Joint Stock Company
Agrarian Credit Corporation

Financial statements

for 2017
with independent auditor's report

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Independent auditor's report

To the Shareholder and Management of
Agrarian Credit Corporation Joint Stock Company

Opinion

We have audited the financial statements of Agrarian Credit Corporation Joint Stock Company (the "Corporation"), which comprise the statement of financial position as at 31 December 2017 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 Corporation as at 31 December 2017, 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 in accordance with these standards are described below in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (*"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 judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the 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 the respective matter was addressed in the course of our audit is provided in this context.

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We have fulfilled the responsibilities described in the *Auditor's responsibility for the audit of the financial statements* section of our report, including with respect to these matters. Accordingly, our audit included performance of procedures designed to respond to our assessment of risks of significant misstatement of the financial statements. The results of our audit procedures including procedures performed during the consideration of the following matter serve as a basis for our audit opinion on the accompanying financial statements.

Key audit matter	How the matter was addressed in the audit
Impairment allowance for loans to customers	
The assessment of allowance for impairment of loans to customers is a key area of judgement for the Corporation's management. Identificatio of impairment evidence and measurement of the recoverable value is a process involving a significant use of subjective judgment, use of assumptions and analysis of various factors, including the financial condition of the borrower estimated future cash flows and value of the collateral. The use of various models and assumptions can significantly affect the amount of allowance for impairment of loans to customers. Due to the substantial amounts of loans to customers, which in aggregate equal to 66% of the Corporation's total assets as at 31 December 2017, and significant judgments used by management, estimation of allowance for impairment was a key audit matter.	Our audit procedures included an analysis of the methodology for assessing the impairment of loans to customers and the analysis and testing of controls over the processes of identifying signs of impairment and calculating the loan impairment allowance. As part of the audit procedures, we performed an analysis of the assumptions and testing of the initial data used by the Corporation in assessing the impairment on an aggregate basis for loans to customers, including loss factors, probability of default and the level of irrecoverable losses. We analyzed the sequence of judgments of the Corporation's management used in assessing statistical information on losses incurred, as wel as the consistency of the applied model of impairment with generally accepted practice anc our professional judgment. With respect to the assessment of impairment on an individual basis for significant loans to customers, we carried ou an analysis of the expectations of the Corporation's management to receive future cash flows, including in the case of foreclosure, on the basis of our professional judgment and available information on the market. We have performed procedures for information about the provision for impairment of loans to customers disclosed in *Notes 8 and 22* to the financial statements.

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Other information included in the Corporation's 2017 Annual report

Other information comprises information included in the Annual report, but does not comprise the financial statements and our audit report thereon. Management is responsible for other information.
The Annual report is expected to be presented to us after the date of this auditor's report.

Our opinion on the financial statements does not cover 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 to us 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 these financial statements in accordance with IFRSs, and for such internal controls as management determines is necessary to prepare the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for the supervision of the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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As part of the audit performed in accordance with ISAs, we exercise professional judgement 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 controls 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 Corporation'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 the management's application of 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 Corporation'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 a 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with the 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 necessary, 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 for 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 Bakhtiyor Eshonkulov.

Ernst & Young LLP

Bakhtiyor Eshonkulov
Auditor / audit partner

Auditor qualification certificate
No. МФ-0000099 dated 27 August 2012

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

050060, Republic of Kazakhstan, Almaty
Al-Farabi Ave., 77/7, Esentai Tower

15 March 2018

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

(in thousands of tenge)

