3 to require the acquirer, within the scope of IAS 37, to apply IAS 37 to determine whether at the acquisition date there is a present obligation arising from past events. For compulsory payments that are within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine if the obligating event that gives rise to the obligation to pay the levy has occurred by the acquisition date.

In addition, the amendments add an unambiguous statement that the acquirer should not recognise contingent assets acquired in a business combination.

These amendments should apply 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 2022. Early application is permitted if an entity also applies early or simultaneously all other updated references (published with the updated *Conceptual Framework*).

(KZT thousand)

3. Significant Accounting Policies (continued)

Standards Issued but not yet Effective (continued)

Amendments to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*

These amendments prohibit decreasing the original cost of an item of property, plant and equipment by the amount of any proceeds from selling products manufactured before the asset becomes ready for use, i.e. proceeds received while bringing an asset to the location and condition suitable for its use as intended by management. Accordingly, an entity recognises such sales proceeds and related expenses in profit or loss. An entity measures costs for such items in accordance with IAS 2 *Inventories*.

These amendments also clarify what it means to test the proper functioning of an asset. Now IAS 16 clarifies that the "test" is an assessment of the technical and physical condition of an asset for using it in the production, delivery of goods or services, or for leasing it out to third parties or for administrative purposes.

If these amounts are not presented separately in the statement of comprehensive income, the financial statements shall disclose the amount of such proceeds and costs included in profit or loss that relate to proceeds received not in the ordinary course of business of the company, specifying the line item or several items of the statement of financial position, which include those proceeds and costs.

These amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to a location and condition suitable for their use as intended by management as at the beginning or after the beginning of the earliest period presented in the financial statements in which the entity first applied these amendments.

An entity shall recognise the cumulative effect of initial application of the amendments as an adjustment to opening balance of retained earnings (or another component of equity, if appropriate) as at the beginning of that earliest period presented.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with early adoption permitted.

Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*

These amendments state that "incremental costs of fulfilling a contract" are the "costs directly attributable to the contract". Costs directly attributable to the contract include both incremental costs of fulfilling the contract (for example, direct labour costs or materials) and the allocation of other costs that are also directly related to fulfilling the contract (for example, the allocation of depreciation costs to an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts, which have not been fulfilled by the entity at the beginning of the annual reporting period, in which it applies the amendments for the first time. Comparative figures shall not be restated. Instead, the entity shall recognise the cumulative effect of initial application of the amendments as an adjustment to opening retained earnings or another component of equity, if appropriate, as at the date of first application.

The amendments are effective as from 1 January 2022; however, entities may apply them earlier. The amendments are not expected to have any significant impact on the Company's financial statements.

Annual Improvements to IFRS, 2018-2020 Cycle
These Annual Improvements include amendments to the four standards.

IFRS 1 *First-time Adoption of International Financial Reporting Standards*

This amendment provides an additional simplified provision for accounting for cumulative exchange rate differences for subsidiaries that first apply the standards later than their parents do.

(KZT thousand)

3. Significant Accounting Policies (continued)

Standards Issued but not yet Effective (continued)

As a result of this amendment, a subsidiary that applies the exemption in IFRS 1: 16D(a) may now also measure exchange differences on all of its foreign operations at the carrying amount that would be included in the parent's consolidated statements using the transition date of the parent to IFRS as if no adjustments were made upon consolidation and for the effect of the business combination that resulted in the parent acquiring the subsidiary. A similar choice could be made by an associate or joint venture that applies the exemption in accordance with IFRS 1: 16D(a).

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with early adoption permitted.

IFRS 9 *Financial Instruments*

These amendments clarify that for the purpose of the so-called "10% test", which determines whether to derecognise a financial liability, an entity should only take into account those commission fees paid or received between the entity (borrower) and the lender, including interest paid or received by the borrower or lender on behalf of another party.

An entity shall apply this amendment to financial liabilities that have been modified or replaced as at the beginning of the annual reporting period, in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with early adoption permitted.

IFRS 16 *Leases*

The amendment removes the example in the standard of the recovery of capital investment in leased items of property, plant and equipment.

Since the amendment to IFRS 16 applies only to the example, there is no effective date thereof.

IAS 41 *Agriculture*

This amendment removes the requirement in IAS 41, which stated that cash flows associated with taxes should not be included in the fair value measurements. This aligns the requirements for measuring fair value in IAS 41 in line with those in IFRS 13 *Fair Value Measurement*, and allows entities to use consistent cash flows and discount rates, and provides choices in financial reporting to use either cash flows and discount rates before or after tax to measure fair value in the most appropriate way in a particular case of fair value measurement.

This amendment is applied prospectively, i.e. for fair value measurements at or after the date the entity first applies those amendments.
The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with early adoption permitted.

Combinations of Subsidiaries of the Parties that are under Common Control

The combinations of subsidiaries of the parties under common control are accounted for using the pooling of interests method.

Assets and liabilities of a subsidiary transferred between the parties under common control are accounted for in these financial statements at their carrying amount as recorded in the statements of the transferring party (previous owner) at the date of the transfer, prospectively. The difference between the total carrying amount of net assets and the consideration paid is recorded in these financial statements as an adjustment to shareholders' equity.

(KZT thousand)

3. Significant Accounting Policies (continued)

Fair Value Measurement

The fair value is the amount that would be received in selling an asset or paid in transferring a liability in a free-will transaction between market participants at the measurement date. Fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place:

- In the market that is principal for the asset or liability; or
- In the absence of a principal market - in the most favourable market for the asset or liability.

The Company shall have an access to the principal market or most favourable market. 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 the market participants act in their best economic interest. Fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits either by using the asset in its highest and best use or by selling the asset to another market participant who would then use the asset in its highest and best use.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether it is necessary to transfer them between levels in the hierarchy by reviewing classification (based on the lowest level input that is significant to the fair value measurement as a whole) as at the end of each reporting period.

Financial Assets and Liabilities

Initial Recognition

Date of Recognition

Regular way purchases or sales of financial assets and liabilities are recognised at the transaction date, i.e. on the date when the Company commits itself to purchase the asset or liability. Regular way purchases or sales mean purchases or sales of financial assets and liabilities under a contract that requires delivery of assets and liabilities within the time frame established by regulations or conventions in the marketplace.

(KZT thousand)

3. Significant Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Initial Measurement

The classification of financial instruments at initial recognition depends on the contractual terms and business model used to manage the instruments. Financial instruments are initially measured at fair value, including transaction costs, unless financial assets and financial liabilities are measured at fair value through profit or loss.

Measurement Categories of Financial Assets and Liabilities

Depending on a business model used for asset management and the contractual terms of the assets the Company categorises all of its financial assets as follows:

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

The Company categorises and measures derivatives and instruments held-for-trading at FVTPL. The Company may, at its sole discretion, categorise financial instruments as carried at FVTPL, if such categorisation eliminates or significantly reduces inconsistencies in the application of measurement or recognition principles.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL, if they are held-for-trading or are derivatives, or, at the entity's discretion, are categorised as measured at fair value.

Amounts Due from Banks, Loans to Customers, and Investment Securities Measured at Amortised Cost

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

- The financial asset is held within the business model, whose objective is holding financial assets to collect contractual cash flows;
- Contractual terms of the financial asset provide for the receipt on specified dates of cash flows that are solely payments of principal and interest on the outstanding principal (SPPI).

These conditions are described in more detail below.

Business Model Assessment

The Company determines a business model at the level that best reflects how the grouped financial assets are managed to achieve a specific business goal.

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

- How the performance of the business model and the return on financial assets held within that business model are assessed and how this information is communicated to the entity's key management personnel;
- Risks that affect the performance of the business model (and the return on financial assets held within that business model) and, in particular, the way these risks are managed;
- How the managers who run 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 received);
- The expected frequency, volume and timing of sales are also important aspects in assessing the Company's business model.

3. Significant Accounting Policies (continued)

Financial Assets and Liabilities (continued)

Initial Measurement (continued)

Business Model Assessment (continued)

The business model assessment is based on scenarios that are reasonably expected to occur, excluding the "worst case" or "stressful" scenarios. If cash flows after initial recognition are realised in a way that differs from the Company's expectations, the Company does not change the classification of the remaining financial assets held within this business model; however, further it considers such information when assessing newly originated or recently purchased financial assets.

"Solely Payments of Principal and Interest on the Outstanding Principal" Test (SPPI test)

As part of the second stage of the classification process, the Company analyses the contractual terms of a financial asset to determine whether the contractual cash flows of the asset are solely payments of principal and interest on the principal amount outstanding (SPPI test).

For the purposes of this test, "principal" is the fair value of a financial asset at initial recognition, and it can vary over the life of the financial asset (for example, if there are payments of principal or amortisation of a premium/discount).

The most significant components of interest under a loan agreement are usually the compensation for the time value of money and for credit risk. To conduct the SPPI test, the Company applies judgment and analyses relevant factors, such as the currency of a financial asset and the period for which the interest rate is set.

However, contractual terms that have more than a negligible effect on the risk exposure or volatility of contractual cash flows that are not related to the basic lending arrangement do not give rise to the contractual cash flows that are solely payments of principal and interest on the outstanding principal. In those cases, the financial asset must be measured at FVTPL.

As part of the second stage of the classification process, the Company analyses the contractual terms of a financial asset to determine whether the contractual cash flows of the asset are solely payments of principal and interest on the principal amount outstanding (the so-called SPPI test).

For the purposes of this test, "principal" is the fair value of a financial asset at initial recognition, and it can vary over the life of the financial asset (for example, if there are payments of principal or amortisation of a premium/discount).

The most significant components of interest under a loan agreement are usually the compensation for the time value of money and for credit risk. To conduct the SPPI test, the Company applies judgment and analyses relevant factors, such as the currency of a financial asset and the period for which the interest rate is set.

However, contractual terms that have more than a negligible effect on the risk exposure or volatility of contractual cash flows that are not related to the basic lending arrangement do not give rise to the contractual cash flows that are solely payments of principal and interest on the outstanding principal. In those cases, the financial asset must be measured at FVTPL.

Loan Commitments

Loan commitments are contractual obligations of the Company to provide a customer with a loan on the terms and conditions agreed in advance throughout the duration of the commitment. The ECL measurement requirements apply to those obligations.

The Company sometimes issues loan commitments at below-market interest rates. These commitments are initially recognised at fair value and subsequently measured at the greater of the ECL allowance and the amount initially recognised less, where appropriate, the recognised accumulated income.

(KZT thousand)

3. Significant Accounting Policies (continued)

Reclassification of Financial Assets and Liabilities

The Company does not reclassify financial assets after their initial recognition, unless, in exceptional cases, the Company changes the business model to manage financial assets. Financial liabilities are never reclassified.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and amounts due from credit institutions that mature within ninety days from the date of origination, free from any contractual obligations.

Borrowings

Financial instruments issued or their components are classified as liabilities if the Company has an obligation arising from contractual arrangement either to deliver cash or other financial assets or to fulfil the obligation in a way other than by exchange of a fixed cash amount or other financial assets for a fixed number of own equity instruments. Such instruments include payables to the Shareholder, amounts due to credit institutions, debt securities issued, and payables to governmental and government-funded organisations. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss upon derecognition of liabilities and in the course of amortisation.

Offsetting Financial Instruments

A financial asset and financial liability are offset against each other with the net amount reported in the statement of financial position, when there is an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. The right to offset should not be attributed to the future event and should be legally enforceable in all of the following circumstances:

- In the normal course of business;
- In case of default; and
- In the event of the insolvency or bankruptcy of an entity or any of the counterparties.

These conditions are typically not met in respect of netting master agreements and the relevant assets and liabilities are recognised in the statement of financial position in their full amounts.

Restructuring of Loans

The Company strives, as far as possible, to reconsider the terms of loans, for example, to extend the contractual terms of payments and agree on new terms of lending, instead of foreclosing on collateral.

The Company derecognises a financial asset, for example, a loan to a customer, if the terms of the agreement are renegotiated so that it becomes a substantially new loan, and the difference is recognised as a gain or loss on derecognition before an impairment loss is recognised. At initial recognition, loans are assigned to Stage 1 for the purposes of measuring ECL, unless the loan originated is considered a POCI asset (purchased or originated credit-impaired asset). When assessing whether a loan to customer should be derecognised, the Company, among other things, considers the following factors:

- Change in loan currency;
- Change of a counterparty;
- Whether the modification causes the instrument to no longer meet the SPPI test criteria.

If the modification does not significantly change cash flows, the modification will not result in derecognition. Based on changes in cash flows discounted at the original effective interest rate, the Company recognises a gain or loss on modification, which are reported as other expenses in the statement of profit or loss.

(KZT thousand)

3. Significant Accounting Policies (continued)

Restructuring of Loans (continued)

In the event of a modification that does not result in derecognition, the Company also re-assesses whether there is a significant increase in credit risk or the need to classify assets as credit-impaired.

Derecognition of Financial Assets and Liabilities

Financial Assets

Financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the statement of financial position in the following cases:

- 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 has assumed an obligation to forward to a third party cash flows received in full without substantial delay under a "pass-through" arrangement; and
- The Company either (a) has transferred substantially all the risks and rewards of the asset ownership, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset ownership, but has transferred control over the asset.

