Joint Stock Compan
Agrarian Credit Corporatio:

Financial statement

Year ended 31 December 201
together with independent auditor's repo

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Independent auditor's report

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

Opinion

We have audited the financial statements of Joint Stock Company Agrarian Credit Corporation (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, 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 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

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

Key audit matter	How the matter was addressed in the audit
Allowance for expected credit losses on loans to customers	
Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 ***"Financial Instruments"*** is a key area of the Company's management judgment. Identification of factors of a significant increase in credit risk since initial recognition of an asset, as well as determination of probability of default and loss given at default rates, require significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information. The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers. Due to the substantial amount of loans to customers, which amount to 71% of the total assets of the Company as at 31 December 2018, and the significant use of professional judgment, estimation of allowance for expected credit losses was a key audit matter. Information on expected credit losses on loans to customers is presented in Note 7 ***Loans to customers*** and Note 23 ***Risk management*** to the financial statements.	Our audit procedures included the analysis of methodology for estimation of expected credit losses on loans to customers, as well as assessment and testing of controls on identification of factors of significant increase in credit risk since initial recognition of an asset, including debt overdue period and existence of credit driven debt restructuring. We performed, on a sample basis, the analysis of assumptions and testing of input data used by the Company in estimating the allowance for expected credit losses on loans to customers, including statistical data on debt servicing, expected recoveries in the events of default as a result of sale of the collateral and repayment of debt by cash, as well as forecast macroeconomic factors. We made recalculations on the allowance for expected credit losses. We have analyzed information on the allowance for expected credit losses on loans to customers disclosed in the Notes to the financial statements.

Other information included in the Company's 2018 Annual Report

Other information consists of the information included in the Company's 2018 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and the Board of Directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The partner in charge of the audit resulting in this independent auditor's report is Paul Cohn.

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khegay
Auditor

Auditor's qualification certificate
№МФ-0000286 dated 25 September 2015

Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

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19 April 2019

STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

(in thousands of tenge)

	Note	*31 December 2018*	*31 December 2017*
Assets			
Cash and cash equivalents	5	**70,889,857**	7,046,982
Amounts due from credit institutions	6	**32,815,837**	21,671,412
Loans to customers	7	**265,103,066**	163,555,462
Assets held for sale	7	**864,739**	443,657
Investment securities	8	**–**	51,175,874
Investment property	9	**345,724**	337,694
Property and equipment	10	**362,767**	242,056
Intangible assets	11	**297,828**	230,959
Current corporate income tax assets	18	**359,009**	39,453
Deferred corporate income tax assets	18	**982,220**	1,744,732
Other assets	12	**274,320**	624,312
Total assets		**372,295,367**	247,112,593
Liabilities			
Amounts due to the Shareholder	13	**127,888,348**	13,745,153
Amounts due to credit institutions	14	**9,546,645**	1,515,288
Debt securities issued	15	**56,898,981**	66,867,978
Amounts due to state and budget organizations	16	**22,634,685**	9,891,167
Short-term accrued liabilities		**344,507**	226,695
Other liabilities	17	**3,688,523**	2,307,634
Total liabilities		**221,001,689**	94,553,915
Equity			
Share capital	19	**158,630,371**	158,630,371
Additional paid-in capital	19	**34,670,854**	12,538,954
Reserve fund	19	**5,339,751**	2,546,627
Reserve for notional distribution	19	**(46,219,772)**	(24,051,401)
(Accumulated deficit) / retained earnings		**(1,127,526)**	2,894,127
Total equity		**151,293,678**	152,558,678
Total liabilities and equity		**372,295,367**	247,112,593
Book value per common share (in tenge)	19	**951.87**	960.27

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

19 April 2019

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2018

(in thousands of tenge)

	Note	*2018*	*2017*
Interest income calculated using effective interest rate			
Cash and cash equivalents		**3,749,649**	3,609,472
Amounts due from credit institutions		**4,046,964**	3,931,053
Loans to customers		**24,660,881**	17,683,908
Investment securities		**4,533,535**	2,958,575
		36,991,029	28,183,008
Interest expense			
Amounts due to the Shareholder		**(4,396,260)**	(950,193)
Amounts due to credit institutions		**(122,454)**	(31,368)
Debt securities issued		**(5,810,686)**	(4,744,479)
Amounts due to state and budget organizations		**(1,785,800)**	(641,611)
Amounts due to the Government of the Republic of Kazakhstan		**(5,417)**	(4,914)
Other liabilities		**(119,301)**	(2,482)
		(12,239,918)	(6,375,047)
Net interest income		**24,751,111**	21,807,961
Credit loss expense	6, 7, 20	**(5,076,898)**	(8,818,614)
Net interest income after credit loss expense		**19,674,213**	12,989,347
Net losses from transactions in foreign currencies		**(629)**	(532)
Other income		**201,759**	217,829
Personnel expenses	21	**(2,810,515)**	(2,109,630)
Other operating expenses	21	**(2,038,261)**	(1,512,903)
Net losses on modification of financial assets measured at amortised cost	7	**(1,287,749)**	–
Net losses on derecognition of financial liabilities measured at amortised cost		**(388,195)**	–
Other expenses		**(2,992)**	(1,196,477)
Non-interest expenses		**(6,326,582)**	(4,601,713)
Profit before corporate income tax expense		**13,347,631**	8,387,634
Corporate income tax expense	18	**(2,972,014)**	(1,404,825)
Profit for the year		**10,375,617**	6,982,809
Basic and diluted earnings per common share (in tenge)	19	**65.41**	44.02

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

19 April 2019

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

(in thousands of tenge)

	Note	*2018*	*2017*
Profit for the year		**10,375,617**	6,982,809
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**10,375,617**	6,982,809

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

19 April 2019

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

(in thousands of tenge)

	Note	*Share capital*	*Additional paid-in capital*	*Reserve fund*	*Reserve for notional distribution*	*(Accumulated deficit) / retained earnings*	*Total*
As at 31 December 2016		158,630,371	6,831,528	1,086,111	(15,008,072)	(1,167,650)	150,372,288
Total comprehensive income for the year		–	–	–	–	6,982,809	6,982,809
Gain on initial recognition of loans from the Shareholder at fair value, net of tax	19	–	5,707,426	–	–	–	5,707,426
Reserve for notional distribution for the year, net of tax	19	–	–	–	(9,043,329)	–	(9,043,329)
Increase in reserve fund	19	–	–	1,460,516	–	(1,460,516)	–
Dividends declared	19	–	–	–	–	(1,460,516)	(1,460,516)
As at 31 December 2017		158,630,371	12,538,954	2,546,627	(24,051,401)	2,894,127	152,558,678
Impact of adopting IFRS 9	3	–	–	–	–	(7,414,461)	(7,414,461)
Restated opening balance under IFRS 9		158,630,371	12,538,954	2,546,627	(24,051,401)	(4,520,334)	145,144,217
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**10,375,617**	**10,375,617**
Gain on initial recognition of loans from the Shareholder at fair value, net of tax	19	**–**	**22,131,900**	**–**	**–**	**–**	**22,131,900**
Reserve for notional distribution for the year, net of tax	19	**–**	**–**	**–**	**(22,168,371)**	**–**	**(22,168,371)**
Increase in reserve fund	19	**–**	**–**	**2,793,124**	**–**	**(2,793,124)**	**–**
Dividends declared	19	**–**	**–**	**–**	**–**	**(4,189,685)**	**(4,189,685)**
As at 31 December 2018		**158,630,371**	**34,670,854**	**5,339,751**	**(46,219,772)**	**(1,127,526)**	**151,293,678**

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

19 April 2019

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

(in thousands of tenge)

	Note	2018	2017
Cash flows from operating activities			
Interest received		**26,139,685**	19,851,249
Interest paid		**(8,247,414)**	(5,020,333)
Realised gains less losses from transactions in foreign currencies		**–**	(532)
Personnel expenses paid		**(1,995,653)**	(2,143,257)
Other operating expenses paid		**(1,995,980)**	(1,399,678)
Cash flows from operating activities before changes in operating assets and liabilities		**13,900,638**	11,287,449
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		**(22,272,865)**	(2,498,637)
Loans to customers		**(115,299,936)**	(35,666,177)
Other assets		**56,595**	(157,332)
Net (decrease)/increase in operating liabilities			
Other liabilities		**(547,911)**	553,688
Net cash used in operating activities before corporate income tax		**(124,163,479)**	(26,481,009)
Corporate income tax paid		**(889,448)**	(690,035)
Net cash used in operating activities		**(125,052,927)**	(27,171,044)
Cash flows from investing activities			
Proceeds from redemption of investment securities		**798,538,221**	526,366,788
Purchase of investment securities		**(747,540,056)**	(551,277,613)
Purchase of property and equipment		**(208,881)**	(106,688)
Purchase of intangible assets		**(95,938)**	(59,164)
Net cash from / (used in) investing activities		**50,693,346**	(25,076,677)

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

for the year ended 31 December 2018

(in thousands of tenge)

	Note	*2018*	*2017*
Cash flows from financing activities			
Proceeds from loans from the Government of the Republic of Kazakhstan	24	**60,000,000**	60,000,000
Repayment of loans from the Government of the Republic of Kazakhstan	24	**(60,000,000)**	(60,000,000)
Proceeds from loans from credit institutions	24	**9,477,052**	1,500,000
Repayment of loans from credit institutions	24	**(1,553,480)**	–
Debt securities issued	24	**(10,000,000)**	14,997,895
Proceeds from loans from the Shareholder	24	**133,228,800**	4,924,242
Repayment of loans from the Shareholder	24	**(4,674,673)**	(3,336,264)
Proceeds from loans from state and budget organisations	24	**18,463,010**	12,731,935
Repayment of loans from state and budget organisations	24	**(2,041,701)**	(134,967)
Repayment of other loans to related parties		**(500,000)**	–
Dividends paid	19	**(4,189,685)**	(1,460,516)
Net cash flows from financing activities		**138,209,323**	29,222,325
Effect of changes in expected credit losses on cash and cash equivalents		**(6,867)**	–
Net change in cash and cash equivalents		**63,842,875**	(23,025,396)
Cash and cash equivalents, beginning		**7,046,982**	30,072,378
Cash and cash equivalents, ending	5	**70,889,857**	7,046,982

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

19 April 2019

The accompanying notes on pages 7 to 48 are an integral part of these financial statements.