	Notes	2017	2016
Assets			
Cash and cash equivalents	5	**7,046,982**	30,072,378
Amounts due from credit institutions	6	**21,671,412**	26,053,315
Loans to customers	7	**163,555,462**	135,725,198
Assets held for sale		**443,657**	–
Held-to-maturity investment securities	8	**51,175,874**	23,306,474
Investment property	9	**337,694**	348,631
Property and equipment	10	**242,056**	208,369
Intangible assets	11	**230,959**	193,681
Current corporate income tax assets	18	**39,453**	205,713
Deferred income tax assets	18	**1,744,732**	1,459,287
Other assets	12	**624,312**	795,526
Total assets		**247,112,593**	218,368,572
Liabilities			
Due to the Shareholder	13	**13,745,153**	13,361,704
Amounts due to credit institutions	14	**1,515,288**	–
Debt securities issued	15	**66,867,978**	51,648,620
Due to state and budget organizations	16	**9,891,167**	2,192,352
Short-term accrued liabilities		**226,695**	171,045
Other liabilities	17	**2,307,634**	622,563
Total liabilities		**94,553,915**	67,996,284
Equity			
Share capital	19	**158,630,371**	158,630,371
Additional paid-in capital	19	**12,538,954**	6,831,528
Reserve funds	19	**2,546,627**	1,086,111
Reserve for notional distribution	19	**(24,051,401)**	(15,008,072)
Retained earnings / (accumulated loss)		**2,894,127**	(1,167,650)
Total equity		**152,558,678**	150,372,288
Total liabilities and equity		**247,112,593**	218,368,572
Book value per common share, tenge	19	**960.27**	946.72

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

15 March 2018

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

INCOME STATEMENT

For the year ended 31 December 2017

(in thousands of tenge)

	Note	*2017*	*2016*
Interest income			
Cash and cash equivalents		**3,609,472**	2,668,972
Amounts due from credit institutions		**3,931,053**	1,836,697
Loans to customers		**17,683,908**	14,224,721
Held-to-maturity investment securities		**2,958,575**	80,096
		28,183,008	18,810,486
Interest expenses			
Due to the Shareholder		**(950,193)**	(1,552,760)
Due to credit institutions		**(31,368)**	–
Debt securities issued		**(4,744,479)**	(3,572,108)
Due to state and budget organizations		**(641,611)**	(120,111)
Amounts due to the Government of the Republic of Kazakhstan		**(4,914)**	–
Other liabilities		**(2,482)**	–
		(6,375,047)	(5,244,979)
Net interest income		**21,807,961**	13,565,507
Provision for interest earning assets impairment	6, 7	**(8,818,614)**	(6,629,690)
Net interest income net of provision for impairment of interest earning assets		**12,989,347**	6,935,817
Net loss from transactions in foreign currencies		**(532)**	(234)
Other income		**217,829**	248,092
Other expenses		**(1,196,477)**	(196,552)
Non-interest income		**(979,180)**	51,306
Personnel expenses	20	**(2,109,630)**	(1,950,581)
Other operating expenses	20	**(1,512,903)**	(1,288,657)
Non-interest expenses		**(3,622,533)**	(3,239,238)
Profit before corporate income tax expenses		**8,387,634**	3,747,885
Corporate income tax expenses	18	**(1,404,825)**	(826,853)
Profit for the year		**6,982,809**	2,921,032
Basic and diluted earnings per common share (in Tenge)		**44.02**	26.25

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

15 March 2018

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

(in thousands of tenge)

	Note	*2017*	*2016*
Profit for the year		**6,982,809**	2,921,032
Other comprehensive income for the year		–	–
Total comprehensive income for the year		**6,982,809**	2,921,032

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

15 March 2018

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

(in thousands of tenge)

	Authorised capital	*Additional paid-in capital*	*Reserve capital*	*Allowance for notional distribution*	*(Accumu-lated deficit) / retained earnings*	*Total*
At 31 December 2015	94,227,371	5,291,347	1,086,111	(8,594,957)	(3,546,018)	88,463,854
Total comprehensive income for the year	–	–	–	–	2,921,032	2,921,032
Gain on initial recognition of loans from the Shareholder at fair value net of tax *(Note 19)*	–	1,540,181	–	–	–	1,540,181
Reserve for notional distribution for the year net of tax *(Note 19)*	–	–	–	(6,413,115)	–	(6,413,115)
Increase in share capital *(Note 19)*	64,403,000	–	–	–	–	64,403,000
Dividends declared *(Note 19)*	–	–	–	–	(542,664)	(542,664)
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 *(Note 19)*	**–**	**5,707,426**	**–**	**–**	**–**	**5,707,426**
Reserve for notional distribution for the year net of tax *(Note 19)*	**–**	**–**	**–**	**(9,043,329)**	**–**	**(9,043,329)**
Transfer to reserve funds	**–**	**–**	**1,460,516**	**–**	**(1,460,516)**	**–**
Dividends declared *(Note 19)*	**–**	**–**	**–**	**–**	**(1,460,516)**	**(1,460,516)**
At 31 December 2017	**158,630,371**	**12,538,954**	**2,546,627**	**(24,051,401)**	**2,894,127**	**152,558,678**