Where the Company has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset ownership, and has not transferred control over the asset, such asset is accounted for to the extent of the Company's continuing involvement in the asset. Continuing involvement in the asset that takes the form of a guarantee in respect of the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum guarantee-related compensation that the Company could be required to repay.

Write-off

Financial assets are written-off either in part or in whole only, when the Company no longer expects them to recover. If the amount to be written-off is greater than the accumulated allowance for impairment losses, the difference is first recorded as an increase in the allowance, which is then applied to the gross carrying amount. Any subsequent recoveries are charged to credit losses. Write-off is derecognition.

Financial Liabilities

A financial liability is derecognized, where it is repaid, cancelled, or expired.

When 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 replacement or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in their carrying amounts is recognised in profit or loss.

Taxation

Current income tax expense is calculated in accordance with the laws of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the balance sheet method. Deferred income taxes are recorded for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that there is a likelihood of future taxable profit against which the deductible temporary differences that reduce the tax base can be offset. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the laws enacted or substantively enacted as at the reporting date.

In addition, in the Republic of Kazakhstan there are various operational taxes that apply to the Company's operations. These taxes are included in other operating expenses.

(KZT thousand)

3. Significant Accounting Policies (continued)

Property, Plant and Equipment

Items of property, plant and equipment are accounted for at historical cost, except for day-to-day maintenance costs, net of accumulated depreciation and accumulated impairment losses. This cost includes the cost of replacing equipment that is recognised as incurred, if the recognition criteria are met.

The carrying amount of property, plant and equipment is analysed for impairment if events or changes in circumstances indicate that the carrying amount of the asset can be unrecoverable.

Repair and renovation expenses are charged to expenses as incurred and included in other operating expenses, unless they are subject to capitalisation.

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

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

Residual value, useful lives and depreciation methods of assets are reviewed and adjusted (where necessary) at the end of each reporting year.

Investment Property

Investment property is intended to generate income from the long-term lease of real property items or from the increase in the value of property item that is not used by the Company as property, plant and equipment.

Investment property is initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing parts of an existing investment property which is recognised as incurred, provided the recognition criteria are met, and does not include the costs of day-to-day maintenance of the investment property. Investment property is subsequently measured at cost less accumulated depreciation. Items of investment property are depreciated on a straight-line basis over the useful life, which is 50 years.

Investment property is derecognised in the statement of financial position when it either is disposed of or is not expected to bring economic benefits in the future. Any gains and losses on disposal of investment property are recognised in profit or loss in the year where the investment property is derecognised.

Assets may be reclassified to and from investment property only if there is change in their use. When transferring an asset from an investment property to an owner-occupied item of real property its carrying amount does not change, since the Company uses a cost model of accounting for categories, investment property and owner-occupied real property.

Intangible Assets

Intangible assets include software and licenses.

Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently recorded at cost less accumulated amortisation and accumulated impairment losses. Intangible assets have definite useful lives and are amortised over their useful lives, which range from 1 to 10 years, and are analysed for impairment if there are indications of possible impairment of an intangible asset.

3. Significant Accounting Policies (continued)

Assets Held-for-sale

The Company classifies non-current assets as held-for-sale if their current value is planned to be recovered primarily through selling rather than using. To this end, non-current assets must be available for immediate sale in their current condition on those terms that are the usual and typical for the sale of such assets, in addition, the sale of those assets must be highly likely.

High likelihood of the sale implies a firm intention of Company's management to follow the plan for the realisation of the non-current asset. At the same time, it is necessary to start active actions to find a buyer and implement the plan. In addition, the non-current asset must be actively offered for sale at a price that is reasonable given its current fair value. Moreover, the sale should be expected to be recognised as a completed transaction within one year following the date the non-current assets are classified as held-for-sale.

The Company measures assets classified as held-for-sale at the lower of their current value and fair value less costs to sell. If any event or change in circumstances indicates a possible impairment of the current value of assets, the Company recognises an impairment loss on the initial and subsequent write-down of their value to fair value less costs to sell.

Foreclosed Collateral

The collateral foreclosed is the pledged property that is seized from Company's borrowers in repayment of debt on loans on a voluntary or forced basis. The decision to accept the pledged property on the balance sheet of the Company is made by the Credit Committee, then by the Management Board of the Company. After all the procedures have been carried out, the property is recognised on the balance sheet of the Company at its current value measured. These assets are recorded in the assets held-for-sale in the statement of financial position.

Share Capital

Authorised Share Capital

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

Dividends

Dividends would be recognised as liabilities and deducted from the equity at the reporting date only if they were declared prior to and including the reporting date. Dividends would be disclosed in the financial statements, where they were recommended prior to the reporting date, or recommended or declared after the reporting date but prior to the date of approval of the financial statements.

Contingent Distribution Provision

When the Company enters into a loan agreement with borrowers at below-market interest rates on behalf of the Shareholder, the difference between the nominal value and the fair value of the loan on initial recognition is accounted for as a contingent distribution provision, as an intended distribution to the Shareholder.

Additional Paid-in Capital

When the Company obtains loans or other financial aid from the Shareholder and governmental or government-funded organisations of the Republic of Kazakhstan at below-market interest rates, the difference between the cash consideration received and the fair value of the loans or other financial aid is accounted for as additional paid-in capital at the date of initial recognition.

Estimated Liabilities

Estimated liabilities are recognised, if the Company, as a result of a past event, has a legal or constructive obligation, the settlement of which will most probably require an outflow of resources containing economic benefits, and the amount of the obligation can be reliably estimated.

3. Significant Accounting Policies (continued)

Contingent Liabilities

Contingent liabilities are not recognised in the statement of financial position; however, they are disclosed in the financial statements, unless the outflow of resources to repay them is unlikely.

Recognition of Revenue and Expenses

Revenue is recognised, if the Company is likely to obtain economic benefits, if the revenue amount can be reliably estimated. To recognise revenue in the financial statements, the following criteria shall be met:

Interest and Similar Earnings and Expenses

The Company calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying an effective interest rate to the gross carrying amount of the financial assets, other than credit-impaired financial assets (before 1 January 2019: by applying the effective interest rate to the amortised cost of the financial assets). Effective interest rate is a rate, which exactly discounts expected future cash payments or receipts over the expected useful life of a financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. Calculation considers all contractual terms of the financial instrument (for example, the right to early repayment), and commission fees or additional costs, which are directly attributable to the instrument and form an integral part of the effective interest rate, but does not consider future credit losses. The carrying amount of a financial asset or financial liability is adjusted where the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the initial effective interest rate, with the change in the carrying amount recorded as interest income or expense.

In case of a financial asset that becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If a financial asset is no longer in default and is no longer credit-impaired, the Company returns to the calculation of interest income based on the gross value.

In case of purchased or originated credit-impaired (POCI) financial assets the Company calculates interest income by applying the effective interest rate adjusted for credit risk to the amortised cost of the financial asset. The effective interest rate adjusted for credit risk is the rate that, upon initial recognition, discounts estimated future cash flows (including credit losses) to the amortised cost of POCI assets.

Translation of Foreign Currencies

The financial statements are presented in Kazakhstani tenge ("KZT"), which is the Company's functional currency and the presentation currency of its financial statements. Transactions in foreign currencies are initially translated into the functional currency at the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate that is effective at the reporting date. Gains and losses arising from translation of transactions in foreign currencies are reported in the statement of profit or loss in the line item "Net Gain/(Loss) on Foreign Currency Transactions". Non-monetary items recorded at historical cost in a foreign currency are translated at the exchange rate prevailing at the transaction date. Non-monetary items recorded at fair value in a foreign currency are translated at the exchange rate prevailing at the fair value measurement date.

The difference between the contractual exchange rate for a foreign currency transaction and the official rate of the Kazakhstan Stock Exchange (hereinafter referred to as the "KASE") at the date of the transaction is included in gains less foreign exchange losses. The exchange rates used by the Company in preparing the financial statements are provided below:

	2020	*2019*
KZT/ USD	**420,71**	**381,18**
KZT/ Euro	**516,13**	**426,85**
KZT/ RUB	**5,65**	**6,17**

3. Significant Accounting Policies (continued)

Reporting on Segments

The business and geographic segments of the Company were not presented separately in these financial statements, since management of the Company believes that the main operating segment of lending is agricultural entities in the Republic of Kazakhstan, whose risks and rate of return are considered similar throughout the country. The decision-making on the distribution of the Company's resources and the assessment of its performance by management of the Company, which makes operational decisions, is based on financial statements prepared in accordance with IFRS.

4. Significant Accounting Judgments and Estimates

Estimation Uncertainty and Judgments

In applying the accounting policies, management of the Company, in addition to accounting estimates, made the following judgments and estimates, which have the most significant impact on the amounts reported in the financial statements. Below are the most significant cases when judgment and estimates were used:

Fair Value of Financial Instruments

Where the fair value of financial assets and financial liabilities recognised in the statement of financial position cannot be determined based on the prices in active markets, it should be determined using various valuation techniques, including mathematical models. The inputs for those models are determined based on the observable market, if possible; otherwise, judgment is required to determine the fair value.

Expected Credit Losses on Financial Assets

Estimation of losses under IFRS 9 for all categories of financial assets requires judgment; in particular, in determining ECL and assessing whether there is a significant increase in credit risk it is necessary to estimate the amount and timing of future cash flows and the value of collateral. Such estimates depend on a number of factors, changes in which could result in different amounts of the provision for impairment. Estimated ECL made by the Company result from complex models that involve a number of basic assumptions regarding the choice of input variables and their interdependencies. Elements of ECL calculation models that are considered judgments and estimates include the following:

- 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 lifetime ECL, and a qualitative evaluation;
- Grouping financial assets when ECLs thereon are measured on a group basis;
- Development of models for measuring ECL, including various formulas and the choice of inputs;
- Determination of the interrelation between macroeconomic scenarios and economic data, as well as the impact on indicators of the probability of default (PD), exposure at default (EAD) and the loss given default (LGD);
- Selection of forecast macroeconomic scenarios and weighting thereof considering the probability to obtain economic inputs for ECL measuring models.

Assessment of Collateral

Management of the Company monitors collateral on a regular basis, applying judgments based on past experience or an independent valuation in order to adjust the value of collateral in view of the current market situation.

(KZT thousand)

4. Significant Accounting Judgments and Estimates (continued)

Estimation Uncertainty and Judgments (continued)

Taxation

Currently, in Kazakhstan there is a unified Tax Code, which governs the main tax matters. Applicable taxes include a value-added tax, corporate income tax, social tax, and other taxes. Implementing regulations are often incomprehensible or even missing; and few precedents have been identified. There are frequent cases of different opinions on the legal interpretation of the provisions, both between departments and within one department, which creates some kind of uncertainty and conflict situations. Tax returns, as well as other areas of legal regulation (such as matters of customs and foreign currency control) are under the control of several departments, which are authorised by law to impose significant fines, penalties and forfeits. This situation makes that tax risks in Kazakhstan are more likely than in other countries with more developed systems of tax laws and regulations.

Management believes that the Company complies with the provisions of the tax laws and regulations of the Republic of Kazakhstan that govern its operations. However, the risk remains that the relevant authorities may take a different line on controversial tax matters.

5. Business Combination

On 5 December 2019, the Company carried out a voluntary restructuring by merging with KAP by Resolution of the Management Board of the Sole Shareholder No. 47 dated 18 October 2019. The property, rights and obligations of KAP have been transferred to the Company as part of voluntary restructuring from the date of approval of the deed of transfer, taking into account the requirements of the laws of the Republic of Kazakhstan.

As a result of the restructuring, the Company became the legal successor of KAP in terms of all of 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 the shares of KAP. Since the merger of KAP is a business combination under common control, the Company applied the accounting method of pooling of interests without historical restatement.

The selling price of KAP's shares and the selling (placement) price of the Company's shares were set with an accuracy of six decimal places, specifically, as the ratio of the equity of KAP or the Company to the number of outstanding shares of KAP or the Company, respectively (except for shares redeemed by KAP or the Company, respectively). The Company sold 9,494,625 common shares to the Sole Shareholder at the price of KZT 966.77 per share in the amount of KZT 9,179,163 thousand in exchange for common shares of KAP.

The carrying amounts of the acquired identifiable assets and liabilities were 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 prepaid taxes	176.015
Investment property (*Note 11*)	176.523
Property, plant and equipment (*Note 12*)	19.278
Others	47
Total assets	8.769.621
Liabilities	
Current payables to suppliers and contractors	8.989
Current advances received	19.452
Total current liabilities	28.441
Total liabilities	28.441

(KZT thousand)

5. Business Combination (continued)

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

Provision for ECL on identifiable financial assets received amounted to:

	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 include the following items:

	31 December 2020	*31 December 2019*
Cash in current bank accounts	**48.744.862**	48.581.865
Cash-on-hand	**15**	1
	48.744.877	48.581.866
Net of the provision for ECL	**(635)**	(3.736)
Cash and Cash Equivalents	**48.744.242**	48.578.130

All cash equivalent balances have been assigned to Stage 1 for the purposes of measuring ECL. The following is an analysis of changes in the provision for ECL in 2020:

	2020	*2019*
Provision for ECL as at 1 January	**3.736**	6.867
Changes in ECL for the period	**(3.101)**	(3.131)
Provision for ECL as at 31 December	**635**	3.736

Concentration of Cash and Cash Equivalents

As at 31 December 2020, cash in current accounts included the amount of KZT 29,477,509 thousand or 60% of the total cash and cash equivalents placed with Eurasian Development Bank JSC (as at 31 December 2019: KZT 26,744,778 thousand or 55% of the total cash and cash equivalents placed with Citibank Kazakhstan JSC).