(in thousands of tenge)

1. Principal activities

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

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

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

As at 31 December 2018 and 2017, KazAgro National Management Holding Joint Stock Company (hereinafter, "KazAgro" or the "Shareholder") owns 100% shares of the Company. The ultimate controlling party of the Company is the Government of the Republic of Kazakhstan.

As at 31 December 2018 the Company has 16 registered branches throughout the Republic of Kazakhstan (as at 31 December 2017: 15 branches).

The address of the Company's registered office is: the Republic of Kazakhstan, Astana, Imanov street, 11.

2. Basis of preparation

General

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

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

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

3. Summary of significant accounting policies

Changes in accounting policy

The Company applied for the first time certain amendments to standards, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and impact of each amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* and is effective for annual periods beginning on or after 1 January 2018. The Company has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed below.

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement

Under IFRS 9, all debt financial assets that do not meet a "solely payment of principal and interest" (SPPI) criterion, are classified at initial recognition as financial assets at fair value through profit or loss (FVPL). Under this criterion, debt instruments that do not correspond to a "basic lending arrangement", such as instruments containing embedded conversion options or "non-recourse" loans, are measured at FVPL. For debt financial assets that meet the SPPI criterion, classification at initial recognition is determined based on the business model, under which these instruments are managed:

- Instruments that are managed on a "hold to collect" basis are measured at amortised cost;
- Instruments that are managed on a "hold to collect and for sale" basis are measured at fair value through other comprehensive income (FVOCI);
- Instruments that are managed on other basis, including trading financial assets, are measured at FVPL.

Equity financial assets are required to be classified at initial recognition as FVPL unless an irrevocable designation is made to classify the instrument as FVOCI. For equity investments classified as FVOCI, all realised and unrealised gains and losses, except for dividend income, are recognised in other comprehensive income with no subsequent reclassification to profit and loss.

The classification and measurement of financial liabilities remain largely unchanged from the current IAS 39 requirements. Derivatives will continue to be measured at FVPL. Embedded derivatives are no longer separated from a host financial asset.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for loan impairment losses by replacing IAS 39 incurred loss approach with a forward-looking expected credit loss (ECL) approach. From 1 January 2018, the Company has been recording the allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9.

The allowance is based on the ECLs associated with the probability of default in the next 12 months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Details of the Company's impairment method are disclosed in *Note 23*.

The quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed in section (c) below.

(c) Effect of transition to IFRS 9

The following tables set out the impact of adoption to IFRS 9 on the statement of financial position and retained earnings as at 1 January 2018 including the effect of replacing IAS 39 incurred credit loss calculations with IFRS 9 ECL.

A reconciliation between the carrying amount under IAS 39 to the carrying amount under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement		*Remea-surement*	*IAS 39 measurement*	
Financial assets	*Category*	*Amount*	*ECL*	*Amount*	*Category*
Cash and cash equivalents	Loans and receivables	7,046,982	(1,270)	7,045,712	Amortized cost
Amounts due from credit institutions	Loans and receivables	21,671,412	(5,330,229)	16,341,183	Amortized cost
Loans to customers	Loans and receivables	163,555,462	(2,814,251)	160,741,211	Amortized cost
Investment securities	Held-to-maturity	51,175,874	(1,970)	51,173,904	Amortized cost
Other financial assets		545,151	(94,943)	450,208	
Non-financial assets					
Deferred corporate income tax assets		1,744,732	1,628,896	3,373,628	
Total assets		**245,739,613**	**(6,613,767)**	**239,125,846**	
Financial liabilities					
Provisions		–	(800,694)	(800,694)	
Total liabilities		**–**	**(800,694)**	**(800,694)**	

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 9 Financial Instruments (continued)

(c) Effect of transition to IFRS 9 (continued)

The analysis conducted by the Company showed that as at 1 January 2018 all financial assets met the criteria of the SPPI test. Therefore, these financial instruments continue to be classified as measured at amortized cost.

The impact of transition to IFRS 9 on retained earnings is as follows:

	Retained earnings
Retained earnings	
Closing balance under IAS 39 (31 December 2017)	**2,894,127**
Recognition of ECL under IFRS 9	(9,043,357)
Related deferred tax	1,628,896
Restated opening balance under IFRS 9 (1 January 2018)	**(4,520,334)**
Total changes in equity due to adopting IFRS 9	**(7,414,461)**

The following table reconciles the aggregate opening financial assets impairment allowances under IAS 39 and provisions for loan commitments in accordance with IAS 37 *Provisions Contingent Liabilities and Contingent Assets* to the ECL allowances under IFRS 9.

	Loan loss allowance / provision under IAS 39 / IAS 37 at 31 December 2017	*Remeasurement*	*ECL under IFRS 9 as at 1 January 2018*
Impairment allowance			
Cash and cash equivalents	–	(1,270)	(1,270)
Amounts due from credit institutions	(6,206,647)	(5,330,229)	(11,536,876)
Loans to customers	(27,343,153)	(2,814,251)	(30,157,404)
Investment securities	–	(1,970)	(1,970)
Other financial assets	(19,521)	(94,943)	(114,464)
	(33,569,321)	**(8,242,663)**	**(41,811,984)**
Undrawn loan commitments	–	(800,694)	(800,694)
	–	**(800,694)**	**(800,694)**
	(33,569,321)	**(9,043,357)**	**(42,612,678)**

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and amended in April 2016. The standard establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. However, the standard does not apply to revenue associated with financial instruments and leases, and therefore, does not impact the majority of the Company's revenue including interest income, gains/(losses) on operations with securities, which are covered by IFRS 9 *Financial Instruments.* As a result, the majority of the Company's income are not impacted by the adoption of this standard.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This interpretation had no impact on the financial statements of the Company.

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Transfers of Investment Property – Amendments to IAS 40

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments did not have any impact on financial statements of the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures – clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect to measure its investments in associates and joint ventures at fair value through profit or loss. Such a decision is taken at initial recognition on an investment-by-investment basis. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments did not have any impact on financial statements of the Company.

Fair value measurement

The Company measures financial instruments carried at FVPL and FVOCI at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

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

Measurement categories of financial assets and liabilities

From 1 January 2018, the Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Before 1 January 2018, the Company classified financial assets as amounts due from credit institutions; loans to customers; accounts receivable and investment securities, assets held to maturity (amortized cost).

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

Due from credit institutions, loans to customers, investment securities at amortised cost

Before 1 January 2018, amounts due from credit institutions and loans to customers, included non-derivative financial assets with fixed or determinable payments that were not quoted in an active market, other than those:

- That the Company intended to sell immediately or in the near term;
- That the Company, upon initial recognition, designated as at FVPL or as available-for-sale;
- For which the Company may not recover substantially all of its initial investment, other than because of credit deterioration. Such asset were designated as available-for-sale.

From 1 January 2018, the Company only measures amounts due from credit institutions, loans to customers and investment securities at amortised cost if both of the following conditions are met:

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

The details of these conditions are outlined below.

3. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Business model assessment

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

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

The SPPI test

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

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

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

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

Loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Under IAS 39, a provision was made if they were an onerous contract but, from 1 January 2018, these contracts are in the scope of the ECL requirements.

Investments held-to-maturity

Before 1 January 2018, non-derivative financial assets with fixed or determinable payments and fixed maturity were classified as held-to-maturity when the Company had the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments were subsequently measured at amortised cost. Gains and losses were recognised in profit or loss when the investments were impaired, as well as through the amortisation process.

Loans and receivables

Before 1 January 2018, loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were not entered into with the intention of immediate or short-term resale and were not classified as trading securities or designated as investment securities available-for-sale. Such assets were carried at amortised cost using the effective interest method. Gains and losses were recognised in profit or loss when such assets were derecognised or impaired, as well as through the amortisation process.

3. Summary of significant accounting policies (continued)

Reclassification of financial assets and liabilities

Starting from 1 January 2018, the Company does not reclassify financial assets after their initial recognition. Financial liabilities are never reclassified.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Borrowings

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

Leases

Operating – Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Offsetting of financial instruments

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

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

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

Renegotiated loans

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

Starting from 1 January 2018, the Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

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

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

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

3. Summary of significant accounting policies (continued)

Impairment of financial assets as per IAS 39

Before 1 January 2018 the Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Company assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, or collectively for financial assets that were not individually significant.

If there was an objective evidence that an impairment loss had been incurred, the amount of the loss was measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred), discounted using original effective interest rate, or, for financial assets available-for-sale, as the difference between cost of investment and its fair value. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. Interest revenue continued to be accrued on the reduced carrying amount based on the original effective interest rate of the asset, or, for financial assets available-for-sale, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Assets together with the associated allowance were written off when there is no realistic prospect of future recovery and all collateral had been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss has decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of profit or loss.

Future cash flows on a group of financial assets that were collectively evaluated for impairment were estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience was adjusted on the basis of current observable data to reflect the effects of current conditions that had not affected the years on which the historical loss experience was based and to remove the effects of conditions in the historical period that did not exist currently. Estimates of changes in future cash flows reflected changes in observable data from period to period. The methodology and assumptions used for estimating future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Information on impairment assessment under IFRS 9 is presented in *Note 23*.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

<u>Write-off</u>

Starting from 1 January 2018, financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

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

Taxation

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

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

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

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are included as a component of other operating expenses.

Property, plant and equipment

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

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

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

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

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

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

Investment property

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

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

Investment properties are derecognised when either they have been disposed of or when no future economic benefit is expected. Any income and losses from disposal of investment properties are recognised within profit or loss in the year of derecognition.