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

Sarybayev Narmukhan Kalmakhanovich — Chairman of the Management Board

Zaitullayeva Irina Nikolayevna — Chief Accountant

15 March 2018

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

(in thousands of tenge)

	Note	2017	2016
Cash flows from operating activities			
Interest received		**19,851,249**	15,057,565
Interest paid		**(5,020,333)**	(3,708,767)
Realised gain on derivative financial instruments		**–**	79,913
Unrealised loss from transactions in foreign currencies		**(532)**	(234)
Personnel expenses paid		**(2,143,257)**	(1,922,446)
Other operating expenses paid		**(1,399,678)**	(1,221,603)
Cash flows from operating activities before changes in operating assets and liabilities		**11,287,449**	8,284,428
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		**(2,498,637)**	(16,681,137)
Loans to customers		**(35,666,177)**	(22,808,806)
Other assets		**(157,332)**	685,404
Net increase in operating liabilities			
Other liabilities		**553,688**	757,589
Net cash used in operating activities before corporate income tax		**(26,481,009)**	(29,762,522)
Corporate income tax paid		**(690,035)**	(584,864)
Net cash used in operating activities		**(27,171,044)**	(30,347,386)
Cash flows from investing activities			
Proceeds from redemption of held-to-maturity securities		**526,366,788**	–
Purchase of held-to-maturity securities		**(551,277,613)**	(23,238,497)
Purchase of property, plant and equipment	10	**(106,688)**	(20,325)
Purchase of intangible assets	11	**(59,164)**	(71,672)
Net cash flow used in investing activities		**(25,076,677)**	(23,330,494)

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)

	Note	*2017*	*2016*
Cash flow from financing activities			
Proceeds from increase in share capital	19	–	64,403,000
Proceeds from loans from the Government of the Republic of Kazakhstan		**60,000,000**	–
Repayment of loans from the Government of the Republic of Kazakhstan		**(60,000,000)**	–
Proceeds from loans from credit institutions	14	**1,500,000**	–
Proceeds from securities issued	15	**14,997,895**	22,826,050
Proceeds from loans from the Shareholder		**4,924,242**	45,519,031
Repayment of loans from the Shareholder		**(3,336,264)**	(59,739,473)
Proceeds from loans from state and state-financed organisations		**12,731,935**	3,890,000
Repayment of loans from state and state-financed organisations		**(134,967)**	(19,810)
Distribution of dividends	19	**(1,460,516)**	(542,664)
Net cash flows received from financing activities		**29,222,325**	76,336,134
Net change in cash and cash equivalents for the reporting period		**(23,025,396)**	22,658,254
Cash and cash equivalents, beginning		**30,072,378**	7,414,124
Cash and cash equivalents, ending	5	**7,046,982**	30,072,378
Non-cash transactions			
Transfer of intangible assets from other assets	11	**45,000**	–
Transfer of rights under the cession agreement	17	**1,282,221**	–

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

Sarybayev Narmukhan Kalmakhanovich Chairman of the Management Board

Zaitullayeva Irina Nikolayevna Chief Accountant

15 March 2018

The accompanying notes on pages 7 to 38 are an integral part of these financial statements.

1. Principal activities

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

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

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

As at 31 December 2017 and 2016, KazAgro National Managing 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 2017 the Company has 15 registered branches throughout the Republic of Kazakhstan (as at 31 December 2016: 13 branches).

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

2. Basis of Preparation

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

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

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

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 2017. The Company did not apply ahead the standards, clarifications or amendments that were issued, but did not enter into force. The nature and impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

Amendments require entities to disclose changes in their financial liabilities related to financing activities such as changes from cash flows and non-cash items (e.g., gains and losses due to foreign currency movements). The Company provided information both for the current and comparative period in *Note 23*.

Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference associated with unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. Application of the amendments had no impact on the financial position and performance results of the Company, as the Company does not have deductible temporary differences or assets related to the scope of application of these amendments.

Amendment to IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposed Company that is classified) as held for sale. These amendments did not have any impact on the financial position and performance of the Company.