7. Amounts due from banks

Amounts due from banks include the following items:

	31 December 2020	*31 December 2019*
Loans to second-tier banks	**14.968.114**	34.102.894
Term deposits placed for over 90 days	**–**	11.102.767
	14.968.114	45.205.661
Net of the provision for ECL	**(26.436)**	(142.178)
Amounts due from banks	**14.941.678**	45.063.483

As at 31 December 2020, amounts due from banks include loans in KZT issued to Bank RBK JSC, ATF Bank JSC, SB Sberbank of Russia JSC, Halyk Bank of Kazakhstan JSC, Subsidiary of Bank VTB (Kazakhstan) JSC for lending to entities operating in the agro-industrial complex, with maturity up to 2028 and interest rates ranging from 2.8% to 12.5% per annum (as at 31 December 2019: from 2.8% to 12.5% per annum and maturity up to 2028).

(KZT thousand)

7. Amounts due from Banks (continued)

Concentration of Amounts due from Banks

As at 31 December 2020, loans to second-tier banks included funds amounting to KZT 12,895,999 thousand, or 86% of the total amount due from banks issued to SB Sberbank of Russia JSC (53 %) and Subsidiary of VTB Bank (Kazakhstan) JSC (33%) (as at 31 December 2019: KZT 26,104,181 thousand or 76% of the total amount of loans issued to second-tier banks SB Sberbank of Russia JSC (66%) and Subsidiary of VTB Bank (Kazakhstan) JSC (11%)).

The following table presents an analysis of changes in gross carrying amount and in the related provision for ECL for the year ended 31 December 2020:

	Stage 1:	*Stage 2:*	*Stage 3:*	*Total*
Gross carrying amount				
As at 1 January 2020	45.205.661	–	–	45.205.661
Newly originated or purchased assets	**31.408.773**	–	–	**31.408.773**
Assets that were repaid	**(61.721.517)**	–	–	**(61.721.517)**
Transferred to Stage 1	–	–	–	–
Transferred to Stage 2	–	–	–	–
Transferred to Stage 3	–	–	–	–
Changes in interest accrued	**75.197**	–	–	**75.197**
As at 31 December 2020	**14.968.114**	–	–	**14.968.114**

	Stage 1:	*Stage 2:*	*Stage 3:*	*Total*
Provision for ECL as at 1 January 2020	142.178	–	–	142.178
Newly originated or purchased assets	**(146.934)**	–	–	**(146.934)**
Assets that were repaid	**75.474**	–	–	**75.474**
Transferred to Stage 1	–	–	–	–
Transferred to Stage 2	–	–	–	–
Transferred to Stage 3	–	–	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	**(44.282)**	–	–	**(44.282)**
As at 31 December 2020	**26.436**	–	–	**26.436**

Changes in the allowance for impairment of amounts due from credit institutions for the year ended 31 December 2019 are presented below:

	Stage 1:	*Stage 2:*	*Stage 3:*	*Total*
Gross carrying amount				
As at 1 January 2019	29.938.561	–	8.213.007	38.151.568
Newly originated or purchased assets	57.473.100	–	–	57.473.100
Assets that were repaid	(49.737.484)	–	(588.853)	(50.326.337)
Transferred to Stage 1	7.624.154	–	(7.624.154)	–
Transferred to Stage 2	–	–	–	–
Transferred to Stage 3	–	–	–	–
Changes 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*
Provision for ECL as at 1 January 2019	251.551	–	5.084.180	5.335.731
Newly originated or purchased assets	253.138	–	–	253.138
Assets that were repaid	(232.206)	–	(364.523)	(596.729)
Transferred to Stage 1	4.876.530	–	(4.876.530)	–
Transferred to Stage 2	–	–	–	–
Transferred to Stage 3	–	–	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	(5.006.835)	–	-	(5.006.835)
Amortisation of discount	–	–	156.873	156.873
As at 31 December 2019	142.178	–	–	142.178

(KZT thousand)

7. Amounts due from Banks (continued)

During 2020, a loss of KZT 467,362 thousand (2019: KZT 3,626,717 thousand) arising from initial recognition at fair value of loans issued to second-tier banks during 2020 at a below-market interest rate, out of the funds received from the Shareholder, was recognised in equity as an increase in the contingent distribution provision (*Note 21*).

8. Loans to Customers

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

	31 December 2020	*31 December 2019*
Loans issued to legal entities	439.584.962	365.530.528
Loans issued to individuals	75.017.020	51.628.720
	514.601.982	417.159.248
Net of the provision for ECL	(65.375.029)	(55.375.561)
Loans to Customers	449.226.953	361.783.687

Provision for impairment of loans to customers

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on loans to legal entities for the year ended 31 December 2020:

Loans issued to legal entities	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount					
As at 1 January 2020	187.870.047	8.421.103	166.459.436	2.779.942	365.530.528
Newly originated or purchased assets	145.350.982	2.345.572	59.007.313	–	206.703.867
Assets that were repaid	(88.973.491)	(2.111.641)	(49.310.095)	(416.634)	(140.811.861)
Transferred to Stage 1	30.569.139	(9.053.613)	(21.515.526)	–	–
Transferred to Stage 2	(22.479.036)	24.107.858	(1.628.822)	–	–
Transferred to Stage 3	(45.066.420)	(16.973.288)	62.039.708	–	–
Changes in contractual cash flows due to a modification that does not result in derecognition	11.470	–	(438.063)	–	(426.593)
Changes in interest accrued	2.150.209	21.119	7.494.084	263.275	9.928.687
Amounts written-off	–	–	(1.339.666)	–	(1.339.666)
As at 31 December 2020	209.432.900	6.757.110	220.768.369	2.626.583	439.584.962

(KZT thousand)

8. Loans to Customers (continued)

Loans issued to legal entities	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January 2020	2.961.980	36.716	48.443.214	746.145	52.188.055
Newly originated or purchased assets	(1.428.519)	–	(5.585.755)	–	(7.014.274)
Assets that were repaid	105.214	3.938	4.046.845	–	4.155.997
Transferred to Stage 1	2.333.858	(20.750)	(2.313.108)	–	–
Transferred to Stage 2	(131.421)	135.783	(4.362)	–	–
Transferred to Stage 3	(1.019.681)	(687.669)	1.707.350	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	13.004	536.807	4.744.210	329.459	5.623.480
Changes in contractual cash flows due to a modification that does not result in derecognition	1.504	–	(57.430)	–	(55.926)
Amortisation of discount	–	–	6.212.634	–	6.212.634
Amounts written-off	–	–	(1.339.666)	–	(1.339.666)
As at 31 December 2020	2.835.939	4.825	55.853.932	1.075.604	59.770.300

(KZT thousand)

8. Loans to Customers (continued)

Provision for Impairment of Loans to Customers (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on loans to individuals for the year ended 31 December 2020:

Loans issued to individuals	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount					
As at 1 January 2020	39.720.392	952.039	10.146.124	810.165	51.628.720
Newly originated or purchased assets	33.578.972	–	204.261	–	33.783.233
Assets that were repaid	(9.318.828)	(294.172)	(3.133.131)	(108.115)	(12.854.246)
Transferred to Stage 1	6.635.265	(2.414.517)	(4.220.748)	–	–
Transferred to Stage 2	(9.392.127)	9.720.589	(328.462)	–	–
Transferred to Stage 3	(5.836.763)	(6.015.064)	11.851.827	–	–
Changes in contractual cash flows due to a modification that does not result in derecognition	(14.943)	–	(119.061)	19.423	(114.581)
Changes in interest accrued	1.862.083	132.794	620.392	63.856	2.679.125
Amounts written-off	–	–	(105.231)	–	(105.231)
As at 31 December 2020	57.234.051	2.081.669	14.915.971	785.329	75.017.020

Loans issued to individuals	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January 2020	464.645	23.237	2.446.857	252.767	3.187.506
Newly originated or purchased assets	(479.970)	–	(15.722)	–	(495.692)
Assets that were repaid	13.307	8.746	205.533	–	227.586
Transferred to Stage 1	443.247	(47.146)	(396.101)	–	–
Transferred to Stage 2	(175.555)	291.104	(115.549)	–	–
Transferred to Stage 3	(120.981)	(423.770)	544.751	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	290.414	370.316	1.905.794	(168.336)	2.398.188
Changes in contractual cash flows due to a modification that does not result in derecognition	(1.112)	–	(8.858)	1.445	(8.525)
Amortisation of discount	–	–	400.897	–	400.897
Amounts written-off	–	–	(105.231)	–	(105.231)
As at 31 December 2020	433.995	222.487	4.862.371	85.876	5.604.729

(KZT thousand)

8. Loans to Customers (continued)

Provision for Impairment of Loans to Customers (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on loans to legal entities for the year ended 31 December 2019:

Loans issued to legal entities	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount					
As at 1 January 2019	149.850.968	475.311	112.369.675	1.801.045	264.496.999
Merger of KAP *(Note 5)*	–	–	544.789	–	544.789
Newly originated or purchased assets	172.298.456	–	46.501.761	1.036.767	219.836.984
Assets that were repaid	(83.835.425)	(1.543.276)	(40.671.500)	(338.445)	(126.388.646)
Transferred to Stage 1	47.555.638	(15.008.238)	(32.547.400)	–	–
Transferred to Stage 2	(31.837.399)	36.485.778	(4.648.379)	–	–
Transferred to Stage 3	(69.103.092)	(12.072.827)	81.175.919	–	–
Changes in contractual cash flows due to a modification that does not result in derecognition	–	–	(302.812)	–	(302.812)
Changes 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 issued to legal entities	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January 2019	2.156.348	–	36.071.917	14.755	38.243.020
Merger of KAP *(Note 5)*	–	–	272.406	–	272.406
Newly originated or purchased assets	2.908.740	–	5.431.093	–	8.339.833
Assets that were repaid	(1.327.276)	(68)	(4.766.827)	–	(6.094.171)
Transferred to Stage 1	10.287.782	(544.548)	(9.743.234)	–	–
Transferred to Stage 2	(133.445)	1.437.702	(1.304.257)	–	–
Transferred to Stage 3	(1.101.098)	(512.560)	1.613.658	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	(9.829.071)	(343.810)	17.919.378	731.390	8.477.887
Changes in contractual cash flows due to a modification that does not result in derecognition	–	–	(16.097)	–	(16.097)
Amortisation 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

(KZT thousand)

8. Loans to Customers (continued)

Provision for Impairment of Loans to Customers (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on loans to individuals for the year ended 31 December 2019:

Loans issued to individuals	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount					
As at 1 January 2019	31.205.435	603.265	8.533.802	–	40.342.502
Merger of KAP *(Note 5)*	30.292	–	63.039	–	93.331
Newly originated or purchased assets	22.067.179	–	–	789.701	22.856.880
Assets that were repaid	(10.487.318)	(269.750)	(2.866.343)	–	(13.623.411)
Transferred to Stage 1	7.268.388	(2.228.724)	(5.039.664)	–	–
Transferred to Stage 2	(7.566.336)	7.758.726	(192.390)	–	–
Transferred to Stage 3	(4.062.751)	(4.968.036)	9.030.787	–	–
Changes in contractual cash flows due to a modification that does not result in derecognition	–	–	(295)	–	(295)
Changes 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 issued to individuals	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January 2019	186.179	–	1.307.236	–	1.493.415
Merger of KAP *(Note 5)*	917	–	46.644	–	47.561
Newly originated or purchased assets	427.606	–	–	–	427.606
Assets that were repaid	(9.116)	(40)	(341.821)	–	(350.977)
Transferred to Stage 1	338.158	(15.016)	(323.142)	–	–
Transferred to Stage 2	(50.243)	126.831	(76.588)	–	–
Transferred to Stage 3	(63.409)	(84.164)	147.573	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	(365.447)	(4.374)	1.536.772	252.767	1.419.718
Changes in contractual cash flows due to a modification that does not result in derecognition	–	–	(1.010)	–	(1.010)
Amortisation 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

Modified and Restructured Loans

The Company derecognises a financial asset, for example, a loan to a customer, if the terms of the agreement are renegotiated so that it becomes a substantially new loan, and the difference is recognised as a gain or loss on derecognition before an impairment loss is recognised. At initial recognition, loans are assigned to Stage 1 for the purposes of measuring ECL, unless the loan originated is considered a POCI asset (purchased or originated credit-impaired asset).

If the modification does not significantly change cash flows, the modification will not result in derecognition. Based on changes in cash flows discounted at the original effective interest rate, the Company recognises a gain or loss on modification before the impairment loss is recognised.

(KZT thousand)

8. Loans to Customers (continued)

Provision for Impairment of Loans to Customers (continued)

The table below shows the assets of Stage 2 and Stage 3, whose terms were renegotiated during the period and which, as a result, are accounted for as restructured and the related modification losses incurred by the Company are reported.