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

3. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets comprise computer software and licenses.

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

Assets available for sale

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

The sale qualifies as highly probable if the Company's management is committed to a plan to sell the non-current asset. An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

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

Repossessed collateral

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

Charter capital

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

Dividends

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

Reserve for notional distribution

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

Additional paid-in capital

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

Provisions

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

3. Summary of significant accounting policies (continued)

Contingent liabilities

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

Recognition of income and expense

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

Interest and similar income and expenses

From 1 January 2018, the Company calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets (before 1 January 2018: by applying EIR to the amortized cost of financial assets). EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

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

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

Foreign currency translation

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

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

	2018	*2017*
KZT/USD	**384.2**	332.33
KZT/EUR	**439.37**	398.23
KZT/RUR	**5.52**	5.77

Segment reporting

Business and geographical segments of the Company were not presented separately in these financial statements, since the Company's management believes that the chief operating segment for granting loans are agricultural entities in the Republic of Kazakhstan, for which risks and recoverability level are considered to be the same throughout the country. Decisions on resource allocation of the Company and assessment of the operating results by the management of the Company, responsible for operating decisions, are based on the financial statements prepared in accordance with IFRS.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance lease.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

The Company plans to adopt IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16 recognised at the date of initial application. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company has been assessing the impact of IFRS 16, but a reasonable estimate of the effect is not currently available.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable for the Company.

(in thousands of tenge)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual periods beginning on or after 1 January 2019. The Company will adopt the interpretation when it becomes effective. The interpretation will not have an effect on the Company's financial statements.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model foe that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments should be applied retrospectively and are effective from 1 January 2019. Early application is permitted. These amendments do not have any impact on financial statements of the Company.

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

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments do not have any impact on financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted. These amendments will not have any impact on financial statements of the Company.

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

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

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 *Investments in Associates and Joint Ventures.*

These amendments are applied retrospectively and are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its financial statements.

Annual IFRS improvements, 2015-2017 cycle (issued in December 2017)

These improvements include:

IFRS 3 Business combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early application is permitted. These amendments will apply on future business combinations of the Company.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Early application is permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

IAS 12 Income Taxes

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

An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Early application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its financial statements.

IAS 23 Borrowing Costs

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

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

4. Significant accounting judgements and estimates

Estimation uncertainty

In the process of applying the Company's accounting policies, management has made the following judgments, apart from accounting estimates, which have the most significant effect on the amounts recognised in the financial statements.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Further details are contained in *Note 25*.

Expected credit losses / impairment losses on financial assets

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL model.

Further details are contained in *Notes 7* and *23*.

Collateral assessment

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

Taxation

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

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

Recoverability of deferred tax assets

It is necessary to use judgement in determining whether deferred corporate income tax assets are recognized in the statement of financial position. Deferred corporate income tax assets including those arising from unused tax losses require the management to assess whether it is probable that the Company will generate sufficient taxable income in future periods for the purpose of using recognized deferred corporate income tax assets. Assumptions relating to generation of taxable income in future depend on estimates of the management regarding future cash flows. These estimates of future taxable income are based on forecasts of cash flows from operating activities (interest income, interest expenses, expected credit losses) and judgements regarding application of existing tax legislation in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred corporate income tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax legislation may limit the Company's ability to receive tax deductions in subsequent periods.

5. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 December 2018	*31 December 2017*
Cash on current accounts with banks	**70,896,723**	7,046,961
Cash on hand	**1**	21
	70,896,724	7,046,982
Less allowance for impairment	**(6,867)**	–
Cash and cash equivalents	**70,889,857**	7,046,982

All balances of cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during 2018 is, as follows:

ECL allowance as at 1 January 2018	(1,270)
Changes in ECL for the year	**(5,597)**
ECL allowance as at 31 December 2018	**(6,867)**

Concentration of cash and cash equivalents

As at 31 December 2018, cash held on current accounts with banks included funds on current accounts with Citibank Kazakhstan JSC in the amount of KZT 28,569,603 thousand or 40% of the total cash and cash equivalents (as at 31 December 2017: cash on current accounts with Bank CenterCredit JSC of KZT 2,055,184 thousand or 29% of the total amount of cash and cash equivalents).

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2018	*31 December 2017*
Loans to the second-tier banks	**37,142,226**	27,878,059
Deposits with contractual maturity of over 90 days	**1,009,342**	–
	38,151,568	27,878,059
Less allowance for impairment	**(5,335,731)**	(6,206,647)
Amounts due from credit institutions	**32,815,837**	21,671,412

As at 31 December 2018, amounts due from credit institutions include loans in tenge issued to Bank RBK JSC, Nurbank JSC, Tengri Bank JSC, ATF Bank JSC, SB Sberbank JSC, Halyk Bank Kazakhstan JSC, Eurasian Bank JSC and Tsesnabank JSC for lending to entities operating in the agroindustrial complex with maturity of up to 2028 and interest rates of 2.8% to 13.2% per annum (at 31 December 2017: of 4.0% to 12.5% per annum and maturity of up to 2023).

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

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2018	10,914,277	16,963,782	–	27,878,059
New assets originated or purchased	**25,852,305**	–	–	**25,852,305**
Assets repaid	**(4,793,012)**	**(879,836)**	**(9,611,725)**	**(15,284,573)**
Transfers to Stage 1	**7,501,639**	**(7,501,639)**	–	–
Transfers to Stage 2	**(9,621,056)**	**9,621,056**	–	–
Transfers to Stage 3	–	**(17,832,955)**	**17,832,955**	–
Net change in accrued interest	**84,408**	**(370,408)**	**(8,223)**	**(294,223)**
As at 31 December 2018	**29,938,561**	–	**8,213,007**	**38,151,568**

6. Amounts due from credit institutions (continued)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2018 *(Note 3)*	144,332	11,392,544	–	11,536,876
New assets originated or purchased	**106,670**	**–**	**–**	**106,670**
Assets repaid	**–**	**(24,566)**	**(6,611,236)**	**(6,635,802)**
Transfers to Stage 1	**4,840,719**	**(4,840,719)**	**–**	**–**
Transfers to Stage 2	**(201,574)**	**201,574**	**–**	**–**
Transfers to Stage 3	**–**	**(7,210,980)**	**7,210,980**	**–**
Changes in ECL for the year	**(4,638,596)**	**482,147**	**4,243,303**	**86,854**
Unwinding of discount	**–**	**–**	**241,133**	**241,133**
As at 31 December 2018	**251,551**	**–**	**5,084,180**	**5,335,731**

Below are the changes in the allowance for impairment of due from credit institutions for the year ended 31 December 2017:

	2017
As at 1 January	–
Charge for the year	(6,206,647)
As at 31 December	(6,206,647)

In 2018, the loss of KZT 3,459,350 thousand (2017: KZT 1,309,460 thousand) resulting from recognition of fair values of loans granted to second tier banks in 2018 at below market rate, which were received from the Shareholder, was recognized within equity as increase in the provision for notional distribution *(Note 19)*.

7. Loans to customers

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

	31 December 2018	*31 December 2017*
Loans to legal entities	**264,496,999**	148,768,887
Loans to individuals	**40,342,502**	42,129,728
	304,839,501	190,898,615
Less allowance for impairment	**(39,736,435)**	(27,343,153)
Loans to customers	**265,103,066**	163,555,462

Allowance for impairment of loans to customers

An analysis of changes in the gross carrying value and corresponding ECL in relation to legal entities during the year ended 31 December 2018 is as follows:

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2018	85,976,920	6,809,384	55,982,583	–	148,768,887
New assets originated or purchased	**181,920,449**	**–**	**–**	**1,700,000**	**183,620,449**
Assets repaid	**(36,891,216)**	**(28,751,152)**	**(1,930,847)**	**–**	**(67,573,215)**
Transfers to Stage 1	**88,184,736**	**(72,825,088)**	**(15,359,648)**	**–**	**–**
Transfers to Stage 2	**(114,650,399)**	**190,075,563**	**(75,425,164)**	**–**	**–**
Transfers to Stage 3	**(56,002,934)**	**(94,816,075)**	**150,819,009**	**–**	**–**
Changes to contractual cash flows due to modifications not resulting in derecognition	**–**	**–**	**(1,155,361)**	**–**	**(1,155,361)**
Net change in accrued interest	**1,313,412**	**(17,321)**	**2,842,124**	**101,045**	**4,239,260**
Amounts written off	**–**	**–**	**(3,403,021)**	**–**	**(3,403,021)**
As at 31 December 2018	**149,850,968**	**475,311**	**112,369,675**	**1,801,045**	**264,496,999**

7. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Loans to legal entities	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Allowance for ECL as at 1 January 2018 ***(Note 3)***	1,089,879	130,166	27,607,329	–	28,827,374
New assets originated or purchased	**1,917,639**	–	–	**14,755**	**1,932,394**
Assets repaid	**(27,712)**	**(4,643)**	**(522,248)**	–	**(554,603)**
Transfers to Stage 1	**9,757,171**	**(7,389,406)**	**(2,367,765)**	–	–
Transfers to Stage 2	**(6,698,540)**	**33,889,045**	**(27,190,505)**	–	–
Transfers to Stage 3	**(2,338,908)**	**(33,094,594)**	**35,433,502**	–	–
Changes in ECL for the year	**(1,543,181)**	**6,469,432**	**5,649,994**	–	**10,576,245**
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	**(925,295)**	–	**(925,295)**
Unwinding of discount	–	–	**1,789,926**	–	**1,789,926**
Amounts written off	–	–	**(3,403,021)**	–	**(3,403,021)**
As at 31 December 2018	**2,156,348**	–	**36,071,917**	**14,755**	**38,243,020**

An analysis of changes in the gross carrying value and corresponding ECL in relation to individuals during the year ended 31 December 2018 is as follows:

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount as at 1 January 2018	33,511,349	2,241,314	6,377,065	42,129,728
New assets originated or purchased	**7,033,989**	–	–	**7,033,989**
Assets repaid	**(6,781,772)**	**(1,528,738)**	**(371,627)**	**(8,682,137)**
Transfers to Stage 1	**8,943,283**	**(7,152,745)**	**(1,790,538)**	–
Transfers to Stage 2	**(9,356,882)**	**18,413,329**	**(9,056,447)**	–
Transfers to Stage 3	**(2,067,103)**	**(11,381,219)**	**13,448,322**	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	**(132,388)**	**(132,388)**
Net change in accrued interest	**(77,429)**	**11,324**	**320,344**	**254,239**
Amounts written off	–	–	**(260,929)**	**(260,929)**
As at 31 December 2018	**31,205,435**	**603,265**	**8,533,802**	**40,342,502**

Loans to individuals	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL allowance as at 1 January 2018 ***(Note 3)***	33,240	73,045	1,223,745	1,330,030
New assets originated or purchased	**164,985**	–	–	**164,985**
Assets repaid	**(5,624)**	**(1,220)**	**(27,353)**	**(34,197)**
Transfers to Stage 1	**305,569**	**(199,453)**	**(106,116)**	–
Transfers to Stage 2	**(69,735)**	**1,778,072**	**(1,708,337)**	–
Transfers to Stage 3	**(3,456)**	**(1,553,529)**	**1,556,985**	–
Changes in ECL for the year	**(238,800)**	**(96,915)**	**595,583**	**259,868**
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	**(8,117)**	**(8,117)**
Unwinding of discount	–	–	**41,775**	**41,775**
Amounts written off	–	–	**(260,929)**	**(260,929)**
As at 31 December 2018	**186,179**	–	**1,307,236**	**1,493,415**

7. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

A reconciliation of the allowance for impairment of loans to customers during the year ended 31 December 2017 is as follows:

	2017
As at 1 January 2017	(25,081,883)
Charge for the year	(2,611,967)
Write-off	350,697
As at 31 December 2017	(27,343,153)
Individual impairment	(24,815,986)
Collective impairment	(2,527,167)
	(27,343,153)

Modified and restructured loans

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

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

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

Loans to customers modified during the year	*2018*
Amortized cost before modification	15,084,088
Net losses on modification	(1,287,749)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For commercial lending – collateral of residential and commercial properties, charges over equipment, vehicles, guarantees and other assets.
- For retail lending – mortgages over residential properties, charges over vehicles, guarantees and other assets.

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

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2018 would have been higher by:

	2018
Loans to legal entities	75,661,556
Loans to individuals	5,948,792
	81,610,348

(in thousands of tenge)

7. Loans to customers (continued)

Collateral and other credit enhancements (continued)

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

	31 December 2018	*31 December 2017*
Land plots	**771,286**	425,057
Other assets	**93,453**	18,600
Total repossessed collateral	**864,739**	443,657

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

Concentration of loans to customers

As at 31 December 2018, the Company had a concentration of loans represented by KZT 41,715,935 thousand due from the ten largest independent borrowers or 16% of gross loan portfolio (31 December 2017: KZT 25,130,056 or 15% of gross loan portfolio).

In 2018, the loss of KZT 24,251,114 thousand (2017: KZT 9,994,701 thousand) resulting from initial recognition at fair value of loans granted to customers at below market interest rates, which were financed by the Shareholder, was recognized within equity as an increase in the reserve for notional distribution *(Note 19)*.

8. Investment securities

As at 31 December 2017, investment securities comprise discount notes of the NBRK, held to maturity, with a carrying value of KZT 51,175,874 thousand, which were redeemed in 2018.

9. Investment property

Below is the movement of investment property items:

	Buildings
Cost	
Aa at 31 December 2016	426,300
Additions	–
As at 31 December 2017	426,300
Additions	**18,966**
As at 31 December 2018	**445,266**
Accumulated depreciation	
As at 31 December 2016	(77,669)
Depreciation charge	(10,937)
As at 31 December 2017	(88,606)
Depreciation charge	**(10,936)**
As at 31 December 2018	**(99,542)**
Net book value	
As at 31 December 2017	337,694
As at 31 December 2018	**345,724**

Income from lease of investment property for 2018 amounted to KZT 43,599 thousand (2017: KZT 51,792 thousand).

(in thousands of tenge)

10. Property and equipment

The movements in property and equipment were as follows:

	Land	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
Cost					
As at 31 December 2016	5,397	280,745	56,548	80,158	422,848
Additions	–	31,323	62,200	13,165	106,688
Disposals	–	(49)	(12,560)	(1,708)	(14,317)
As at 31 December 2017	5,397	312,019	106,188	91,615	515,219
Additions	**–**	**69,443**	**105,817**	**29,010**	**204,270**
Disposals	**–**	**(10,881)**	**(10,990)**	**(3,139)**	**(25,010)**
As at 31 December 2018	**5,397**	**370,581**	**201,015**	**117,486**	**694,479**
Accumulated depreciation					
As at 31 December 2016	–	(146,766)	(26,980)	(40,733)	(214,479)
Depreciation charge	–	(44,638)	(17,762)	(7,158)	(69,558)
Disposals	–	36	9,425	1,413	10,874
As at 31 December 2017	–	(191,368)	(35,317)	(46,478)	(273,163)
Depreciation charge	**–**	**(51,412)**	**(22,951)**	**(8,376)**	**(82,739)**
Disposals	**–**	**10,739**	**10,990**	**2,461**	**24,190**
As at 31 December 2018	**–**	**(232,041)**	**(47,278)**	**(52,393)**	**(331,712)**
Net book value					
As at 31 December 2017	5,397	120,651	70,871	45,137	242,056
As at 31 December 2018	**5,397**	**138,540**	**153,737**	**65,093**	**362,767**

11. Intangible assets

The movements in intangible assets were as follows:

	Software
Cost	
As at 31 December 2016	535,653
Additions	104,164
Disposals	(24,067)
As at 31 December 2017	615,750
Additions	**143,909**
As at 31 December 2018	**759,659**
Accumulated amortization	
As at 31 December 2016	(341,972)
Amortization charge	(66,886)
Disposals	24,067
As at 31 December 2017	(384,791)
Amortization charge	**(77,040)**
As at 31 December 2018	**(461,831)**
Net book value	
As at 31 December 2017	230,959
As at 31 December 2018	**297,828**

12. Other assets

Other assets comprise:

	31 December 2018	*31 December 2017*
Accounts receivable	**320,039**	564,672
Advances given	**88,437**	257
Inventory	**13,840**	9,601
Other	**48,432**	69,303
	470,748	643,833
Less allowance for impairment	**(196,428)**	(19,521)
Other assets	**274,320**	624,312

13. Amounts due to the Shareholder

Amounts due to the Shareholder consist of the following:

	Maturity	*Nominal interest rate per a year, %*	*Currency*	*31 December 2018*	*31 December 2017*
Loan under Agreement No. 81	21 June 2019	14.5-15.5%	Tenge	**36,061,366**	–
Loan under Agreement No. 76	14 December 2025	1.0%	Tenge	**15,770,443**	–
Loans under Agreement No. 61	3 October 2030	0.32-1.02%	Tenge	**14,465,214**	2,472,133
Loans under Agreement No. 85	14 December 2025	1.0%	Tenge	**11,915,618**	–
Loan under Agreement No. 135	14 December 2025	1.0%	Tenge	**11,868,865**	–
Loan under Agreement No. 136	14 December 2025	1.0%	Tenge	**11,868,865**	–
Loan under Agreement No. 122	14 December 2025	1.0%	Tenge	**11,860,276**	–
Investment loan under Agreement No. 36	30 December 2023	1.02%	Tenge	**5,586,770**	6,894,425
Loan under the Cession agreement dated 3 July 2018	20 December 2024	5.0%	Tenge	**2,932,227**	–
Loan under the Cession agreement No. 35-4/322 dated 1 August 2018	20 October 2019	5.0%	Tenge	**1,702,360**	–
Loan under Agreement No. 148	9 December 2019	9.0%	Tenge	**1,507,991**	3,001,640
Loan under the Debt transfer agreement dated 3 July 2018	9 December 2024	3.0%	Tenge	**1,199,325**	–
Loan under Agreement No. 70	13 October 2024	1.02%	Tenge	**801,542**	902,480
Loan under Agreement No. 124	1 December 2022	10.0%	Tenge	**269,642**	322,289
Loan under Agreement No. 148	9 December 2019	1.0%	Tenge	**77,844**	152,186
Amounts due to the Shareholder				**127,888,348**	13,745,153

Loan under Agreement No. 81

On 21 June 2018, the Company entered into the Loan agreement No. 81 with the Shareholder. The loan is intended to finance the agro-industrial complex projects, specifically, production and processing of meat and milk. During 2018 the amount of KZT 35,000,000 thousand was received under this Agreement. The interest rate used by the Company to determine the value of the loan at the date of initial recognition was 7.6% per annum.

13. Amounts due to the Shareholder (continued)

Loan under Agreement No. 76

On 6 June 2018, the Company entered into the Loan Agreement No. 76 with the Shareholder. The loan is intended for financing of investment projects, specifically, lending to the agro-industrial complex entities for the procurement of agricultural machinery and equipment within the framework of the agro-industrial complex development map for intensive technical re-equipment and for the processing of agricultural products as part of the agro-industrial agro-processing development map. In June 2018, the Company received KZT 20,000,000 thousand under this Agreement. The interest rate used by the Company to determine the value of the loan at the date of initial recognition was 7.6% per annum.

Loans under Agreement No. 61

On 24 August 2017 the Company entered into the Loan Agreement No. 61 with the Shareholder. The interest rates used by the Company to determine the value of the loans at the date of initial recognition were 7.6% to 8.6% per annum. The loans are intended to finance the agro-industrial complex entities for the implementation of a set of measures aimed at creating, expanding and modernizing material production and production infrastructure in the agro-industrial complex.