(in thousands of tenge)

3. Summary of accounting policies

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans provided to customers and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value. Plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Corporation determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

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

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) within profit or loss. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Loans to customers

Loans to customers represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for assets that are classified into other categories of financial instruments.

Loans provided by the Company are initially recorded at fair value plus transaction costs. When the Company accepts a credit commitment to provide loans to customers at below market rates, a liability at fair value of these credit commitments is recorded in other liabilities in the statement of financial position together with reversing entry, which is included in income statement if the decision to undertake the obligation was adopted by the Company's management; or as deemed distribution to the controlling Shareholder, if the decision was adopted in accordance with controlling Shareholder's instructions.

Subsequently, credit commitment is adjusted to fair value through profit or loss before granting a loan, when credit commitment is reduced by consideration paid, and remaining balance is recorded as loans issued to customers in the statement of financial position. As a result, loans to customers are initially recognized at fair value in the statement of financial position, and subsequently these loans are recorded at amortized cost, using the effective interest rate. Loans to customers are carried net of any allowance for impairment losses.

Fair value measurement

The Company measures such financial instruments as derivatives at fair value at each reporting date. Information on fair value of financial instruments measured at amortized cost is disclosed in *Note 24*.

The fair value is a 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 to 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.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Financial assets (continued)

Offsetting

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. An offsetting right must not be preconditioned by a future event and must have a legal force at all circumstances:

- In the normal course of business;
- In case of failure to discharge an obligation; and
- In the event of insolvency or bankruptcy of an entity or any counteragent.

This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash not restricted in use on current and term deposit accounts with maturity not more than 90 (ninety) days as the day of the asset origination.

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 government, due to credit institutions, amounts due the shareholder and debt securities issued. 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.

If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in profit or loss.

Taxation

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

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

Deferred income 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 corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are recorded within tax expenses other than corporate income tax in the income statement and statement of comprehensive income.

Operating lease – 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.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Impairment of financial assets

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.

Amounts due from credit institutions and loans provided to customers

For amounts due from credit institutions and loans provided to customers carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' current amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The current amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced current amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Company or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Restructuring of 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.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Renegotiated loans (continued)

The accounting treatment of such restructuring is as follows:

- If the currency of a loan has been changed the old loan is derecognised and the new loan is recognized in the statement of financial position;
- If the loan restructuring is not caused by the financial difficulties of the borrower the Company uses the same approach as for financial liabilities described below;
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Company recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the current amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Company recalculates the effective interest rate;
- Once the terms have been renegotiated, the loan is no longer considered past due. Management of the Company continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

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 derecognized from the statement of financial position where:

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

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

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 current amounts is recognised within profit or loss.

Property and equipment

Property and equipment are carried at historical cost less day-to-day maintenance costs and accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Property and equipment (continued)

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

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

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

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

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

Investment property

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

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

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

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

Intangible assets

Intangible assets include 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 held for sale

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

(in thousands of tenge)

3. Summary of accounting policies (continued)

Repossessed collateral

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

Share capital

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

Dividends

Dividends are recognized 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 upon initial recognition is recorded as provision for notional distribution as deemed distribution to the Shareholder.

Additional paid-in capital

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

Reserves

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.

Contingent assets and liabilities

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

Revenue and expense recognition

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

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which 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 current 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 current amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted current amount is calculated based on the original effective interest rate and the change in current amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new current amount.

(in thousands of tenge)

3. Summary of accounting policies (continued)

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 income statement as net loss from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

	2017	*2016*
KZT/USD	**332.33**	333.29
KZT/EURO	**398.23**	352.42
KZT/RUR	**5.77**	5.43

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.

Standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting the standard is applied retrospectively, however comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018 and will not restate comparative information. The Company is in the process of a quantitative assessment of the impact of IFRS 9, but a reasonable estimate of the effect is currently unavailable.

(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 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 amortized 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, will be 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 realized and unrealized gains and losses, except for dividend income, are recognized 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.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

The vast majority of loans are expected to satisfy the SPPI criterion and will continue to be measured at amortised cost, however some of the loans will be reclassified as FVPL.