	2020
Loans to customers modified during the period	
Amortised cost before modification	**80.718.328**
Net loss from modification	**(2.430.216)**

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

Collateral and Other Credit Enhancements

The amount and type of collateral required by the Company depends on the assessment of the counterparty's credit risk. The Company established principles regarding the acceptability of collateral types and valuation parameters.

The main types of collateral received are listed below:

- For commercial lending - pledge of residential and commercial real property, equipment, vehicles, guarantees and other assets;
- When lending to individuals - pledge of residential real property, vehicles, guarantees and other assets.

Management monitors the market value of collateral and requests additional security in accordance with the master agreement when reviewing the adequacy of the provision for impairment losses.

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

	2020	*2019*
Loans issued to legal entities	**166.096.791**	117.208.183
Loans issued to individuals	**9.510.810**	6.516.321
	175.607.601	123.724.504

According to the policies of the Company, the real estate foreclosed is sold in accordance with the established procedure. The proceeds from realisation are used to reduce or repay existing debt. As a rule, the Company does not occupy such items of real estate for the purpose of its operations. Information about the carrying amounts of assets that have been foreclosed and are held as at the reporting date is as follows:

	31 December 2020	*31 December 2019*
Land plots	**317.039**	276.907
Other assets	**3.092.268**	1.603.403
Total collateral foreclosed	**3.409.307**	1.880.310

Seized collateral is included in assets held-for-sale in the statement of financial position.

Concentration of Loans to Customers

As at 31 December 2020, the concentration of loans issued by the Company to the ten largest independent parties amounted to KZT 67,022,951 thousand or 15% of the total loan portfolio (as at 31 December 2019: KZT 57,644,728 or 16% of the total loan portfolio).

(KZT thousand)

8. Loans to Customers (continued)

During 2020, a loss of KZT 21,058,471 thousand (2019: KZT 22,932,676 thousand) arising from recognition at fair value of loans issued to customers during 2020 at a below-market interest rate, out of the funds received from the Shareholder, was recognised in equity as an increase in the contingent distribution provision (*Note 21*).

9. Investment Securities

Investment securities include the following items:

	31 December 2020	*31 December 2019*
Notes of NBRK	26.899.894	–
Corporate bonds of KazAgroFinance JSC	671.759	606.258
	27.571.653	606.258
Net of the provision for ECL	(2.540)	(1.362)
Investment securities measured at amortised cost	27.569.113	604.896

As at 31 December 2020, securities measured at amortised cost were assigned to Stage 1 for the purpose of measuring ECL.

10. Finance Lease Receivables

Below is an analysis of the finance lease receivables as at 31 December 2020:

	31 December 2020			
	Up to 1 year	*From 1 to 5 years*	*Over 5 years*	*Total*
Gross investment in finance leases	776.090	767.976	–	1.544.066
Unearned finance lease income of future periods	–	–	–	–
Investment in finance leases	**776.090**	**767.976**	–	**1.544.066**
Provision for ECL	(776.090)	(27.265)	–	(803.355)
Finance lease receivables	–	**740.711**	–	**740.711**

Below is an analysis of the finance lease receivables as at 31 December 2019:

	31 December 2019			
	Up to 1 year	*From 1 to 5 years*	*Over 5 years*	*Total*
Gross investment in finance leases	3.245.186	1.699.123	–	4.944.309
Unearned finance lease income of future periods	(111.551)	(310.333)	–	(421.884)
Investment in finance leases	**3.133.635**	**1.388.790**	–	**4.522.425**
Provision for ECL	(1.337.200)	(897.819)	–	(2.235.019)
Finance lease receivables	1.796.435	**490.971**	–	**2.287.406**

(KZT thousand)

10. Finance Lease Receivables (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on finance lease receivables for the year ended 31 December 2020:

	2020				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount as at 1 January	–	779.623	3.742.802	–	4.522.425
Newly originated or purchased assets	–	767.976	–	–	767.976
Reclassification	–	–	(1.086.756)	–	(1.086.756)
Assets that were repaid	–	(3.533)	(1.864.567)	–	(1.868.100)
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	–	–	–	–	–
Transferred to Stage 3	–	(776.090)	776.090	–	–
Changes in interest accrued	–	–	(791.479)	–	(791.479)
As at 31 December	–	767.976	776.090	–	1.544.066

Provision for ECL on Finance Lease Receivables

The following is a reconciliation of the provision for ECL on finance lease receivables for the year ended 31 December 2020:

	2020				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January	–	11.926	2.223.093	–	2.235.019
Newly originated or purchased assets	–	27.265	–	–	27.265
Reclassification	–	–	(1.070.380)	–	(1.070.380)
Assets that were repaid	–	(11.926)	(2.223.093)	–	(2.235.019)
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	–	–	–	–	–
Transferred to Stage 3	–	–	–	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	–	–	1.846.470	–	1.846.470
As at 31 December	–	27.265	776.090	–	803.355

(KZT thousand)

10. Finance Lease Receivables (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on finance lease receivables for the year ended 31 December 2019:

	2019				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount as at 1 January	–	–	–	–	–
Merger of KAP *(Note 5)*	–	–	3.705.045	–	3.705.045
Newly originated or purchased assets	779.623	–	–	–	779.623
Assets that were repaid	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	(779.623)	779.623	–	–	–
Transferred to Stage 3	–	–	–	–	–
Changes in interest accrued	–	–	37.757	–	37.757
As at 31 December	–	779.623	3.742.802	–	4.522.425

Provision for ECL on Finance Lease Receivables

The following is a reconciliation of the provision for ECL on finance lease receivables for the year ended 31 December 2020:

	2019				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January	–	–	–	–	–
Merger of KAP *(Note 5)*	–	–	1.761.598	–	1.761.598
Newly originated or purchased assets	11.926	–	–	–	11.926
Assets that were repaid	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	(11.926)	11.926	–	–	–
Transferred to Stage 3	–	–	–	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	–	–	461.495	–	461.495
As at 31 December	–	11.926	2.223.093	–	2.235.019

(KZT thousand)

11. Investment Property

Movements in Investment Property item were as follows:

	Buildings
Original value	
As at 31 December 2018	445.266
Additions	-
Merger of KAP *(Note 5)*	236.842
Disposals	(152.634)
As at 31 December 2019	529.474
Additions	–
Disposals	–
As at 31 December 2020	**529.474**
Depreciation accumulated	
As at 31 December 2018	(99.542)
Merger of KAP *(Note 5)*	(60.319)
Depreciation accrued	(11.484)
Disposals	89.692
As at 31 December 2019	(81.653)
Depreciation accrued	**(9.658)**
Disposals	–
As at 31 December 2020	**(91.311)**
Carrying amount	
As at 31 December 2019	447.821
As at 31 December 2020	**438.163**

Lease income from investment property in 2020 amounted to KZT 10,585 thousand (in 2019: KZT 34,515 thousand).

Investment property includes a land plot, non-residential facility and a building that are held by the Company with the view of leasing them out and possibly selling further. The terms and conditions of the sale have not been determined by the Company at the time of release of these financial statements. The Company has assessed the investment property by itself owing to the existence of an active market using the market (comparative) approach. Based on the assessment results, the fair value approximates the carrying value. The fair value of investment property is shown below and classified under the Level 2 in the fair value hierarchy.

	31 December 2020		**31 December 2019**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Land plot, 96 Bekmakhanov Street, Almaty	183,132	183,132	183,132	183,132
Non-residential facility (production base) with an area of 2,858.1 sq.m., 95A Bekmakhanov Street, Almaty	83,245	83,245	88,166	88,166
Building of Shanyrak Business Center	171,786	171,786	176,523	176,523
	438,163	**438,163**	**447,821**	**447,821**

(KZT thousand)

12. Property, plant and equipment

Movements in the property, plant and equipment were as follows:

	Land	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
Original value					
As at 31 December 2018	5.397	370.581	201.015	117.486	694.479
Additions	–	65.712	–	18.528	84.240
Merger of KAP *(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
Additions	–	**37.839**	–	**8.000**	**45.839**
Disposals	–	**(110.536)**	**(29.223)**	**(12.331)**	**(152.090)**
As at 31 December 2020	**100**	**364.499**	**182.162**	**141.256**	**688.017**
Depreciation accumulated					
As at 31 December 2018	–	(232.041)	(47.278)	(52.393)	(331.712)
Depreciation accrued	–	(52.954)	(24.161)	(10.616)	(87.731)
Merger of KAP *(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)
Depreciation accrued	–	**(49.094)**	**(24.596)**	**(12.612)**	**(86.302)**
Disposals	–	**110.536**	**17.054**	**12.020**	**139.610**
As at 31 December 2020	–	**(220.706)**	**(80.031)**	**(72.723)**	**(373.460)**
Carrying amount					
As at 31 December 2019	100	155.048	138.896	73.456	367.500
As at 31 December 2020	**100**	**143.793**	**102.131**	**68.533**	**314.557**

The Company uses, in its ordinary course of business, items of property, plant and equipment of an original value of KZT 62,111 thousand (2019: KZT 162,793 thousand), whose book value as at the reporting date is 0 KZT. As at 31 December 2020 and 31 December 2019, Company's items of property, plant and equipment are free from encumbrances.

(KZT thousand)

13. Intangible Assets

Movements in the intangible assets were as follows:

	Software
Original value	
As at 31 December 2018	759.659
Additions	20.788
As at 31 December 2019	780.447
Additions	**47.119**
As at 31 December 2020	**827.566**
Amortisation accumulated	
As at 31 December 2018	(461.831)
Amortisation accrued	(63.963)
As at 31 December 2019	(525.794)
Amortisation accrued	**(56.708)**
As at 31 December 2020	**(582.502)**
Carrying amount	
As at 31 December 2019	254.653
As at 31 December 2020	**245.064**

14. Other Assets

Other non-financial assets include the following items:

	31 December 2020	*31 December 2019*
Advances paid	**4.913**	12.986
Inventories	**91.030**	130.034
Other	**244.263**	226.421
Other non-financial assets	**340.206**	369.441

Other non-financial assets include the following items:

	31 December 2020	*31 December 2019*
Accounts receivable	**9.576.199**	8.643.231
	9.576.199	8.643.231
Net of the provision for ECL	**(8.370.139)**	(7.349.391)
Other financial assets	**1.206.060**	1.293.840

(KZT thousand)

14. Other Assets (continued)

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on finance lease receivables for the year ended 31 December 2020:

	2020				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Gross carrying amount as at 1 January	–	**180.540**	**8.462.691**	–	**8.643.231**
Newly originated or purchased assets	–	–	–	–	–
Reclassification	–	–	**1.086.756**	–	**1.086.756**
Assets that were repaid	–	**(105.552)**	**(24.134)**	–	**(129.686)**
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	–	–	–	–	–
Transferred to Stage 3	–	–	–	–	–
Changes in interest accrued	–	–	–	–	–
Amounts written-off	–	–	**(24.102)**	–	**(24.102)**
As at 31 December	–	**74.988**	**9.501.211**	–	**9.576.199**

The following is a reconciliation of the provision for ECL on receivables for the year ended 31 December 2020:

	2020				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January	–	**224**	**7.349.167**	–	**7.349.391**
Newly originated or purchased assets	–	–	–	–	–
Reclassification	–	–	**1.070.380**	–	**1.070.380**
Assets that were repaid	–	–	–	–	–
Transfers to Stage 1	–	–	–	–	–
Transferred to Stage 2	–	–	–	–	–
Transferred to Stage 3	–	–	–	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	–	**2.149**	**(27.679)**	–	**(25.530)**
Amortisation of discount	–	–	–	–	
Amounts written-off	–	–	**(24.102)**	–	**(24.102)**
As at 31 December	–	**2.373**	**8.367.766**	–	**8.370.139**

The following is an analysis of changes in gross carrying amount and in the related provision for ECL on receivables for the year ended 31 December 2019:

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

(KZT thousand)

14. Other Assets (continued)

The following is a reconciliation of the provision for ECL on receivables for the year ended 31 December 2019:

	2019				
	Stage 1:	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Provision for ECL as at 1 January	–	2.010	194.418	–	196.428
Merger of KAP *(Note 5)*	–	225	6.942.425	–	6.942.650
Newly originated or purchased assets	1.864	–	–	–	1.864
Assets that were repaid	–	(3)	(4.250)	–	(4.253)
Transfers to Stage 1	(1.864)	1.864	–	–	–
Transferred to Stage 2	–	–	–	–	–
Transferred to Stage 3	–	(764)	764	–	–
Changes in ECL during the year resulting from transfers from one Stage to another and changes in the inputs	–	(3.108)	215.810	–	212.702
Amortisation of discount	–	–	–	–	–
As at 31 December	–	**224**	**7.349.167**	–	**7.349.391**

15. Accounts payable to the Shareholder

Accounts payable to the Shareholder include the following items:

	Maturity date	*Nominal interest rate per annum, %*	*Currency*	*31 December 2020*	*31 December 2019*
Loan under agreement No. 81	21 June 2021	14,5-15,5%	KZT	**36.174.336**	36.385.643
Loan under agreement No. 61	24 August 2032	0,32-1,02%	KZT	**29.084.622**	27.128.094
Loan under agreement No. 32	14 December 2032	1,0%	KZT	**16.231.865**	17.139.713
Loan under agreement No. 76	14 December 2025	1,0%	KZT	**11.926.326**	13.903.823
Loan under agreement No. 101	14 December 2033	1,0%	KZT	**12.316.261**	12.921.363
Loan under agreement No. 85	14 December 2025	1,0%	KZT	**9.013.088**	10.509.809
Loan under agreement No. 122	14 December 2025	1,0%	KZT	**8.962.492**	10.453.030
Loan under agreement No. 135	14 December 2032	1,0%	KZT	**8.728.631**	9.212.303
Loan under agreement No. 136	14 December 2032	1,0%	KZT	**8.728.631**	9.212.303
Loan investment under agreement No. 36	31 December 2023	1,02%	KZT	**2.640.965**	4.256.906
Payables under the assignment agreement of 3 July 2018	20 December 2024	5,0%	KZT	**1.826.748**	2.170.163
Payables under the debt assignment agreement of 3 July 2018	9 December 2024	3,0%	KZT	**829.693**	1.017.761
Loan under agreement No. 70	13 October 2024	0,32%	KZT	**574.927**	692.538
Loan under agreement No. 124	1 December 2022	10,0%	KZT	**146.690**	211.139
Loan under agreement No. 20	31 January 2034	1,00%	KZT	**6.839.119**	-
Loan under agreement No. 24	20 June 2035	1,02%	KZT	**7.166.640**	-
Loan under agreement No. 34	28 September 2034	1,00%	KZT	**2.936.996**	-
				164.128.030	155.214.588

(KZT thousand)

15. Accounts Payable to the Shareholder (continued)

Loan under Agreement No. 20

On 31 March 2020, the Company entered into a Loan Agreement No. 20 with the Shareholder in the amount of KZT 10,000,000 thousand. The loan is intended for lending to entities operating in the agro-industrial complex to finance projects for the development of cattle breeding, 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 stood at 7.9% per annum.