Loans under Agreement No. 85

On 10 July 2018 the Company entered into the Loan Agreement No. 85 with the Shareholder. The amount under the agreement is KZT 15,000,000 thousand. The loans are intended for lending to the agro-industrial complex to finance production and processing of agricultural products within the framework of the development map of the agro-industrial complex for agro-processing approved by the Ministry of Agriculture of the Republic of Kazakhstan. The interest rate used by the Company to determine the value of the loans at the date of initial recognition was 7.6% per annum.

Loans under Agreements No. 135 and No. 136

On 27 December 2018 the Company entered into the Loan Agreements No. 135 and No. 136 with the Shareholder. The amount of each Agreement is 15,000,000. The loans are intended for lending to the agro-industrial complex to finance projects on development of meat cattle breeding, the dairy industry, processing of meat and plant products, food production; projects for the purchase of irrigation systems for the purpose of improving the efficiency of farming and the output of finished products, and plant growing for the purpose of improving food security. The interest rate used by the Company to determine the value of the loans at the date of initial recognition was 7.6% per annum.

Loan under Agreement No. 122

On 27 November 2018 the Company entered into the Loan Agreement No. 122 with the Shareholder. The amount under the Agreement is KZT 15,000,000 thousand. The loan is intended for lending to the agro-industrial complex for the purchase of agricultural machinery and equipment. The interest rate used by the Company to determine the value of the loan at the date of initial recognition was 7.5% per annum.

Investment loan under Agreement No. 36

As at 31 December 2018 and 31 December 2017, amounts due to the Shareholder include the loan received under the Agreement No. 36 dated 18 May 2009. In accordance with the terms of this Agreement, the Company was provided with an investment loan to finance development, expansion and renewal of production in the agricultural sector. The interest rates used by the Company to determine the value of the loans received under this Agreement at the date of initial recognition were 4.5%-6.6% per annum.

Loan under the Cession agreement dated 3 July 2018

On 3 July 2018, the Company entered into the trilateral Cession agreement with the Shareholder and Qazaq Banki JSC. According to the terms of the Agreement, Qazaq Banki JSC ceded claims to the Company under the loan agreements with a nominal value of KZT 3,057,795 thousand as repayment of payables to the Shareholder. The Company assumed the payables to the Shareholder with maturity of up to 2024 and a nominal interest rate of 5.0% per annum (effective interest rate is 7.5% per annum).

Loan under the Cession agreement No. 35-4/322 dated 1 August 2018

On 1 August 2018, the Company entered into the trilateral Cession agreement contract No. 35-4/322 with the Shareholder and Qazaq Banki JSC. According to the terms of the Agreement, Qazaq Banki JSC ceded claims to the Company on loans with a total nominal value of KZT 1,700,000 thousand as repayment of payables to the Shareholder. The Company assumed the payables to the Shareholder with maturity of up to 2019 and a nominal interest rate of 5.0% per annum (effective interest rate is 7.6% per annum).

13. Amounts due to the Shareholder (continued)

Loan under Agreement No. 148

On 10 December 2012 the Company entered into the Framework loan agreement No. 148 with the Shareholder. The initial amount of the loan under the Agreement was KZT 2,000,000 thousand. The lending purpose is to meet liquidity needs sufficient to cover the liabilities; support agricultural complex entities; acquire, repair and upgrade property, plant and equipment and other purposes in accordance with the legislation. The tranches obtained by the Company under this Agreement before 1 January 2015 have a nominal interest rate of 1.0% per annum.

On 11 February 2015 a supplementary agreement No. 1 to the Framework loan agreement No. 148, under which interest is accrued on all tranches received after 1 January 2015 at the nominal rate of 9.0% per annum. The interest rates used by the Company to determine the value of the loans upon initial recognition received as part of the Framework loan agreement No. 148 were 9.6%-11.6% per annum.

Loan under the Debt transfer agreement dated 3 July 2018

On 24 May 2018, the Company entered into two cession agreements with Qazaq Banki JSC. Under the terms of the agreements, Qazaq Banki JSC ceded claims on loans to the end borrowers issued under the agro-industrial complex development programs with a total fair value at the date of initial recognition in the amount of KZT 4,210,486 thousand as settlement of payables to the Company in the amount of KZT 2,071,284 thousand. The amount of KZT 2,139,202 thousand is payable by the Company in accordance with the approved schedule by 2024 at nominal interest rate of 3.0% per annum (effective interest rate is 7.6% per annum). On 3 July 2018, the Company entered into an agreement on the transfer of payables to Qazaq Banki JSC to the Shareholder.

Loan under Agreement No. 70

On 13 October 2017, the Company entered into the Loan agreement No. 70 with the Shareholder. The amount under the Agreement is KZT 5,000,000 thousand. The loan is intended for lending to credit partnerships and leasing companies for the subsequent financing of agribusiness entities for the purchase of new trailed and mounted tillage, forage harvesting equipment, equipment for processing and drying of agricultural crops, equipment for domestic production of livestock. The effective interest rate on the loan is 8.6% per annum.

Loan under Agreement No. 124

On 23 December 2015 the Company entered into the Loan agreement No. 124 with the Shareholder. The initial amount of the loan was KZT 591,108 thousand. The interest rate used by the Company to determine the value of the loan received under the framework agreement at the date of initial recognition was 9.6% per annum. The loan is intended for restructuring/ refinancing of loan/lease obligations of borrowers that have arisen before 1 January 2014 in connection with a loan/lease granted to replenish working capital, purchase of property and equipment and construction, as well as to refinance the debts incurred in connection with obtaining a loan/lease for the above purposes.

During 2018, the difference between the nominal and fair value of loans obtained from the Shareholder at the date of initial recognition totaling KZT 22,203,644 thousand (2017: KZT 1,595,545 thousand) was recognized by the Company within additional paid-in capital *(Note 19)*.

As at 31 December 2018 and 2017, there are no obligations to comply with financial covenants related to amounts payable to the Shareholder.

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	Maturity date	*Nominal interest rate per annum, %*	*Currency*	*31 December 2018*	*31 December 2017*
Bank Center Credit JSC	19 April 2019	10.5%	Tenge	**2,565,558**	–
ATF Bank JSC	19 April 2019	10.5%	Tenge	**6,981,087**	–
Bank Center Credit JSC	26 March 2018	12%	Tenge	–	1,515,288
Amounts due to credit institutions				**9,546,645**	1,515,288

(in thousands of tenge)

14. Amounts due to credit institutions (continued)

On 19 December 2018, the Company obtained a short-term loan from Bank CenterCredit JSC for a total amount of KZT 2,556,000 thousand with maturity on 19 April 2019 within the framework of the Credit line agreement No. 10A/2016/U/S/06260 dated 18 November 2016. As part of this credit facility, on 26 October 2017 and 31 October 2017, the Company received short-term loans for the total amount of KZT 1,500,000 thousand, which were repaid in March 2018.

On 29 November 2018 and 19 December 2018, the Company obtained short-term loans from ATF Bank JSC for the total amount of KZT 6,921,052 thousand with maturity on 19 April 2019 within the framework of the Credit line agreement No. MK126-2018 dated 29 November 2018.

15. Debt securities issued

Debt securities issued comprise:

	Maturity date	*Rate per annum %*	*Currency*	*31 December 2018*	*31 December 2017*
Fixed coupon bonds (1st issue of the 3d bond Programme)	30 December 2021	8.5%	Tenge	**23,854,501**	23,835,996
Fixed coupon bonds (2nd issue of the 2d bond Programme)	17 December 2022	8.0%	Tenge	**17,890,515**	17,819,148
Fixed coupon bonds (1st issue of the 2d bond Programme)	20 February 2023	8.5%	Tenge	**10,138,235**	10,105,772
Fixed coupon bonds (2nd issue of the 3d bond programme)	22 June 2026	14%	Tenge	**5,015,730**	5,015,395
Commercial bonds with fixed coupon	13 September 2018	11%	Tenge	**–**	10,091,667
Debt securities issued				**56,898,981**	66,867,978

16. Amounts due to state and budget organizations

The program for the development of productive employment and large scale entrepreneurship for 2018-2021

During 2017 and 2018, the Company entered into thirty nine loan agreements with local executive bodies as part of the Program for the Development of Productive Employment and Large Scale Entrepreneurship for 2017-2021 approved by the Resolution of the Government of the Republic of Kazakhstan No. 919 dated 29 December 2016. Loans with nominal interest rates of 0.01% per annum are intended for the purposes of funding microfinance organizations and credit partnerships for subsequent lending to businesses. The effective interest rates on the loans are 7.5-8.9% per annum. As at 31 December 2018, amounts due by the Company under this Program was amounted to KZT 19,897,208 thousand (31 December 2017: KZT 7,464,102 thousand).

Employment roadmap 2020

In August 2016, the Company entered into two loan agreements with the State Institution "Administration of entrepreneurship, industrial innovative development and tourism of the South Kazakhstan oblast" and the Akimat of Almaty oblast within the framework of the implementation of the Road Map 2020 approved by the Government of the Republic of Kazakhstan No. 162 as of 31 March 2015. The funds received under the above agreements have nominal interest rates of 0.01% per annum and effective interest rates of 13.3% per annum. The loans are intendent for ensuring sustainable and balanced growth of regional entrepreneurship in rural areas for 2016-2017 as well as to maintain existing and create new permanent jobs as part of the Employment Roadmap 2020. As at 31 December 2018, the Company's amounts due under these agreements amounted to KZT 2,737,477 thousand (as at 31 December 2017: KZT 2,427,065 thousand).

During 2018, the difference between the nominal and fair value of loans received from the state and state financed organizations at the date of initial recognition totaling KZT 5,461,231 thousand (2017: KZT 5,538,738 thousand), was recognized by the Company within additional paid-in capital *(Note 19)*.