(b) Impairment

IFRS 9 requires the Company to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortised cost or FVOCI, as well as loan commitments and financial guarantees. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the ECL over the life of the asset. If the financial asset meets the definition of purchased or originated credit impaired, the allowance is based on the change in the lifetime ECL

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 with amendments introduced in April 2016. The new standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company plans to adopt the new standard using the modified retrospective method by recognizing the cumulative transition effect in opening retained earnings on 1 January 2018, without restating comparative information.

IFRS 15 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, interest and fee income integral to financial instruments will fall outside the scope of IFRS 15 and will be regulated by IFRS 9. As a result, the majority of the Company's income will not be impacted by the adoption of this standard.

The Company currently does not expect a material effect from initial application of IFRS 15.

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. The Company will adopt these amendments when they become effective. The Company does not expect a material effect from application of these amendments.

Amendments to IFRS 2 Classification and measurement of Share-based payment transactions

The IASB issued amendments to IFRS 2 *Share-based Payments* that address three main areas: The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; classification of a share-based payment transaction with net settlement features for withholding tax obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments become effective for annual periods beginning on or after 1 January 2018. Early application is allowed. The Company is currently assessing the possible impact of these amendments on its financial statements.

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).

(in thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IAS 16 Leases (continued)

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.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Company will continue assessing the potential effect of IFRS 16 on its financial statements.

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. There are several scope exceptions. 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) is mainly for short-duration contracts.

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

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. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if that is possible without the use of hindsight. The amendments become effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. The Company will adopt these amendments when they become effective. However, as the current activities of the Company comply with the Interpretation requirements, the Company does not expect that it will have impact on its financial statements.

(in thousands of tenge)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Annual Improvements 2014-2016 Cycle (issued in December 2016)

These improvements comprise the following:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of Short-Term Exemptions for First-time Adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are effective from 1 January 2018. These amendments are not applicable to the Company.

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, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. Such a decision is taken separately for each investment upon initial recognition.
- 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 are applied retrospectively and are effective from 1 January 2018. Early adoption is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Company.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which will replace IFRS 4. The amendments provide two options for entities that issue insurance contracts: temporary exemption from applying IFRS 9 and overlay approach. Temporary exemption is applied for the first time for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Company.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 a date of the transactions for each payment or receipt of advance consideration. Entities may apply this interpretation retrospectively. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation; or

(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The explanation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, as the current activities of the Company comply with the Interpretation requirements, the Company does not expect that it will have impact on its financial statements.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Annual improvements 2014-2016 cycle (issued in December 2016) (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 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. Certain exemptions are allowed on transition. The Company will apply interpretation from its effective date. As the Company operates in a complicated tax environment, application of the interpretation will not have any impact on the Company's financial statements and the required disclosure. Besides, the Company may be forced to implement procedures and methods of receiving information necessary for the timely application of the interpretation.

4. Significant accounting judgements and estimates

Estimation uncertainty

In the process of applying the Company's accounting policies, management has made the following judements, apart from those involving 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.

Allowance for impairment of loans

The Company regularly reviews loans to customers to assess impairment. The Company uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers.

Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Company uses its subjective judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

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.

(in thousands of tenge)

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Taxation

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social taxes, and others. 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, provision for impairment) 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:

	At 31 December 2017	*At 31 December 2016*
Cash in current bank accounts	**7,046,961**	30,072,352
Cash on hand	**21**	26
Cash and cash equivalents	**7,046,982**	30,072,378

Concentration of cash and cash equivalents

As at 31 December 2017, cash placed on current accounts with banks included funds in the amount of KZT 2,055,184 thousand or 29% of the total cash and cash equivalents placed with Bank CenterCredit JSC (as at 31 December 2016: KZT 9,674,581 thousand or 32% of the total amount of cash and cash equivalents placed with Tsesnabank JSC).

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2017	*2016*
Loans to the second tier banks	**27,878,059**	26,053,315
Less allowance for impairment	**(6,206,647)**	–
Amounts due from credit institutions	**21,671,412**	26,053,315

As at 31 December 2017, due from credit institutions include loans in Tenge issued by Bank RBK JSC, Bank of Astana JSC, Halyk Bank Kazakhstan JSC, Qazaq Banki JSC, Eurasian Bank JSC and Tsesnabank JSC for lending to agroindustrial complex facilities, with maturity of up to 2026 and interest rates of 4.0 to 12.5% per annum (at 31 December 2016: of 8.0 to 12.5% per annum and maturity of up to 2023).