Loan under Agreement No. 24

On 03 June 2020, the Company entered into a Loan Agreement No. 24 with the Shareholder in the amount of KZT 40,000,000 thousand. The interest rates used by the Company to determine the value of the loan at the date of initial recognition stood at 5.9-11.5 % per annum. The loans are intended for lending to entities operating in the agro-industrial complex for the implementation of investment projects in areas approved by the Board of Directors of KazAgro NMH JSC.

Loan under Agreement No. 34

On 28 September 2020, the Company entered into a Loan Agreement No. 34 with the Shareholder in the amount of KZT 4,285,714 thousand. The loan is intended for lending to entities operating in the agro-industrial complex to finance projects for the development of cattle breeding, 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 stood at 7.3% per annum.

Loan under Agreement No. 32

On 27 February 2019, the Company entered into a Loan Agreement No. 32 with the Shareholder. The loan is intended for lending to entities operating in the agro-industrial complex to finance projects for the development of cattle breeding, 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 stood at 7.3% per annum.

Loan under Agreement No. 61

On 24 August 2017, the Company entered into a Loan 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 stood at 7.6-8.6 % per annum. Loans are intended for entities operating in the agro-industrial complex to implement a set of measures aimed at creating, expanding and modernizing material production and production infrastructure in the agro-industrial complex.

Loan under Agreement No. 101

On 31 December 2019, the Company entered into a Loan Agreement No. 101 with the Shareholder. The loan is intended for lending to entities operating in the agro-industrial complex to finance projects for the development of cattle breeding, 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. The interest rate used by the Company to determine the value of the loan at the date of initial recognition stood at 7.9% per annum.

In 2020, the difference between the nominal value and fair value of the loans obtained from the Shareholder, at the date of initial recognition, as well as the effect of changes in the terms of the loans totaling KZT 9,738,641 thousand (in 2019: KZT 23,697,782 thousand) were recognised by the Company in additional paid-in capital (*Note 21*).

As at 31 December 2020 and 31 December 2019, there were no obligations to comply with financial covenants on the debt to the Shareholder.

(KZT thousand)

16. Amounts due to Credit Institutions

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

	Maturity date	*Nominal interest rate per annum, %*	*Currency*	*31 December 2020*	*31 December 2019*
ATF Bank JSC	3 February 2020	10,5%	KZT	-	9.876.118
				-	9.876.118

On 25 April 2019 and 21 May 2019, the Company obtained short-term loans from ATF Bank JSC totalling KZT 9,800,000 thousand, with a maturity date of 3 February 2020 under Credit Line Agreement No. MK020-2020 dated 27 February 2019. This loan was repaid in time.

17. Debt Securities Issued

Debt securities issued include the following items:

	Maturity date	*Interest rate per annum, %*	*Currency*	*31 December 2020*	*31 December 2019*
Fixed income bonds (1st issue of 4th bond program)	10 October 2026	10,75%	KZT	**40.408.952**	28.958.565
Fixed income bonds (1st issue of 3d bond program)	30 December 2021	8,5%	KZT	**23.896.536**	23.874.632
Fixed income bonds (2nd issue of 2nd bond program)	17 December 2022	8,0%	KZT	**18.052.561**	17.968.126
Fixed income bonds (1st issue of 2nd bond program)	20 February 2023	8,5%	KZT	**10.212.403**	10.173.689
Fixed income bonds (2nd issue of 3d bond program)	22 June 2026	14,0%	KZT	**5.016.202**	5.365.966
Fixed income bonds (2nd issue of 4th bond program)	26 August 2030	10,75%	KZT	**31.589.716**	-
Fixed income bonds (3d issue of 4th bond program)	30 January 2022	5,00%	KZT	**9.001.250**	-
Commercial bonds	21 December 2021	10,75%	KZT	**15.542.645**	-
Commercial bonds	8 July 2021	10,75%	KZT	**10.477.225**	-
Debt Securities Issued				**164.197.490**	86.340.978

18. Accounts Payable to Governmental and Government-funded Organisations

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 implementation of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021 approved by Resolution of the Government of the Republic of Kazakhstan No. 920 dated 29 December 2016. Loans with nominal interest rates of 0.01% per annum are intended to fund microfinance organisations and credit partnerships for lending to business projects under the Program. The interest rates used by the Company in determining the value of the loans at initial recognition were 7.14% -11.48% per annum.

As at 31 December 2020, the Company's payables under this Program amounted to KZT 41,284,610 thousand (as at 31 December 2019: KZT 33,346,949 thousand).

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 South Kazakhstan Oblast and with the Akimat of Almaty Oblast as part of the implementation of the Roadmap 2020 approved by Resolution of the Government of the Republic of Kazakhstan No. 162 dated 30 September 2015. Funds received under the above agreements have nominal interest rates of 0.01% per annum.

(KZT thousand)

18. Accounts Payable to Government-funded Organisations (continued)

The loans are intended to ensure sustainable and balanced growth of regional entrepreneurship in rural areas in 2016-2017, as well as to maintain existing and create new permanent jobs as part of the 2020 Employment Roadmap. The interest rates used by the Company in determining the value of the loans at initial recognition were 13.3% per annum. As at 31 December 2020, the Company's payables under those agreements amounted to KZT 3,485,523 thousand (as at 31 December 2019: KZT 3,088,154 thousand).

In 2020, the difference between the nominal value and fair value of the loans obtained from the governmental and government-funded organisations, at the date of initial recognition, totaling KZT 5,038,235 thousand (in 2019: KZT 6,244,717 thousand) was recognised by the Company in additional paid-in capital (*Note 21*).

19. Other Liabilities

Other non-financial liabilities include the following items:

	31 December 2020	*31 December 2019*
Subsidizing Interest Rates by the Ministry of Agriculture of the Republic of Kazakhstan as Part of the Program for Support of Agriculture	**3.312.883**	1.971.296
Other taxes payable	**31.048**	115.857
Other	**49.104**	84.401
Other non-financial liabilities	**3.393.035**	2.171.554

Other non-financial liabilities include the following items:

	31 December 2020	*31 December 2019*
Provision for ECL on contingent liabilities (*Note 24*)	**1.045.045**	1.255.464
Payables under assignment agreements	**366.892**	537.662
Accounts payable	**245.114**	266.907
Other financial liabilities	**1.657.051**	2.060.033

As at 31 December 2020 and 2019, other liabilities of the Company included amounts obtained from the Ministry of Agriculture of the Republic of Kazakhstan to reimburse the subsidized portion of the interest on loans issued to customers under the budget program 056 *Subsidizing Interest Rates on Loans and Lease of Processing Equipment, and Lease of Agricultural Machinery.*

Payables under assignment agreements include:

	Maturity date	*Nominal interest rate per annum, %*	*Currency*	*31 December 2020*	*31 December 2018*
Bank of Astana JSC	31 July 2022	3%	KZT	**366.892**	537.662
Payables under assignment agreements				**366.892**	537.662

As part of measures to repay the debt to Bank of Astana JSC, in 2018 the Company entered into 7 agreements on assignment of receivables in a total amount of KZT 8,886,585 thousand as repayment of debts to the Company in a total amount of KZT 8,112,591 thousand. The amount of KZT 366,892 thousand is payable by the Company in accordance with the approved schedule, with maturity up to 2022 and a nominal interest rate of 3.0% per annum (effective interest rate is 7.58% per annum).

(KZT thousand)

20. Taxation

Corporate income tax expenses include the following items:

	2020	*2019*
Current corporate income tax expense	**(3.028.465)**	(2.274.634)
Deferred corporate income tax expense - origination and reduction of temporary differences	**(1.332.575)**	(1.791.648)
Corporate income tax expense	**(4.361.040)**	(4.066.282)

	2020	*2019*
Deferred corporate income tax recognised in the statement of profit or loss	**(1.332.575)**	(1.791.648)
Deferred corporate income tax recognised in equity	**1.349.792**	(676.621)
Changes in deferred corporate income tax	**17.217**	(2.468.269)

As at 31 December 2020, the Company's current corporate income tax liabilities amounted to KZT 49,345 thousand (31 December 2019: KZT 135,976 thousand). The corporate income tax rate for the Company was 20.0% in 2020 and 2019.

The effective corporate income tax rate differs from the statutory income tax rate. The following is a comparison of the corporate income tax expense calculated at the statutory rate with the corporate income tax expense reported in the financial statements:

	2020	*2019*
Profit before corporate income tax	**24.021.089**	20.100.318
Statutory rate of corporate income tax	**20%**	20%
Theoretical corporate income tax expense at a statutory tax rate	**(4.804.218)**	(4.020.064)
Non-taxable income from government securities	**389.304**	620.385
Non-deductible expenses	**53.874**	(666.603)
Corporate income tax expense	**(4.361.040)**	(4.066.282)

Deferred corporate income tax recognised in equity was allocated as follows:

	2020	*2019*
To assets	**4.305.167**	5.311.878
To liabilities	**(2.955.375)**	(5.988.499)
Corporate income tax recovery recognised in equity	**1.349.792**	(676.621)

(KZT thousand)

20. Taxation (continued)

Deferred income tax assets and liabilities as at 31 December and their movements for the respective years include the following items:

	2018	Origination and reduction of temporary differences: In the statement of profit or loss	Origination and reduction of temporary differences: In equity	2019	Origination and reduction of temporary differences: In the statement of profit or loss	Origination and reduction of temporary differences: In equity	2020
Tax effect of deductible temporary differences							
Loans to customers	6.890.208	(2.618.464)	4.586.535	8.858.279	**(2.866.258)**	**4.211.694**	**10.203.715**
Amounts due from banks	827.272	(599.445)	725.343	953.170	**(448.887)**	**93.473**	**597.756**
Other Assets	7.306	(2.587)	–	4.719	**96.905**	–	**101.624**
Short-term estimated liabilities	68.901	5.703	–	74.604	**14.905**	–	**89.509**
Deferred corporate income tax assets	7.793.687	(3.214.793)	5.311.878	9.890.772	**(3.203.335)**	**4.305.167**	**10.992.604**
Tax effect of taxable temporary differences							
Accounts payable to the Shareholder	(4.704.520)	951.508	(4.739.556)	(8.492.568)	**1.114.509**	**(1.947.728)**	**(9.325.787)**
Accounts Payable to Governmental and Government-funded Organisations	(2.054.809)	508.435	(1.248.943)	(2.795.317)	**716.402**	**(1.007.647)**	**(3.086.562)**
Property, plant and equipment and intangible assets	(52.138)	(36.798)	–	(88.936)	**39.849**	–	**(49.087)**
Deferred corporate income tax liabilities	(6.811.467)	1.423.145	(5.988.499)	(11.376.821)	**1.870.760**	**(2.955.375)**	**(12.461.436)**
Net deferred corporate income tax assets/ (liabilities)	982.220	(1.791.648)	(676.621)	(1.486.049)	**(1.332.575)**	**1.349.792**	**(1.468.832)**

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

21. Equity

Below are the figures on the movement of authorised, issued and fully paid common shares of the Company:

	Number of shares (pieces)	*Nominal value (KZT)*	*Total*
As at 31 December 2018	158.630.371	1.000,00	158.630.371
Increase in share capital	9.494.625	966,77	9.179.163
As at 31 December 2019	168.124.996	998,12	167.809.534
Increase in share capital	–	–	–
As at 31 December 2020	**168.124.996**	**998,12**	**167.809.534**

As at 31 December 2020 and 2019, 168,124,996.00 pieces of authorised and issued common shares of the Company were fully paid by the Sole Shareholder.