17. Other liabilities

Other liabilities comprise:

	31 December 2018	*31 December 2017*
Amounts payable under cession agreements	**1,983,272**	1,282,221
Provision for ECL on credit related commitments	**822,999**	–
Subsidizing of interest rates by the Ministry of Agriculture of the Republic of Kazakhstan as part of the program to support agriculture	**571,025**	854,272
Accounts payable	**238,645**	96,530
Other taxes payable	**29,192**	5,884
Other	**43,390**	68,727
Other liabilities	**3,688,523**	2,307,634

As at 31 December 2018 and 2017, other liabilities of the Company include amounts received from the Ministry of Agriculture of the Republic of Kazakhstan to reimburse the subsidized portion of interest on loans granted to customers for the acquisition of farm animals under the budget program 056 "Subsidizing interest rates on loans, and leasing of technological equipment and agricultural machinery".

Amounts payable under the cession agreements comprise:

	Maturity date	*Nominal interest rate per annum, %*	*Currency*	*31 December 2018*	*31 December 2017*
KazMeat LLP	10 November 2028	2.0-10.6%	Tenge	**1,199,287**	1,212,624
Bank of Astana JSC	31 July 2022	3%	Tenge	**708,468**	–
KazAgroProduct JSC	10 October 2028	4.0%	Tenge	**75,517**	69,597
Amounts payable under the cession agreements				**1,983,272**	1,282,221

The amounts payable under the cession agreements also include obligations arising under the cession agreement dated 22 December 2017 signed between the Company, KazMeat LLP and KazAgroProduct JSC. In accordance with the above contract, the Company received rights of claim against borrowers of KazBeef Ltd LLP and Shchuchinskiy Gormolzavod LLP with a fair value of KZT 113,714 thousand.

Under debt recovery measures of Bank of Astana JSC, the Company entered into 7 cession agreements for a total amount of KZT 8,886,585 thousand as repayment of amounts due to the Company for a total amount of KZT 8,112,591 thousand. The amount of KZT 773,994 thousand is payable by the Company in accordance with the approved schedule with maturity till 2022 and a nominal interest rate of 3.0% per annum (effective interest rate is 7.78% per annum).

18. Taxation

The corporate income tax expenses comprise:

	2018	*2017*
Current corporate income tax charge	**(571,488)**	(856,295)
Deferred corporate income tax charge – origination and reversal of temporary differences	**(2,400,526)**	(548,530)
Corporate income tax expense	**(2,972,014)**	(1,404,825)

	2018	*2017*
Deferred corporate income tax recognised in the statement of profit or loss	**(2,400,526)**	(548,530)
Deferred corporate income tax recognised in equity	**9,118**	833,975
Change in deferred corporate income tax	**(2,391,408)**	285,445

As at 31 December 2018, the Company's current corporate income tax assets amounted to KZT 359,009 thousand (as at 31 December 2017: KZT 39,453 thousand). Corporate income tax rate for the Company was 20.0% in 2018 and 2017.

(in thousands of tenge)

18. Taxation (continued)

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

	2018	*2017*
Profit before corporate income tax expenses	**13,347,631**	8,387,634
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expenses at the statutory rate	**(2,669,526)**	(1,677,526)
(Non-deductible expenses) / non-taxable income	**(302,488)**	272,701
Corporate income tax expenses	**(2,972,014)**	(1,404,825)

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

		Origination and reversal of temporary differences				*Origination and reversal of temporary differences*		
	2016	*In the statement of profit or loss*	*Within equity*	*2017*	*Effect of adopting IFRS 9 (Note 3)*	*In the statement of profit or loss*	*Within equity*	*2018*
Tax effect of deductible temporary differences								
Loans to customers	1,727,650	(627,391)	1,998,940	3,099,199	**562,850**	**(1,622,064)**	**4,850,223**	**6,890,208**
Amounts due from credit institutions	343,896	(150,362)	261,892	455,426	**1,066,046**	**(1,386,070)**	**691,870**	**827,272**
Other assets	24,323	(6,287)	–	18,036	**–**	**(10,730)**	**–**	**7,306**
Short-term accrued liabilities	34,209	11,130	–	45,339	**–**	**23,562**	**–**	**68,901**
Deferred corporate income tax assets	2,130,078	(772,910)	2,260,832	3,618,000	**1,628,896**	**(2,995,302)**	**5,542,093**	**7,793,687**
Tax effect of taxable temporary differences								
Amounts due to the Shareholder	(275,175)	91,316	(319,109)	(502,968)	**–**	**239,177**	**(4,440,729)**	**(4,704,520)**
Amounts due to state and budget organizations	(339,533)	128,107	(1,107,748)	(1,319,174)	**–**	**356,611**	**(1,092,246)**	**(2,054,809)**
Property and equipment and intangible assets	(56,083)	4,957	–	(51,126)	**–**	**(1,012)**	**–**	**(52,138)**
Deferred corporate income tax liabilities	(670,791)	224,380	(1,426,857)	(1,873,268)	**–**	**594,776**	**(5,532,975)**	**(6,811,467)**
Net deferred corporate income tax assets	1,459,287	(548,530)	833,975	1,744,732	**1,628,896**	**(2,400,526)**	**9,118**	**982,220**

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

	2018	*2017*
Assets	**5,542,093**	2,260,832
Liabilities	**(5,532,975)**	(1,426,857)
Corporate income tax benefit recognised in equity	**9,118**	833,975

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

19. Equity

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

	Number of shares (pieces)	*Par value (tenge)*	*Total*
As at 31 December 2016	158,630,371	1,000	158,630,371
As at 31 December 2017	158,630,371	1,000	158,630,371
As at 31 December 2018	**158,630,371**	**1,000**	**158,630,371**

19. Equity (continued)

As at 31 December 2018 and 2017, declared and outstanding common shares of the Company in the amount of 158,630,371 pieces have been fully paid by the sole Shareholder at the placement price of KZT 1 thousand per one common share.

In 2018, in accordance with the decision of the sole Shareholder dated 11 May 2016, the Company declared and paid dividends in the amount of KZT 4,189,685 thousand or KZT 26.41 per one common share for the year ended 31 December 2017.

In 2017, in accordance with the decision of the sole Shareholder dated 26 May 2017, the Corporation declared and paid dividends in the amount of KZT 1,460,516 thousand or KZT 9.21 per one common share for the year ended 31 December 2016.

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

Presented below is movement in items of additional paid-in capital and provisions for the years ended 31 December 2018 and 2017:

	Reserve fund	*Additional paid-in capital*	*Reserve for notional distribution*
As at 1 January 2017	1,086,111	6,831,528	(15,008,072)
Reserve for notional distribution for the year *(Notes 6, 7)*	–	–	(11,304,161)
Tax effect of recognition of reserve for notional distribution *(Note 18)*	–	–	2,260,832
Gain on initial recognition of loans from the Shareholder, state and budget organisations at fair value *(Notes 13, 16)*	–	7,134,283	–
Tax effect from initial recognition of loans from the Shareholder at fair value *(Note 18)*	–	(1,426,857)	–
Increase in reserve fund against the retained earnings	1,460,516	–	–
As at 31 December 2017	2,546,627	12,538,954	(24,051,401)
Reserve for notional distribution for the year *(Notes 6, 7)*	–	–	**(27,710,464)**
Tax effect of recognition of reserve for notional distribution *(Note 18)*	–	–	**5,542,093**
Gain on initial recognition of loans from the Shareholder, state and budget organisations at fair value *(Notes 13, 16)*	–	**27,664,875**	–
Tax effect from initial recognition of loans from the Shareholder at fair value *(Note 18)*	–	**(5,532,975)**	–
Increase in reserve fund against the retained earnings	**2,793,124**	–	–
As at 31 December 2018	**5,339,751**	**34,670,854**	**(46,219,772)**

As at 31 December 2018 the Company's book value per common share calculated in accordance with Kazakhstan Stock Exchange methodology amounts to:

	31 December 2018	*31 December 2017*
Assets	**372,295,367**	247,112,593
Less intangible assets	**297,828**	230,959
Less liabilities	**221,001,689**	94,553,915
Net assets	**150,995,850**	152,327,719
Number of common shares as at 31 December, pieces	**158,630,371**	158,630,371
Book value per common share (in tenge)	**951.87**	960.27

19. Equity (continued)

Earnings per share

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

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

	31 December 2018	*31 December 2017*
Net earnings attributable to the Shareholder for calculation of basic and diluted earnings per share	**10,375,617**	6,982,809
Weighted average number of common shares for basic and diluted earnings per share computation	**158,630,371**	158,630,371
Basic and diluted earnings per common share (in tenge)	**65.41**	44.02

As at 31 December 2018 and 2017, the Company did not have any financial instruments diluting earnings per share.

20. Credit loss expense

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

	Note	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	5	5,597	–	–	–	5,597
Amounts due from credit institutions	6	(4,531,926)	457,581	(2,367,933)	–	(6,442,278)
Loans to customers	7	267,307	6,366,654	4,762,564	14,755	11,411,280
Investment securities		(1,970)	–	–	–	(1,970)
Other financial assets		–	80,417	1,547	–	81,964
Loan commitments	22	22,305	–	–	–	22,305
Total credit loss expense		**(4,238,687)**	**6,904,652**	**2,396,178**	**14,755**	**5,076,898**

21. Personnel and other operating expenses

Personnel and other operating expenses comprise the following:

	2018	*2017*
Personnel expenses and other payments	**(2,574,133)**	(1,917,765)
Social security costs	**(236,382)**	(191,865)
Personnel expenses	**(2,810,515)**	(2,109,630)
Legal and advisory services	**(648,465)**	(433,241)
Premises rent and maintenance	**(408,990)**	(373,369)
Depreciation and amortization *(Notes 9, 10, 11)*	**(170,715)**	(147,381)
Taxes other than income tax	**(107,352)**	(25,146)
Marketing and advertising	**(103,595)**	(95,176)
Business trip expenses	**(83,427)**	(66,082)
Insurance expenses	**(66,697)**	(32,581)
Materials	**(48,277)**	(46,405)
Maintenance of property and equipment	**(41,513)**	(38,268)
Communication	**(40,933)**	(23,872)
Charity and sponsorship	**(39,912)**	(26,935)
Expenses related to the assessment of collateral	**(29,241)**	(56,980)
Training of personnel	**(21,211)**	(21,308)
Bank services	**(19,580)**	(11,561)
State duty	**(1,491)**	(5,612)
Other	**(206,862)**	(108,986)
Other operating expenses	**(2,038,261)**	(1,512,903)

(in thousands of tenge)

22. Commitments and contingencies

Credit related commitments

As at 31 December 2018 the Company's commitments and contingencies comprised the following:

	2018	*2017*
Credit related commitments		
Undrawn loan commitments	**59,741,155**	38,118,487
Less provisions for ECL	**(822,999)**	–
Operating lease commitments		
Not later than 1 year	**16,029**	12,943
Commitments and contingencies	**58,934,185**	38,131,430

Many of these credit related contingencies can be terminated without their partial or full execution. As a result, the contractual credit related commitments indicated in the table above do not represent the expected outflow of cash. Undrawn loan commitments do not constitute unconditional obligations of the Company.