(in thousands of tenge)

6. Amounts due from credit institutions (continued)

The movements in allowance for impairment of amounts due from credit institutions were as follows:

	2017	*2016*
At 1 January	–	(64,323)
(Charge)/decrease for the year	**(6,206,647)**	64,323
At 31 December	**(6,206,647)**	–

7. Loans to customers

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

	2017	*2016*
Loans to legal entities	**148,768,887**	119,156,959
Loans to individuals	**42,129,728**	41,650,122
	190,898,615	160,807,081
Less allowance for impairment	**(27,343,153)**	(25,081,883)
Loans to customers	**163,555,462**	135,725,198

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers is as follows:

	2017	*2016*
At 1 January	**(25,081,883)**	(19,712,568)
Charge for the year	**(2,611,967)**	(6,629,690)
Write-off	**350,697**	1,260,375
At 31 December	**(27,343,153)**	(25,081,883)
Individual impairment	**(24,815,986)**	(22,878,924)
Collective impairment	**(2,527,167)**	(2,202,959)
Total allowance for impairment of loans to customers	**(27,343,153)**	(25,081,883)
Total amount of loans, individually determined as impaired, before deduction of provision for impairment	**33,896,339**	31,269,087

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 real estate properties, inventory and receivables, guarantees and securities;
- For retail lending, charges over residential properties and other assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment. In 2017, the loss of KZT 11,304,161 thousand (2016: KZT 8,016,394 thousand) resulting from recognition of fair values of loans granted to customers in 2017 at below market rate, which were financed by the Shareholder, was recognized within equity as increase in the provision for notional distribution *(Note 19)*.

Individually assessed loans

Interest income accrued on assets, individually determined as impaired, for the year ended 31 December 2017, amounted to KZT 985,179 thousand (in 2016: 1,155,482 thousand tenge).

Concentration of loans issued to customers

As at 31 December 2017, the Company had a concentration of loans represented by KZT 25,130,056 thousand due from the ten largest borrowers or 13% of gross loan portfolio (31 December 2016: KZT 26,120,148 thousand or 15% of gross loan portfolio).

(in thousands of tenge)

8. Held-to-maturity investment securities

As at 31 December 2017, investment securities held to maturity are presented by discount notes of the NBRK with the carrying amount of KZT 51,175,874 thousand (as at 31 December 2016: KZT 23,306,474 thousand) and with maturity in 2018 (31 December 2016: in 2017).

9. Investment property

Below is movement of investment property items:

	Buildings
Initial cost	
At 31 December 2015	426,300
Proceeds	–
At 31 December 2016	426,300
Proceeds	–
At 31 December 2017	**426,300**
Amortisation charge	
At 31 December 2015	(66,727)
Accrued amortisation	(10,942)
At 31 December 2016	(77,669)
Accrued amortisation	**(10,937)**
At 31 December 2017	**(88,606)**
Carrying amount	
At 31 December 2016	348,631
At 31 December 2017	**337,694**

Income from lease of investment property amounted to KZT 51,792 thousand in 2017 (2016: KZT 53.825 thousand).

10. Property and equipment

The movements in property and equipment were as follows:

	Land	*Machinery and equipment*	*Vehicles*	*Other*	*Total*
Cost					
At 31 December 2015	5,397	256,437	56,548	93,467	411,849
Transfers	–	20,453	–	(20,453)	–
Additions	–	11,079	–	9,246	20,325
Disposals	–	(7,224)	–	(2,102)	(9,326)
At 31 December 2016	5,397	280,745	56,548	80,158	422,848
Proceeds	–	**31,323**	**62,200**	**13,165**	**106,688**
Disposals	–	**(49)**	**(12,560)**	**(1,708)**	**(14,317)**
At 31 December 2017	**5,397**	**312,019**	**106,188**	**91,615**	**515,219**
Accumulated depreciation					
At 31 December 2015	–	(99,467)	(21,325)	(46,299)	(167,091)
Transfers	–	(13,647)	–	13,647	–
Accrued amortisation	–	(40,803)	(5,655)	(9,763)	(56,221)
Disposals	–	7,151	–	1,682	8,833
At 31 December 2016	–	(146,766)	(26,980)	(40,733)	(214,479)
Accrued amortisation	–	**(44,638)**	**(17,762)**	**(7,158)**	**(69,558)**
Disposals	–	**36**	**9,425**	**1,413**	**10,874**
At 31 December 2017	–	**(191,368)**	**(35,317)**	**(46,478)**	**(273,163)**
Carrying amount					
At 31 December 2016	5,397	133,979	29,568	39,425	208,369
At 31 December 2017	**5,397**	**120,651**	**70,871**	**45,137**	**242,056**