In December 2019, the Company sold 9,494,625.00 pieces of common shares to the Sole Shareholder at the price of KZT 966.77 per share in the amount of KZT 9,179,163 thousand in exchange for common shares of KAP as part of the merger.

In 2020, in accordance with the decision of the Sole Shareholder dated 29 May 2020, the Company declared and paid dividends amounting to KZT 16,034,036 thousand or KZT 95.37 per common share for the year ended 31 December 2019.

(KZT thousand)

21. Equity (continued)

In 2019, in accordance with the decision of the Sole Shareholder dated 31 May 2020, the Company declared and paid dividends amounting to KZT 10,375,617 thousand or KZT 65.41 per common share for the year ended 31 December 2018.

According to the Company's policies, the capital reserve is made for general risks, including future losses and other unforeseen risks and obligations. The capital reserve is to be allocated based on the decision of the Shareholder.

Below is the movement in additional paid-in capital and provisions for 2019 and 2020.

	Capital reserve	*Additional paid-in capital*	*Contingent Distribution Provision*
As at 1 January 2020	5.339.751	58.624.854	(67.467.287)
Contingent distribution provision for the year *(Notes 7 and 8)*	–	–	**(21.525.833)**
Tax effect of recognising a provision for contingent distribution *(Note 20)*	–	–	**4.305.167**
Gains from initial recognition at fair value of loans obtained from the Shareholder and governmental organisations *(Notes 15, 18)*	–	**14.776.876**	–
Tax effect of initial recognition at fair value of loans obtained from the Shareholder *(Note 20)*	–	**(2.955.375)**	–
As at 31 December 2020	**5.339.751**	**70.446.355**	**(84.687.953)**

	Capital reserve	*Additional paid-in capital*	*Contingent Distribution Provision*
As at 1 January 2019	5.339.751	34.670.854	(46.219.772)
Contingent distribution provision for the period *(Notes 7 and 8)*	–	–	(26.559.393)
Tax effect of recognising a provision for contingent distribution *(Note 20)*	–	–	5.311.878
Gains from initial recognition at fair value of loans obtained from the Shareholder and governmental organisations *(Notes 15, 18)*	–	29.942.499	–
Tax effect of initial recognition at fair value of loans obtained from the Shareholder *(Note 20)*	–	(5.988.499)	–
As at 31 December 2019	5.339.751	58.624.854	(67.467.287)

As at 31 December 2020, the book value per one common share calculated according to the methodology of Kazakhstan Stock Exchange was:

	31 December 2020	*31 December 2019*
Assets	**547.176.054**	**462.931.167**
Less intangible assets	**(245.064)**	**(254.653)**
Less liabilities	**(380.111.461)**	**(294.093.422)**
Net assets	**166.819.529**	**168.583.092**
Number of common shares, pieces	**168.124.996**	**168.124.996**
Book value per one common share (KZT)	**992,24**	**1.002,72**

(KZT thousand)

21. Equity (continued)

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 table summarises information on earnings and shares used to calculate the basic earnings per share for the following years ended 31 December:

	31 December 2020	*31 December 2019*
Net income attributable to the Shareholder to calculate basic and diluted earnings per share	19.660.049	16.034.036
Weighted average number of common shares for the purpose of determining basic and diluted earnings per share	168.124.996	159.332.713
Basic and diluted earnings per common share (KZT)	116,94	100,63

As at 31 December 2020 and 2019, the Company had no financial instruments that dilute earnings per share.

22. Credit Losses

The following table summarizes ECL on financial instruments recognised in the statement of profit or loss for the year ended 31 December 2020:

	Note	*Stage 1:*	*Stage 2:*	*Stage 3:*	*POCI*	*Total*
Cash and cash equivalents	6	(3.101)	–	–	–	(3.101)
Amounts due from banks	7	(115.742)	–	–	–	(115.742)
Loans to Customers	8	(1.486.158)	919.807	5.234.617	162.568	4.830.834
Investment Securities		1.178	–	–	–	1.178
Other Financial Assets	14	–	2.149	(27.679)	–	(25.530)
Finance Lease Receivables	10	–	15.339	(376.623)	–	(361.284)
Loan Commitments	24	(210.419)	–	–	–	(210.419)
Total credit losses		(1.814.242)	937.295	4.830.315	162.568	4.115.936

The following table summarizes ECL on financial instruments recognised in the statement of profit or loss for the year ended 31 December 2019:

	Note	*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
Loan commitments	24	432.465	–	–	–	432.465
Total credit losses		(12.735.981)	(351.403)	20.070.020	984.157	7.966.793

(KZT thousand)

23. Staff Costs and Other Operating Expenses

Staff costs and other operating expenses include the following items:

	2020	*2019*
Staff costs and other payments	**(3.285.665)**	(3.041.643)
Social security expenses	**(309.043)**	(287.285)
Staff costs	**(3.594.708)**	(3.328.928)
Legal and advisory services	**(719.548)**	(598.757)
Maintenance and lease of premises	**(427.100)**	(406.071)
Depreciation and amortisation (*Notes 11, 12, and 13)*	**(152.667)**	(163.178)
Marketing and advertising	**(69.387)**	(93.232)
Business travel expenses	**(42.090)**	(87.826)
State duty	**(82.102)**	(86.030)
Insurance costs	**(79.944)**	(78.024)
Other taxes other than income tax	**(60.022)**	(76.594)
Communication services	**(69.967)**	(57.896)
Maintenance of property, plant and equipment	**(59.359)**	(57.151)
Materials	**(59.895)**	(42.804)
Staff training	**(7.471)**	(19.669)
Assessment of collateral	**(50.355)**	(19.472)
Banking services	**(9.695)**	(17.093)
Charity and sponsorship	**(19.493)**	(14.155)
Others	**(271.391)**	(282.109)
Other operating expenses	**(2.180.486)**	(2.100.061)

24. Contractual Obligations and Contingent Liabilities

Contractual Obligations and Contingent Liabilities

As at 31 December 2020, Company's contractual obligations and contingent liabilities included the following items:

	31 December 2020	*31 December 2019*
Credit-related Commitments		
Loan commitments	**96.630.974**	93.469.181
Net of the provision for ECL	**(1.045.045)**	(1.255.464)
	95.585.929	92.213.717
Operating lease liabilities		
Up to 1 year	**25.908**	–
	95.611.837	92.213.717

Many of the above credit-related contingent liabilities may terminate without partial or full discharge. Therefore, the above credit-related contingent liabilities do not represent an expected cash outflow. Contingent loan commitments do not represent absolute commitments of the Company.

The following is an analysis of changes in provisions for ECL for the year ended 31 December 2020:

Loan commitments	*Stage 1:*
Provision for ECL as at 1 January 2019	822.999
Changes in ECL during the year	432.465
As at 31 December 2019	1.255.464
Changes in ECL during the year	**(210.419)**
As at 31 December 2020	**1.045.045**

(KZT thousand)

24. Contractual Obligations and Contingent Liabilities (continued)

Business Environment

Kazakhstan continues implementing economic reforms and developing its legal, tax and administrative infrastructure that would meet the requirements of a market economy. Stability of the Kazakhstan's economy will largely depend on the progress of those reforms, as well as on the effectiveness of the Government's measures taken in the economy, and its financial and monetary policies. In 2020, the volatility of the exchange rate of KZT against major foreign currencies continued to have a negative impact on the Kazakh economy. Management of the Company believes that it takes all measures required to maintain the economic stability of the Company in the current circumstances.

Taxation

Tax, foreign currency and customs laws and regulations are interpreted variously and changed frequently. Management's interpretation of those laws and regulations as applied to transactions and operations of the Company may be challenged by the relevant regional or national authorities. Therefore, additional taxes, penalties and fines might be charged. Tax periods remain open for inspection by the relevant authorities as to the accuracy of taxes assessed within five calendar years preceding the year inspected. Under certain circumstances, tax inspections may cover longer periods.

Management of the Company believes that as at 31 December 2020 and 2019, its interpretation of the laws and regulations is appropriate, and the Company's position on compliance with tax, foreign currency and customs laws and regulations will be confirmed.

Legal Matters

In the normal course of business, the Company is subject to lawsuits and claims. Management believes that potential liabilities (if any) arising from such lawsuits or claims will not have a material adverse effect on the financial position or performance of the Company in the future.

(KZT thousand)

25. Risk Management

Introduction

Company's operations are exposed to risks. The Company manages risks in the course of an ongoing process of identification, assessment and monitoring, as well as through establishing risk limits and other internal control measures. The risk management process is critical to maintaining stable profitability of the Company, and each individual employee of the Company is responsible for the risks associated with his or her responsibilities. The Company is exposed to credit risk, liquidity risk, and market risk. The Company is also exposed to operational risks.

The process of independent risk control does not relate to the operational risks, such as changes in the environment, technology, or changes in the industry. Such risks are controlled by the Company in the course of the strategic planning process.

Risk Management Structure

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

Board of Directors

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

Management Board

The responsibility of the Management Board is to control the risk management process in the Company.

Risk Control

Risk Management Department is responsible for the implementation and conduct of procedures related to risk management to ensure that the control process is independent; Risk Management Department is also responsible for controlling the compliance with the Company's principles and policies of risk management and risk limits. Risk Management Department includes two structural divisions: the Financial Risk Division and the Credit Risk Division.

Treasury Department

Treasury Department of the Company is responsible for managing Company's assets and liabilities, as well as the overall financial structure. Treasury Department is also primarily responsible for the Company's liquidity risk and financing risk.

Internal Audit Service

The Company's risk management processes are audited every year by the Internal Audit Service, which audits both the adequacy of the procedures and the implementation of these procedures by the Company. The Internal Audit Service discusses the audit findings with management and submits its findings and recommendations to the Management Board and the Board of Directors of the Company.

Risk Assessment and Risk Communication Systems

The Company's risks are assessed using a method that reflects both the expected loss, which is likely to be incurred in the ordinary course of business, and unforeseen losses, which are an estimate of the largest actual losses based on statistical models.

Monitoring and control of risks is mainly based on the limits established for the Company by KazAgro Holding. Such limits reflect the business strategy and market conditions, in which the Company operates.

Information obtained on all types of activities is studied and processed for the purpose of analysis, control and early detection of risks. This information is submitted with comments to the Management Board, Board of Directors and heads of each of the Company's divisions. The report contains information on the aggregate credit exposure, projected credit ratios, exceptions from the established risk limits, liquidity ratios and changes in the level of risk. On a monthly basis, they provide information on risks in terms of industries, customers and geographic regions. On a quarterly basis, the Board of Directors of the Company receives a detailed report on risks, which contains all the information necessary to assess the risks of the Company and make appropriate decisions.

(KZT thousand)

25. Risk Management (continued)

Introduction (continued)

Excessive Risk Concentrations

In order to avoid excessive risk concentrations, the Company's policies and procedures include special principles aimed at maintaining a diversified portfolio. The established risk concentration limits are managed.

Credit Risk

Credit risk is the risk that the Company will incur financial losses due to the failure of its customers or counterparties to fulfil their contractual obligations. The Company manages credit risk through establishing the risk limits that the Company is ready to accept in respect to individual counterparties, as well as through monitoring the compliance with the established risk limits. Therefore, in order to avoid concentration of credit risk on one entity or a group of affiliated entities, they set a limit of no more than 25.00% of the equity of the Company. Limits with respect to counterparty banks for the purpose of interbank transactions are set by the Shareholder.

The Company has developed a procedure for checking the credit quality in order to ensure early detection of possible changes in the creditworthiness of counterparties, including periodic revision of the value of collateral carried out by certain divisions of the Company. The credit quality check procedure allows the Company to measure the potential losses from the risks it is exposed to and to take the necessary measures.

The carrying amount of items in the statement of financial position, excluding the effect of risk mitigation resulting from the use of master netting agreements and collateral agreements, most closely reflects the maximum exposure to credit risk on these items.

More detailed information on the maximum exposure to credit risk for each class of financial instruments is provided in separate notes. The impact of collateral and other risk mitigation techniques is presented in *Note 8.*

Measurement of Impairment

The Company measures ECL based on several probability-weighted scenarios to estimate expected shortfalls of cash flows, which are discounted using the effective interest rate. A shortfall of cash flows is the difference between the cash flows due to an entity under a contract and the cash flows that the entity expects to receive. The mechanism of measuring ECL is described below, and the main elements of the mechanism are as follows:

Probability of Default (PD)	*The probability of default* is an estimate of the likelihood of a default over a particular time period. Default can occur only at a specific point in time during the period under consideration, if the asset has not been derecognised and is still part of the portfolio.
Exposure at Default (EAD)	*The Exposure at Default* is an estimated amount that is at risk at the point of default at some future date, taking into account the expected changes in that amount after the reporting date, including payments of principal and interest provided for by a contract or otherwise and the expected repayment of loans issued and interest accrued as a result of delay in payments.
Loss Given Default (LGD)	*The Loss Given Default* is an estimated loss that will be incurred, if a default occurs at a particular point in time. This indicator is calculated based on the difference between the contractual cash flows and the cash flows that the lender expects to receive, including from the sale of collateral. It is usually expressed as a percentage of the EAD.