Below is an analysis of changes in allowances for ECL for the year ended 31 December 2018:

Loan commitments	*Stage 1*
ECL allowance as at 1 January 2018	800,694
ECL changes for the year	**22,305**
As at 31 December 2018	**822,999**

Economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government. In 2018, the volatility of the tenge's exchange rate against major foreign currencies continue to have a negative impact on the Kazakhstan economy. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Taxation

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

As at 31 December 2018 and 2017, management of the Company believes that its interpretation of the legislation is appropriate and that the Corporation's tax, currency and customs positions will be sustained.

Legal issues

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

23. Risk management

Introduction

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

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

23. Risk management (continued)

Introduction (continued)

Risk management structure

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

Board of Directors

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

Management Board

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

Control of risks

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

Treasury department

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

Internal audit function

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

Risk measurement and reporting systems

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

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

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

Excessive risk concentration

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

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. Thus, in order to avoid a concentration of credit risk in one or a group of affiliates, has been established a limit of no more than 25.00% of the Company's own equity. Bank-counterparty limits are established by the Shareholder for interbank transactions.

(in thousands of tenge)

23. Risk management (continued)

Credit risk (continued)

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions which are performed by separate units of the Company. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in *Note 7*.

Impairment assessment

Starting from 1 January 2018, the Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted using the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

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

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

(in thousands of tenge)

23. Risk management (continued)

Credit risk (continued)

Definition of default and cure

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

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

- Assigning an external credit rating to the counterparty at level D from an external rating agency;
- Restructuring due to deterioration of financial condition of the borrower;
- Death of the borrower;
- Recognition of a pledge / loan agreement as invalid by a court decision;
- Imprisonment of a borrower by the court's decision / with court sanction;
- Filing a claim for recognizing the borrower as a bankrupt in accordance with the legislation of the Republic of Kazakhstan;
- Enforcement proceedings;
- Cross-default (if the Company has information).

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

Treasury and interbank relationships

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

Lending to agribusiness entities

In the case of lending to agribusiness entities, the Company's structural units, participating in the process of allowance calculation, determine whether there are signs of a significant increase in credit risk, as well as an impairment/default of the loan. Credit risk assessment is based on various historical, current and forecast information, such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance.
- Macroeconomic information.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

Exposure at default

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

23. Risk management (continued)

Credit risk (continued)

Loss given default

To determine the loss given default (LGD), the Company records recoveries by cash from the borrower after the default (Recovery rate after default – RR (Cash)) and by the collateral repossession. The RR (Cash) is estimated on quarterly basis. The value of collateral is reassessed every month.

In order to determine the cash flows, monthly cash repayments from default loans are analysed (not including amounts of sale of collateral) for at least the past 5 years and monthly cumulative RR (Cash) over five years is calculated.

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

Significant increase in credit risk

As at each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since its initial recognition. In conducting the assessment, the Company focuses on changes in the risk of default over the expected life of a financial instrument, and not on changes in the amount of expected credit losses. The Company compares the risk of default on a financial instrument as of the reporting date with the risk of default on a financial instrument at the date of initial recognition and analyzes reasonable and corroborated information available without excessive costs or efforts, which indicates a significant increase in credit risk since the initial recognition of a respective instrument.

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

Grouping financial assets measured on a collective basis

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

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

- All financial assets showing signs of impairment and/or default with a total outstanding amount of over 0.2% of equity as of the previous reporting date according to the financial statements;
- The treasury and interbank relationships (such as amounts due from banks, cash equivalents and investment securities measured at amortised cost);
- Financial assets that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result odebt restructuring.

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

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on a macroeconomic forward looking information about GDP growth rates as economic inputs.

The choice of a macroeconomic factor is resulted from the fact that it is one of the most economically common (broad) indicators reflecting the influence of many other factors.

23. Risk management (continued)

Credit risk (continued)

Forward-looking information and multiple economic scenarios (continued)

To obtain forecast information, the Company uses data from external sources (the official website of the relevant state authorities, the National Bank of the Republic of Kazakhstan and other external information sources). The tables show the values of the forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario as at 31 December 2018:

Key drivers	*ECL scenario*	*Assigned probabilities, %*	*2019*	*2020*	*Subsequent years*
GDP growth					
	Upside	16%	1.21	1.05	1.17
	Base case	68%	0.21	0.05	0.17
	Downside	16%	-0.79	-0.95	-0.83

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

Liquidity risk and funding management

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

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2018 and 2017, based on contractual undiscounted payments:

As at 31 December 2018	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Shareholder	**2,561,670**	**54,767,810**	**80,809,168**	**20,315,735**	**158,454,383**
Amounts due to credit institutions	**7,741,367**	**2,028,462**	**–**	**–**	**9,769,829**
Debt securities issued	**425,000**	**4,529,683**	**65,163,936**	**6,750,000**	**76,868,619**
Amounts due to state and budget organizations	**167**	**268,209**	**26,940,280**	**5,715,317**	**32,923,973**
Other financial liabilities	**–**	**223,589**	**878,065**	**1,734,638**	**2,836,292**
Total undiscounted financial liabilities	**10,728,204**	**61,817,753**	**173,791,449**	**34,515,690**	**280,853,096**

As at 31 December 2017	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Shareholder	94,334	453,949	10,311,951	6,453,622	17,313,856
Amounts due to credit institutions	570,841	1,000,802	–	–	1,571,643
Debt securities issued	425,000	15,354,683	58,993,619	17,875,000	92,648,302
Amounts due to state and budget organizations	–	3,349	3,769,706	12,723,423	16,496,478
Other financial liabilities	–	–	382,435	2,117,074	2,499,509
Total undiscounted financial liabilities	1,090,175	16,812,783	73,457,711	39,169,119	130,529,788

(in thousands of tenge)

23. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

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

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
2018	**59,741,155**	**–**	**–**	**–**	**59,741,155**
2017	38,118,487	–	–	–	38,118,487

The Company expects that not all of the credit related contractual commitments will be drawn before expiry of the commitments.

Market risk

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

Interest rate risk

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

Currency risk

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

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

	2018		*2017*	
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
US Dollars	**+14.00%**	**(374)**	+10.00%	–
US Dollars	**-10.00%**	**267**	-10.00%	–

Operational risk

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

24. Changes in liabilities arising from financing activities

	Amounts due to the Shareholder	*Amounts due to credit institutions*	*Debt securities issued*	*Amounts due to the Government of the Republic of Kazakhstan*	*Amounts due to the state and budget organizations*	*Total liabilities from financial activities*
Carrying amount as at 31 December 2016	13,361,704	–	51,648,620	–	2,192,352	67,202,676
Proceeds from issuance	4,924,242	1,500,000	14,997,895	60,000,000	12,731,935	94,154,072
Repayment	(3,336,264)	–	–	(60,000,000)	(134,967)	(63,471,231)
Dividends declared	1,460,516	–	–	–	–	1,460,516
Dividends paid	(1,460,516)	–	–	–	–	(1,460,516)
Discount on initial recognition of liabilities at fair value	(1,595,545)	–	–	–	(5,538,738)	(7,134,283)
Other	391,016	15,288	221,463	–	640,585	1,268,352
Carrying amount as at 31 December 2017	13,745,153	1,515,288	66,867,978		9,891,167	92,019,586
Proceeds from issuance	**133,228,800**	**9,477,052**	**–**	**60,000,000**	**18,463,010**	**221,168,862**
Repayment	**(4,674,673)**	**(1,553,480)**	**(10,000,000)**	**(60,000,000)**	**(2,041,701)**	**(78,269,854)**
Dividends declared	**4,189,685**	**–**	**–**	**–**	**–**	**4,189,685**
Dividends paid	**(4,189,685)**	**–**	**–**	**–**	**–**	**(4,189,685)**
Discount on initial recognition of liabilities at fair value	**(22,203,644)**	**–**	**–**	**–**	**(5,461,231)**	**(27,664,875)**
Other	**7,792,712**	**107,785**	**31,003**	**–**	**1,783,440**	**9,714,940**
Carrying amount as at 31 December 2018	**127,888,348**	**9,546,645**	**56,898,981**	**–**	**22,634,685**	**216,968,659**

The "Other" item reflects the effect of accrued but not yet paid interest on liabilities related to financial activities. The Company classifies interest paid as cash flows from operating activities. Amounts due to the Shareholder does not include amounts due under cession agreements.