(in thousands of tenge)

11. Intangible assets

The movements in intangible assets were as follows:

	Software
Cost	
At 31 December 2015	473,078
Proceeds	71,672
Disposals	(9,097)
At 31 December 2016	535,653
Additions	**104,164**
Disposals	**(24,067)**
At 31 December 2017	**615,750**
Accumulated depreciation	
At 31 December 2015	(297,831)
Accrued amortisation	(53,238)
Disposals	9,097
At 31 December 2016	(341,972)
Accrued amortisation	**(66,886)**
Disposals	**24,067**
At 31 December 2017	**(384,791)**
Carrying amount	
At 31 December 2016	193,681
At 31 December 2017	**230,959**

For the year ended 31 December 2017, proceeds include an intangible asset in the amount of KZT 45,000 thousand, which was transferred on 2 May 2017 from other assets due to its commissioning.

12. Other assets

As at 31 December 2017 and 2016, other assets comprise:

	2017	*2016*
Repossessed collateral	–	332,094
Trade receivables	**564,672**	365,959
Deferred expenses	**68,983**	63,890
Other assets	**10,178**	60,834
Total other assets before allowance for impairment	**643,833**	822,777
Less allowance for impairment of other assets	**(19,521)**	(27,251)
Other assets	**624,312**	795,526

As at 31 December 2016, forfeited pledge comprise real estate that was collected by the Company from borrowers who failed to meet the obligations to repay a loan to the Company. In 2017, the Company reclassified these assets to assets held for sale.

(in thousands of tenge)

13. Due to the Shareholder

As at 31 December 2017 and 2016, amounts due to the Shareholder comprised:

	Maturity	*Nominal interest rate per a year, %*	*Currency*	*At 31 December 2017*	*At 31 December 2016*
Investment loan under contract No. 36	30 December 2023	1.02%	Tenge	**7,065,853**	8,493,793
The loan under contract No. 61	24 August 2032	0.32%	Tenge	**2,472,133**	–
The loan under contract No. 148	10 December 2019	9.00%	Tenge	**3,001,640**	4,324,784
The loan under contract No. 124	1 January 2023	10.00%	Tenge	**322,289**	399,868
The loan under contract No. 70	13 October 2024	0.32%	Tenge	**731,052**	–
The loan under contract No. 148	10 December 2019	1.00%	Tenge	**152,186**	143,259
Due to the Shareholder				**13,745,153**	13,361,704

Investment loan under contract No. 36

As at 31 December 2017 and 2016, due to the Shareholder includes the amount due under the Framework Loan Agreement No. 36 dated 18 May 2009. In accordance with this Agreement, the Company obtained an investment loan to develop, expand and modify production in agricultural sector. Effective interest rates for tranches obtained under this agreement are 4.5%-6.19% per year.

The loan under contract No. 61

On 24 August 2017 the Company entered into Lending Agreement No. 61 with the Shareholder. Effective interest rate for tranches obtained under this agreement is 8.37% per year. The loan is intended to direct funds to the agricultural entities for the implementation of a set of measures aimed at creation, expansion and modernisation of material production, production infrastructure in the agricultural sector.

The loan under contract No. 148

On 10 December 2012 the Company entered into 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 as part of this agreement before 1 January 2015 have a nominal interest rate of 1.0% per annum.

On 11 February 2016 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 9.00% per annum. Effective interest rates for tranches obtained under Framework Loan Agreement No. 148 are 9.63%-11.63% per annum.

The loan under contract No. 124

On 23 December 2015 the Company entered into Lending Agreement No. 124 with the Shareholder. The initial amount of the loan was KZT 591,108 thousand. Effective interest rate for tranches obtained under this agreement is 9.63% per year. 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 PPE and construction, as well as to refinance the debts incurred in connection with obtaining a loan/lease for the above purposes.