The provision for ECL would be calculated based on the credit losses expected to occur over the life of an asset (lifetime expected credit losses or lifetime ECL), if there was a significant increase in credit risk since initial recognition, otherwise the provision is calculated in an amount equal to 12-month ECL (12-month ECL). 12-month ECL are the portion of lifetime ECL that represents the ECL that result from a default on a financial instrument occurring within 12 months after the reporting date. Lifetime ECL and 12-month ECL are calculated either on an individual basis or on a group basis, depending on the threshold of materiality established.

25. Risk Management (continued)

Credit Risk (continued)

Measurement of Impairment (continued)

The Company has developed a methodology for assessing, at the end of each reporting period, whether there has been a significant increase in the credit risk on a financial instrument since its initial recognition, by taking into account changes in the risk of a default over the remaining life of the financial instrument. Based on the process described above, the Company groups the loans issued as follows:

Stage 1:	At initial recognition of the loan, the Company recognises a provision in the amount equal to 12-month ECL. Stage 1 also includes loans and other credit lines whose credit risk has decreased so that they were transferred from Stage 2.
Stage 2:	If the credit risk on a loan has increased significantly since its initial recognition, the Company should recognise a provision in an amount equal to the lifetime ECL. Stage 2 also includes loans and other credit lines whose credit risk has decreased so that they were transferred from Stage 3.
Stage 3:	Loans that are credit-impaired. The Company recognises an allowance in an amount equal to the lifetime ECL.
POCI:	Purchased or originated credit-impaired (POCI) assets are financial assets that were credit- impaired at initial recognition. At initial recognition, POCI assets are measured at fair value and interest income is subsequently recognised using the effective interest rate adjusted for credit risk. The allowance for ECL is recognised or derecognised only to the extent that there has been a subsequent change in the lifetime expected credit losses.

Definition of Default and Recovery

The Company considers that the financial instrument is defaulted and, therefore, classifies it as Stage 3 (credit-impaired assets) for the purposes of measuring ECL, in any case, when a borrower delays contractual payments for 60 days.

As part of qualitative assessment of whether a customer is in default, the Company also considers a number of events that may indicate that payment is unlikely. If such events occur, the Company thoroughly analyses whether the event leads to default and whether the assets should be classified as Stage 3 for the purposes of measuring ECL or if Stage 2 is appropriate. These events include the following:

- D rating is assigned to a counterparty by an external rating agency;
- Restructuring is carried out because of the deterioration of the financial position of the borrower;
- Death of a borrower;
- The collateral agreement /loan agreement is recognised invalid by a court decision;
- The borrower is imprisoned by a sanction/ court decision;
- A claim to declare the borrower bankrupt is filed in accordance with the laws of the Republic of Kazakhstan;
- Enforced collection through legal proceedings;
- Cross-default (if the Company has information).

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

(KZT thousand)

25. Risk Management (continued)

Credit Risk (continued)

Treasury and Interbank Relations

Treasury and interbank relations of the Company include relations with second-tier banks (STB), including loans secured by STB, that are externally rated at least by one of the three international rating agencies (Fitch Ratings, Moody's Investors Service, S&P Global Ratings). To assess interbank transactions with counterparties, the Company separately assesses each counterparty. For counterparties externally rated by international rating agencies or other available sources, the Company uses an assessment of the probability of default in accordance with the Moody's Investors Service's table (corporate ratings).

Lending to Entities Operating in the Agro-industrial Complex

In the case of lending to entities operating in the agro-industrial complex, the structural divisions of the Company involved in the calculation of provisions work on determining whether there are indications of a significant increase in credit risk or loan impairment/default. Credit risk assessment is based on various historical, current, and forecast information, such as:

- Historical financial information together with forecasts and plans with a breakdown by customer. Such financial information includes data on the achieved and expected results, solvency ratios, liquidity ratios and any other ratios that are relevant to assess the financial performance of a customer.
- Macroeconomic information.
- Other reasonable and supportable information about the quality of management and the capabilities of the customer that is relevant to the determination of the entity's performance.

Exposure at Default

Exposure at default (EAD) is the gross carrying amount of financial instruments, which are subject to analysis for impairment; it reflects both the customer's ability to increase its debt as default approaches and the ability to repay early.

Loss Given Default

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

As part of determination of cash flows, monthly cash repayments on defaulted loans (excluding the proceeds of realisation of collateral) are analysed of at least the last 5 years, and monthly cumulative RR (Cash) for the five years is calculated.

Credit risk assessment is based on the standard LGD estimation model, which sets specific LGD levels. These LGD levels reflect the expected EAD relative to the amounts expected to be recovered or realised through the sale of collateral held.

Significant Increase in Credit Risk

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since its initial recognition. When assessing the Company considers 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 asset as at the reporting date with the risk of default on the financial asset as at the date of initial recognition and analyses reasonable and verifiable information (that can be obtained without excessive cost or effort) indicating a significant increase in credit risk since the initial recognition of the relevant instrument.

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

(KZT thousand)

25. Risk Management (continued)

Credit Risk (continued)

Grouping Financial Assets that are Measured on a Group Basis

Depending on the factors listed below, the Company measures ECL either on an individual basis or on a group basis.

The classes of assets, on which the Company measures ECL on an individual basis include the following:

- All financial assets showing indications of impairment and/or default with total debt exceeding 0.2% of equity as at the previous reporting date according to the financial statements;
- Treasury and interbank relationships (for example, amounts due from banks, cash equivalents, and investment securities measured at amortised cost);
- Financial assets that were classified as POCI when the original loan was derecognised and a new loan was recognised in the result of debt restructuring.

The Company measures ECL on a collective basis on financial assets that have no indications of impairment/default and/or have a debt less than 0.2% of equity as at the previous reporting date according to the financial statements. In case of assessment on a collective basis, loans are segmented for collective analysis based on similar risk characteristics. ECL are measured on a segment-by-segment basis for collectively assessed assets.

Forecast Information and Multiple Economic Scenarios

In its models for measuring ECL, the Company uses macroeconomic forecast information on GDP growth rates as inputs.

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

To obtain forecast information, the Company uses data from external sources (the official website of the relevant government agencies, of the National Bank of the Republic of Kazakhstan and other external information sources). The following table shows the values of the projected economic variables/assumptions that are used in each economic scenario to measure ECL. The figures in the "Subsequent Years" column are a long-term average value and therefore the same for all scenarios as at 31 December 2020:

Key factors	*Scenario ECL*	*Assigned probability, %*	*2021*	*2022*	*Subsequent years*
GDP growth					
	Base case	16%	1,67	1,93	1,78
	Baseline	68%	0,67	0,93	0,78
	Worst case	16%	-0,33	-0,07	-0,22

ECL are measured in the same way as for loans.

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

Liquidity Risk and Management of Financing Sources

Liquidity risk is the risk that the Company will not be able to fulfil its payment obligations when they fall due under normal or stressful conditions. In order to limit the exposure, management of the Company has ensured the availability of diverse sources of financing. Management also controls assets considering liquidity and monitors future cash flows and liquidity on a daily basis. This process includes estimation of the expected cash flows and availability of high-quality collateral that can be used to obtain additional financing, if necessary.

(KZT thousand)

25. Risk Management (continued)

Liquidity Risk and Management of Financing Sources (continued)

Analysis of Financial Liabilities by the Remaining Time to Maturity

The table below presents the financial liabilities of the Company as at 31 December 2020 and 2019 in terms of time remaining to their maturity based on contractual undiscounted repayment obligations.

As at 31 December 2020	*Less than 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Accounts payable to the Shareholder	**3.523.420**	**55.320.939**	**102.180.396**	**61.153.719**	**222.178.474**
Debt Securities Issued	**1.399.950**	**48.756.392**	**87.717.144**	**95.956.492**	**233.829.978**
Accounts Payable to Governmental and Government-funded Organisations	**884.588**	**5.772.795**	**43.052.829**	**10.516.072**	**60.226.284**
Other financial liabilities	–	**446.217**	**197.125**	–	**643.342**
Total undiscounted financial liabilities	**5.807.958**	**110.296.343**	**233.147.494**	**167.626.283**	**516.878 .078**

As at 31 December 2019	*Less than 3 months*	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total*
Accounts payable to the Shareholder	2.535.698	53.971.048	97.629.835	54.562.101	208.698.682
Amounts 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
Accounts Payable to Governmental and Government-funded 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

The table below shows the contractual terms of the Company's contingent liabilities and contractual credit-related commitments. All unfulfiled commitments to extend loans are included in the time period that contains the earliest date on which a customer may require them to be fulfiled.

	Less than 3 months	*From 3 to 12 months*	*From 1 year to 5 years*	*Over 5 years*	*Total*
2020	**96.630.974**	–	–	–	**96.630.974**
2019	93.469.181	–	–	–	93.469.181

The Company expects that not all of its contractual credit-related commitments will be requested to be fulfiled before their expiration dates.

Market Risk

Market risk is the risk that changes in market indicators, such as interest rates and foreign exchange rates, will cause fluctuations of the fair value of future cash flows from financial instruments.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Interest rates on the Company's assets and liabilities are fixed.

(KZT thousand)

25. Risk Management (continued)

Market Risk (continued)

Currency Risk

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

The following table shows currencies, in which the Company has material positions as at 31 December in non-trading monetary assets and liabilities, as well as projected cash flows. The analysis performed was to calculate the effect of a possible change in exchange rates of foreign currencies against KZT on the statement of profit or loss (due to the existence of non-trading monetary assets and liabilities, whose fair value is sensitive to changes in the exchange rate). The effect on equity does not differ from the effect on the statement of profit or loss. All other parameters were taken as constant. Negative amounts in the table reflect a potential net decrease in the statement of profit or loss or equity, while positive amounts reflect a potential net increase.

	2020		*2019*	
Currency	*Change in the exchange rate, %*	*Effect on profit before tax*	*Change in the exchange rate, %*	*Effect on profit before tax*
USD	+10,00%	(2.366)	+12,00%	(2.745)
USD	-10,00%	2.366	-9,00%	2.058
RUB	+8,00%	-	+12,00%	(370)
RUB	-8,00%	-	-12,00%	370

Operational Risk

Operational risk is the risk arising due to systemic failures, staff errors, fraud or any external events. When the controls fail to operate, operational risks can result in harming reputation, legal consequences or financial losses. The Company cannot assume that all of operational risks are eliminated; however, the Company can manage those risks with the help of the controls and through monitoring and appropriate responding to potential risks. Controls include effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and evaluation procedures including an internal audit.

(KZT thousand)

26. Changes in Liabilities Arising from Financing Activities

	Payables to the Shareholder	Amounts due to Credit Institutions	Debt securities issued	Accounts payable to the Government of the Republic of Kazakhstan	Accounts Payable to Governmental and Government-funded Organisations	Total liabilities for financing activities
Carrying amount as at 31 December 2019	**155.214.588**	**9.876.118**	**86.340.978**	**–**	**36.435.103**	**287.866.787**
Receipts	**33.523.182**	**–**	**76.206.439**	**70.000.000**	**12.856.780**	**192.586.401**
Repayments	**(20.533.889)**	**(9.800.000)**	**–**	**(70.000.000)**	**(3.066.250)**	**(103.400.139)**
Dividends declared	**16.034.036**	**–**	**–**	**–**	**–**	**16.034.036**
Distribution of dividends	**(16.034.036)**	**–**	**–**	**–**	**–**	**(16.034.036)**
Discount on initial recognition of liabilities at fair value	**(9.738.641)**		**–**	**–**	**(5.038.235)**	**(14.776.876)**
Other	**5.662.790**	**(76.118)**	**1.650.073**	**–**	**3.582.735**	**10.819.480**
Carrying amount as at 31 December 2020	**164.128.030**	**–**	**164.197.490**	**–**	**44.770.133**	**373.095.653**
Carrying amount as at 31 December 2018	127.888.348	9.546.645	56.898.981	-	22.634.685	216.968.659
Receipts	69.601.108	9.800.000	28.729.231	60.000.000	17.867.780	185.998.119
Repayments	(23.348.012)	(9.477.051)		(60.000.000)	(365.127)	(93.190.190)
Dividends declared	10.375.617	–	–	–	–	10.375.617
Distribution 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 line item "Other" shows the effect of accrued but not yet paid interest on liabilities related to financing activities. The Company classifies the interest paid as cash flows from operating activities.

27. Fair Value of Financial Instruments

All assets and liabilities, fair values of which are measured or disclosed in the financial statements, are classified within the fair value hierarchy described below, based on the lowest level inputs that are material to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices of identical assets or liabilities in active markets.
- 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 a market.