25. Fair values of financial instruments

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

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

25. Fair values of financial instruments (continued)

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

		Fair value measurement with the use of			
	Date of measurement	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant non-observable inputs (Level 3)*	*Total*
As at 31 December 2018					
Assets whose fair values are disclosed					
Cash and cash equivalents	31 December 2018	**70,889,857**	–	–	**70,889,857**
Amounts due from credit institutions	31 December 2018	–	**32,908,280**	–	**32,908,280**
Loans to customers	31 December 2018	–	–	**263,148,038**	**263,148,038**
Other financial assets	31 December 2018	–	–	**123,611**	**123,611**
Liabilities whose fair values are disclosed					
Amounts due to the Shareholder	31 December 2018	–	**128,345,631**	–	**128,345,631**
Amounts due to credit institutions	31 December 2018	–	**9,591,776**	–	**9,591,776**
Debt securities issued	31 December 2018	**58,272,543**	–	–	**58,272,543**
Amounts due to state and budget organizations	31 December 2018	–	**23,599,252**	–	**23,599,252**
Other financial liabilities	31 December 2018	–	**1,377,167**	**238,645**	**1,615,812**
As at 31 December 2017					
Assets whose fair values are disclosed					
Cash and cash equivalents	31 December 2017	7,046,982	–	–	7,046,982
Amounts due from credit institutions	31 December 2017	–	16,650,563	–	16,650,563
Loans to customers	31 December 2017	–	–	139,301,951	139,301,951
Investment securities	31 December 2017	51,175,874	–	–	51,175,874
Other financial assets	31 December 2017	–	–	545,151	545,151
Liabilities whose fair values are disclosed					
Amounts due to the Shareholder	31 December 2017	–	12,417,053	–	12,417,053
Amounts due to credit institutions	31 December 2017	–	1,448,683	–	1,448,683
Debt securities issued	31 December 2017	63,945,176	–	–	63,945,176
Amounts due to state and budget organizations	31 December 2017	–	10,428,072	–	10,428,072
Other financial liabilities	31 December 2017	–	1,192,453	96,530	1,288,983

25. Fair values of financial instruments (continued)

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

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

	Carrying value	*Fair value*	*Unrecognised (loss)/gain*
As at 31 December 2018			
Financial assets			
Cash and cash equivalents	**70,889,857**	**70,889,857**	**–**
Amounts due from credit institutions	**32,815,837**	**32,908,280**	**92,443**
Loans to customers	**265,103,066**	**263,148,038**	**(1,955,028)**
Other financial assets	**123,611**	**123,611**	**–**
Financial liabilities			
Amounts due to the Shareholder	**127,888,348**	**128,345,631**	**(457,283)**
Amounts due from credit institutions	**9,546,645**	**9,591,776**	**(45,131)**
Debt securities issued	**56,898,981**	**58,272,543**	**(1,373,562)**
Amounts due to state and budget organizations	**22,634,685**	**23,599,252**	**(964,567)**
Other financial liabilities	**2,221,917**	**1,615,812**	**606,105**
Total unrecognised change in unrealised fair value			**(4,097,023)**
As at 31 December 2017			
Financial assets			
Cash and cash equivalents	7,046,982	7,046,982	–
Amounts due from credit institutions	21,671,412	16,650,563	(5,020,849)
Loans to customers	163,555,462	139,301,951	(24,253,511)
Investment securities held till maturity	51,175,874	51,175,874	–
Other financial assets	545,151	545,151	–
Financial liabilities			
Amounts due to the Shareholder	13,745,153	12,417,053	1,328,100
Amounts due to credit institutions	1,515,288	1,448,683	66,605
Debt securities issued	66,867,978	63,945,176	2,922,802
Amounts due to state and budget organizations	9,891,167	10,428,072	(536,905)
Other financial liabilities	1,378,751	1,288,983	89,768
Total unrecognised change in unrealised fair value			(25,403,990)

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

Assets for which fair value approximates carrying value

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

Financial assets and financial liabilities accounted for at amortised cost

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

26. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See *Note 23 "Risk management"* for the Company's contractual undiscounted repayment obligations.

	2018			*2017*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Assets						
Cash and cash equivalents	**70,889,857**	**–**	**70,889,857**	7,046,982	–	7,046,982
Amounts due from credit institutions	**20,811,347**	**12,004,490**	**32,815,837**	4,056,828	17,614,584	21,671,412
Loans to customers	**94,061,198**	**171,041,868**	**265,103,066**	67,193,683	96,361,779	163,555,462
Assets held for sale	**864,739**	**–**	**864,739**	443,657	–	443,657
Investment securities	**–**	**–**	**–**	51,175,874	–	51,175,874
Investment property	**–**	**345,724**	**345,724**	–	337,694	337,694
Property and equipment	**–**	**362,767**	**362,767**	–	242,056	242,056
Intangible assets	**–**	**297,828**	**297,828**	–	230,959	230,959
Current corporate income tax assets	**359,009**	**–**	**359,009**	39,453	–	39,453
Deferred corporate income tax assets	**–**	**982,220**	**982,220**	–	1,744,732	1,744,732
Other assets	**214,545**	**59,775**	**274,320**	388,312	236,000	624,312
Total assets	**187,200,695**	**185,094,672**	**372,295,367**	130,344,789	116,767,804	247,112,593
Liabilities						
Amounts due to the Shareholder	**53,757,468**	**74,130,880**	**127,888,348**	294,353	13,450,800	13,745,153
Amounts due to credit institutions	**9,546,645**	**–**	**9,546,645**	1,515,288	–	1,515,288
Debt securities issued	**1,363,748**	**55,535,233**	**56,898,981**	11,455,414	55,412,564	66,867,978
Amounts due to state and budget organizations	**265,579**	**22,369,106**	**22,634,685**	69	9,891,098	9,891,167
Short-term accrued liabilities	**344,507**	**–**	**344,507**	226,695	–	226,695
Other liabilities	**1,906,702**	**1,781,821**	**3,688,523**	1,025,413	1,282,221	2,307,634
Total liabilities	**67,184,649**	**153,817,040**	**221,001,689**	14,517,232	80,036,683	94,553,915
Net position	**120,016,046**	**31,277,632**	**151,293,678**	115,827,557	36,731,121	152,558,678

27. Related party transactions

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

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

The government of the Republic of Kazakhstan controls the activities of the Company through the Shareholder.

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

	2018			*2017*		
	Shareholder	*Entities under common control*	*State and budget organizations*	*Shareholder*	*Entities under common control*	*State and budget organizations*
Loans issued as at 1 January	–	3,654,752	–	–	4,389,215	–
Loans obtained	–	13,000,000	–	–	–	–
Loans repaid	–	–	–	–	(41,688)	–
Other differences	–	(6,636,968)	–	–	(692,775)	–
Loans issued as at 31 December	–	10,017,784	–	–	3,654,752	–
Less: allowance for impairment at 31 December	–	(222,614)	–	–	(2,655,964)	–
Loans issued as at 31 December, less allowance for impairment	–	9,795,170	–	–	998,788	–
Loans obtained as at 1 January	13,745,153	–	9,891,167	13,361,704	–	2,192,352
Loans obtained	133,228,800	–	78,463,010	4,924,242	–	72,731,935
Loans repaid	(4,674,673)	–	(62,041,701)	(3,336,264)	–	(60,134,967)
Other differences	(14,410,932)	–	(3,677,791)	(1,204,529)	–	(4,898,153)
Loans obtained at 31 December	127,888,348	–	22,634,685	13,745,153	–	9,891,167
Debt securities issued at 1 January	55,958,522	797,174	–	50,830,831	797,174	–
Debt securities placed	–	–	–	4,997,895	–	–
Repaid during the period	(4,889,400)	–	–	–	–	–
Other differences	5,012,069	–	–	129,796	–	–
Debt securities issued at 31 December	56,081,191	797,174	–	55,958,522	797,174	–
Amounts due under the cession agreements as at 31 December	–	1,274,804	–	–	1,282,221	–
Interest income on loans issued	–	8,609	–	–	413,314	–
Interest expenses on loans received	(4,396,260)	–	(1,791,217)	(950,193)	–	(641,611)
Interest expenses on debt securities issued	(5,012,069)	(63,583)	–	(4,587,529)	(63,583)	–
Interest expenses under the cession agreements	–	(492,584)	–	–	(2,482)	–
Credit loss expense	–	(222,614)	–	–	(170,382)	–

Loans received from the Shareholder as at 31 December 2018 have effective interest rates from 4.5% to 11.6% per annum (as at 31 December 2017: 4.5% to 11.6% per annum).

Loans received from the state and budget organizations as at 31 December 2018 have effective interest rates from 7.5% to 13.3% per annum (as at 31 December 2017: from 8.9% to 13.3% per annum).

27. Related party transactions (continued)

Compensation to key management personnel

Key management personnel in 2018 and 2017 consisted of 5 persons. Compensation of key management personnel comprised of the following:

	2018	*2017*
Salaries and other short-term benefits	**82,859**	88,494
Social security contributions	**7,640**	9,167
Total key management personnel compensation	**90,499**	97,661

28. Capital adequacy

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

As at 31 December 2018 and 2017 the Company had complied in full with all its externally imposed capital requirements.

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

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

NBRK requires entities engaged in certain types of banking activities to maintain a capital adequacy ratio of 1 level (k1) of at least 6% of assets; capital adequacy ratio (k1-2) in the amount of not less than 6% of risk weighted assets and contingent liabilities; and the total capital adequacy ratio (k1-3) in the amount of at least 12% of risk / operational weighted assets and contingent and possible liabilities and operational risk. As at 31 December 2018 and 31 December 2017 the capital adequacy ratios of the Company calculated in accordance with the requirements of the NBRK were as follows:

	2018	*2017*
Tier 1 capital	**140,779,730**	145,409,627
Tier 2 capital	**10,375,617**	6,982,809
Total capital	**151,155,347**	152,392,436
Risk weighted assets	**370,467,718**	193,652,341
Commitments and contingencies	**29,870,578**	19,059,244
Operational risk	**15,274,773**	10,867,218
Capital adequacy ratio k1	**37.8%**	58.8%
Capital adequacy ratio k1-2	**35.2%**	68.4%
Capital adequacy ratio k1-3	**36.4%**	68.2%

29. Subsequent events

On 22 January 2019, the Company entered into loan agreement No. 9ПРЧ0985 with the Ministry of Finance of the Republic of Kazakhstan in the amount of KZT 60,000,000 thousand with a nominal interest rate of 0.01% per annum. Financing under this Loan Agreement was received in full on 23 January 2019 for the purpose of carrying out activities to support the agribusiness entities.