(KZT thousand)

27. Fair Value of Financial Instruments (continued)

The following table analyses financial instruments whose fair value is disclosed in terms of the level in the fair value hierarchy:

	Date of measurement	*Fair value measurement using*			
		Inputs of level 1	*Inputs of level 2*	*Inputs of level 3*	*Total*
As at 31 December 2020					
Assets with disclosed fair value					
Cash and cash equivalents	31 December 2020	**48.744.242**	-	–	**48.744.242**
Amounts due from banks	31 December 2020	–	**11.935.299**	–	**11.935.299**
Loans to Customers	31 December 2020	–	–	**436.686.168**	**436.686.168**
Finance lease receivables	31 December 2020	–	–	**655.035**	**655.035**
Investment securities	31 December 2020	**26.898.863**	**658.279**	–	**27.557.142**
Other financial assets	31 December 2020	–	–	**1.206.060**	**1.206.060**
Liabilities with disclosed fair value					
Accounts payable to the Shareholder	31 December 2020	–	**148.455.904**	–	**148.455.904**
Accounts Payable to Governmental and Government-funded Organisations	31 December 2020	–	**40.597.531**	–	**40.597.531**
Debt Securities Issued	31 December 2020	–	**150.872.522**	–	**150.872.522**
Other financial liabilities	31 December 2020	–	**350.871**	**245.114**	**595.985**
As at 31 December 2019					
Assets with disclosed fair value					
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 with disclosed fair value					
Accounts payable to the Shareholder	31 December 2019	–	154.582.601	–	154.582.601
Accounts Payable to Governmental and Government-funded Organisations	31 December 2019	–	36.580.082	–	36.580.082
Amounts 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

(KZT thousand)

27. Fair Value of Financial Instruments (continued)

Financial Instruments not Carried at Fair Value in the Statement of Financial Position

Below is a comparison of the current value and fair value of the Company's financial instruments reported in the financial statements. The table does not show the fair value of non-financial assets and non-financial liabilities.

	31 December 2020		
	Carrying amount	*Fair value*	*Unrecognised gains/ (losses)*
Financial Assets			
Cash and cash equivalents	48.744.242	48.744.242	–
Amounts due from banks	14.940.653	11.935.299	(3.005.354)
Loans to Customers	449.537.300	436.686.168	(12.851.132)
Finance lease receivables	740.711	655.035	(85.676)
Investment securities	27.569.113	27.557.142	(11.971)
Other financial assets	1.206.060	1.206.060	–
Financial Liabilities			
Accounts payable to the Shareholder	164.128.030	148.455.904	15.672.126
Accounts Payable to Governmental and Government-funded Organisations	44.770.133	40.597.531	4.172.602
Debt Securities Issued	164.197.490	150.872.522	13.324.968
Other financial liabilities	608.002	595.985	12.017
Total unrecognised change in unrealised fair value			17.227.580

	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			
Accounts payable to the Shareholder	155.214.588	154.582.601	631.987
Accounts Payable to Governmental and Government-funded Organisations	36.435.103	36.580.082	(144.979)
Amounts 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)

Below is the description of valuation techniques and assumptions used in measuring the fair value of those financial instruments that is not recorded in these financial statements at fair value.

Assets with Fair Value Approximating Their Carrying Amounts

In the case of financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that their carrying amounts approximate their fair value. This assumption also applies to on-call deposits and savings accounts with no maturities.

(KZT thousand)

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

The fair value of quoted debt instruments is based on quoted market prices. In case of unquoted debt instruments, a discounted cash flow model is used at the current interest rate, taking into consideration the remaining time to maturity for debt instruments with similar terms and credit risk.

28. Analysis of Maturity of Assets and Liabilities

The table below presents assets and liabilities in terms of their expected maturity dates. The Company's contractual undiscounted repayment obligations are disclosed in Note 25 *Risk Management*.

	2020			*2019*		
	Within one year	*Over one year*	*Total*	*Within one year*	*Over one year*	*Total*
Assets						
Cash and cash equivalents	**48.744.242**	**–**	**48.744.242**	48.578.130	–	48.578.130
Amounts due from banks	**3.290.300**	**11.651.378**	**14.941.678**	31.246.221	13.817.262	45.063.483
Loans to Customers	**149.158.337**	**300.068.616**	**449.226.953**	120.543.198	241.240.489	361.783.687
Finance lease receivables	**–**	**740.711**	**740.711**	1.796.435	490.971	2.287.406
Assets held-for-sale	**3.409.307**	**–**	**3.409.307**	1.880.310	–	1.880.310
Investment securities	**26.898.863**	**670.250**	**27.569.113**	8.668	596.228	604.896
Investment Property	**–**	**438.163**	**438.163**	–	447.821	447.821
Property, Plant and Equipment	**–**	**314.557**	**314.557**	–	367.500	367.500
Intangible Assets	**–**	**245.064**	**245.064**	–	254.653	254.653
Current corporate income tax assets	**–**	**–**	**–**	–	–	–
Deferred corporate income tax assets	**–**	**–**	**–**	–	–	–
Other Assets	**1.505.199**	**41.067**	**1.546.266**	1.622.756	40.525	1.663.281
Total assets	**233.006.248**	**314.169.806**	**547.176.054**	205.464.250	257.466.917	462.931.167

	2020			*2019*		
	Within one year	*Over one year*	*Total*	*Within one year*	*Over one year*	*Total*
Liabilities						
Accounts payable to the Shareholder	**55.771.725**	**108.356.305**	**164.128.030**	52.256.425	102.958.163	155.214.588
Amounts due to Credit Institutions	**–**	**–**	**–**	9.876.118	–	9.876.118
Debt Securities Issued	**52.394.152**	**111.803.338**	**164.197.490**	2.397.818	83.943.160	86.340.978
Accounts Payable to Governmental and Government-funded Organisations	**6.384.741**	**38.385.392**	**44.770.133**	2.091.399	34.343.704	36.435.103
Current corporate income tax liabilities	**49.345**	**–**	**49.345**	135.976	–	135.976
Deferred corporate income tax liabilities	**–**	**1.468.832**	**1.468.832**	–	1.486.049	1.486.049
Short-term estimated liabilities	**447.545**	**–**	**447.545**	373.023	–	373.023
Other Liabilities	**4.877.233**	**172.853**	**5.050.086**	3.888.235	343.352	4.231.587
Total liabilities	**119.924.741**	**260.186.720**	**380.111.461**	71.018.994	223.074.428	294.093.422
Net position	**113.081.507**	**53.983.086**	**167.064.593**	134.445.256	34.392.489	168.837.745

(KZT thousand)

29. Related Party Transactions

Parties shall be considered related, where one of them is able to control the other, or significantly influence on operational and financial decisions of the other party, as defined in IAS 24 *Related Party Disclosures.* In considering each possible related party relationship, the substance of the relationships of the parties is considered rather than merely their legal form.

Related parties may enter into transactions that would not be carried out between unrelated parties. Prices and conditions of such transactions may differ from the prices and conditions of transactions between unrelated parties.

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

The amount of related party transactions, the balances as at the year-end, and the relevant amounts of expenses and gains for the year were as follows:

	2020			*2019*		
	Shareholder	*Companies under common control*	*Government-affiliated entities*	*Shareholder*	*Companies under common control*	*Government-affiliated entities*
Loans issued as at 1 January	–	16.566.917	–	–	10.017.784	–
Loans issued	–	–	–	–	8.225.000	–
Loans repaid	–	(2.822.500)	–	–	(1.000.000)	–
Other differences	–	74.356	–	–	(675.867)	–
Loans issued As at 31 December	–	13.818.773	–	–	16.566.917	–
		–			–	
Net of the provision for ECL as at 31 December	–	(641.857)	–	–	(849.368)	–
Loans issued As at 31 December, net of the provision for ECL	–	13.176.916	–	–	15.717.549	–
Acquired debt securities as at 1 January	–	606.258	–	–	579.990	–
Securities purchased	–	–	–	–	–	–
Repaid during the period	–	–	–	–	–	–
Other differences	–	65.501	–	–	26.268	–
Loans issued As at 31 December	–	671.759	–	–	606.258	–
Net of the provision for ECL as at 31 December	–	(1.509)	–	–	(1.362)	–
Acquired debt securities as at 31 January, net of the provision for ECL	–	670.250	–	–	604.896	–

	2020			*2019*		
	Shareholder	*Companies under common control*	*Government-affiliated entities*	*Shareholder*	*Companies under common control*	*Government-affiliated entities*
Loans obtained as at 1 January	155.214.588	–	36.435.103	127.888.348	–	22.634.685
Loans obtained	33.523.182	–	82.856.780	69.601.108	–	17.867.780
Loans repaid	(20.533.889)	–	(73.066.250)	(23.348.012)	–	(365.127)
Other differences	(4.075.851)	–	(1.455.500)	(18.926.856)	–	(3.702.235)
Loans obtained as at 31 December	164.128.030	–	44.770.133	155.214.588	–	36.435.103
Debt Securities Issued as at 1 January	56.564.565	797.230	–	56.081.191	797.174	–
Debt securities placed	–	–	–	–	–	–
Repaid during the period	–	–	–	–	–	–
Other differences	(204.718)	7	–	483.374	56	–
Debt Securities Issued As at 31 December	56.359.847	797.237	–	56.564.565	797.230	–

(KZT thousand)

29. Related Party Transactions (continued)

Debts under assignment agreements as at 31 December	–	–	–	–	–	–
Interest income on loans issued	–	**1.952.111**	–	–	1.366.689	–
Interest income on acquired debt securities	–	**65.501**	–	–	7.609	–
Interest expenses on loans obtained	**(12.597.806)**	–	**(3.593.758)**	(11.633.922)	–	(2.546.677)
Interest income on issued debt securities	**(5.034.677)**	**(63.594)**	–	(5.022.820)	(63.640)	–
Interest expenses under assignment agreements	–	–	–	–	(61.531)	–
Credit Losses	–	**(207.365)**	–	–	(628.116)	–

Loans received from the Shareholder as at 31 December 2020 have effective interest rates ranging from 4.5% to 11.5% per annum (as at 31 December 2019: from 4.5% to 11.6% per annum).

Loans received from governmental and government-funded organisations as at 31 December 2020 have effective interest rates ranging from 7.1% to 13.3% per annum (as at 31 December 2019: from 7.1% to 13.3% per annum).

Compensation of Key Management Personnel

In 2020, key management personnel included 7 persons (in 2019 it included 5 persons). Compensation to key management personnel includes the following items:

	2020	*2019*
Salaries and other current payments	**108.870**	105.372
Social security contributions	**10.080**	9.693
Total compensation to key management personnel	**118.950**	115.065

30. Capital Adequacy

The Company actively manages its capital adequacy to protect against the risks specific to its operations. Capital adequacy of the Company is controlled, among other methods, by using certain ratios established by the National Bank of the Republic of Kazakhstan.

As at 31 December 2020 and 2019, the Company fully complied with all capital requirements established externally.

The main objective of capital management by the Company is to ensure that the Company complies with external requirements to capital, maintains a high credit rating and capital adequacy standards as required to operate, and maximises shareholder value.

The Company manages its capital structure and makes adjustments thereto in response to changes in economic conditions and risks specific to its activities.

The NBRK requires entities engaged in certain types of banking activities to maintain a Tier 1 capital adequacy ratio (k1) at a level of at least 6% of assets; capital adequacy ratio (k1-2) at a level of at least 6% of risk-weighted assets and contingent and potential liabilities; and the overall capital adequacy ratio (k1-3) at a level of at least 12% of risk-weighted and operational risk-weighted assets and contingent and potential liabilities.

(KZT thousand)

30. Capital Adequacy (continued)

As at 31 December 2020 and 31 December 2019, the capital adequacy ratios of the Company calculated in accordance with the requirements of the NBRK were as follows:

	31 December 2020	*31 December 2019*
Tier I capital	**147.289.231**	152.703.069
Tier II capital	**19.660.049**	16.034.036
Participating interests in the equity of legal entities	**–**	–
Total equity	**166.949.280**	168.737.105
Risk weighted assets	**519.851.842**	465.594.646
Contingent liabilities and commitments	**48.315.487**	46.734.591
Operational risk	**24.776.716**	21.147.698
Capital adequacy ratio (k1)	**26,92%**	32,99%
Capital adequacy ratio (k1-2)	**25,92%**	29,81%
Capital adequacy ratio (k1-3)	**28,16%**	31,63%

31. Events after the Reporting Date

Paragraph 52 of the National Action Plan for the implementation of the State of the Nation Address of the Head of State dated 1 September 2020 Kazakhstan in a New Reality: Time for Action, approved by Decree of the President of the Republic of Kazakhstan No. 413 dated 14 September 2020, provides for the establishment of a single development institution by merging Baiterek NMH JSC and KazAgro NMH JSC with a reduction in the number of portfolio companies by half and with an according adjustment of the staff number. A roadmap with a list of measures aimed at implementing this paragraph has been developed and approved. Currently, the parent company, KazAgro NMH JSC, is in the process of restructuring through a merger with Baiterek NMH JSC. The restructuring is scheduled to be completed in March 2021.

In accordance with the roadmap, a plan to restructure the subsidiaries of KazAgro NMH JSC has also been developed. The plan contains the following:

- Transfer of functions of KazAgroFinance JSC to Agrarian Credit Corporation JSC;
- Transfer of functions of Fund for Financial Support of Agriculture JSC to Damu Entrepreneurship Development Fund JSC and making required corporate decisions;
- Restructuring of Fund for Financial Support of Agriculture JSC by merging with Agrarian Credit Corporation JSC with the subsequent liquidation of Fund for Financial Support of Agriculture JSC and making required corporate decisions.

The timeframe for the implementation of the items of the Roadmap is conditional and depend on the decisions of the Government of the Republic of Kazakhstan.

On 17 February 2021, the Company entered into Loan Agreement No. 9ПРЧ1138 with the Ministry of Finance of the Republic of Kazakhstan for 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 25 February 2021 for financing the entities operating in the agro-industrial complex.