The loan under contract No. 70

On 13 October 2017 the Company entered into Lending Agreement No. 70 with the Shareholder. The amount under the Agreement is KZT 5,000,000 thousand at the rate of attraction of 0.32% per annum. The loan is intended for crediting of credit cooperatives and leasing companies for the subsequent financing of agricultural entities for the purchase of a new trailed and mounted tillage, forage equipment, equipment for processing and drying agricultural crops, equipment for animal husbandry of domestic production. The effective interest rate on the loan is 8.6% per annum.

As at 31 December 2017 and 2016, there are no obligations to comply with financial covenants related to payables to the Shareholder.

(in thousands of tenge)

14. Due to credit institutions

	Maturity	*Nominal interest rate per a year, %*	*Currency*	*At 31 December 2017*	*At 31 December 2016*
Bank Center Credit JSC	31 July 2018	12%	Tenge	**1,515,288**	–
Amounts due from credit institutions				**1,515,288**	–

On 26 October 2017 and 31 October 2017, the Company received short-term loans from Bank CenterCredit JSC for the total amount of 1,500,000 thousand tenge with maturity until 26 July 2018 and 31 July 2018 within the framework of the concluded Agreement on the establishment of the credit limit No. 10A/2016/U/S/06260 dated 18 November 2016. The crediting rate for these borrowed funds was 12% per annum.

15. Debt securities issued

As at 31 December 2017 and 2016, debt securities issued comprise:

	Maturity	*Rate per a year, %*	*Currency*	*At 31 December 2017*	*At 31 December 2016*
Fixed income bonds (1st issue of the 3d bond Programme)	30 December 2021	8.5%	Tenge	**23,835,996**	23,818,987
Fixed income bonds (2nd issue of the 2nd bond programme)	17 December 2022	8.0%	Tenge	**17,819,148**	17,753,589
Fixed income bonds (1st issue of the 2nd bond programme)	20 February 2023	8.5%	Tenge	**10,105,772**	10,076,044
Commercial bonds with fixed income	13 September 2018	11%	Tenge	**10,091,667**	–
Fixed income bonds (2nd issue of the 3d bond programme)	22 June 2026	14%	Tenge	**5,015,395**	–
Debt securities issued				66,867,978	51,648,620

During 2017, the Company placed 2 issue bonds of the third bond program with the total nominal cost of KZT 5,000,000 thousand. The bonds were placed by the Company at KASE and were fully acquired by the Shareholder.

On 13 December 2017, the Company placed short-term commercial bonds with a total nominal value of KZT 10,000,000 thousand on the organised market with maturity until 13 September 2018.

16. Due to state and budget organizations

Program for the development of productive employment and mass entrepreneurship for 2017-2021

During 2017, the Company entered into seventeen loan agreements with local executive bodies within the framework of the Program for the development of productive employment and mass entrepreneurship for 2017-2021, approved by the Decree of the Government of the Republic of Kazakhstan No. 919 dated 29 December 2016. The total amount of funds received is 12,731,936 thousand tenge with nominal interest rates of 0.01% per annum. Effective interest rates on loans are 8.9% per annum. The loans are intended for funding microfinance institutions and credit cooperatives for crediting business projects under the Program. As at 31 December 2017, the amount due from the Company within the framework of this Program is KZT 7,464,102 thousand (31 December 2016: 0).

Employment Roadmap 2020

In August 2016, the Company entered into two loan agreements with the State Institution "Administration of entrepreneurship, industrial-innovative development and tourism of the South-Kazakhstan oblast" and akimat of the Almaty oblast within the framework of the implementation of the Roadmap 2020 approved by the Decree of the Government of the Republic of Kazakhstan No. 162 dated 31 March 2015. The funds received under the above agreements have effective interest rates on loans of 13.3% per annum and nominal interest rates of 0.01% per annum. The loans are intended for ensuring sustainable and balanced growth of regional entrepreneurship in rural areas for 2016-2017, as well as to support existing and create new permanent jobs within the framework of the Employment Roadmap 2020. As at 31 December 2017 the amounts due from the Company on these agreements is KZT 2,427,065 thousand (31 December 2016: 2,192,352 thousand tenge).

(in thousands of tenge)

17. Other liabilities

As at 31 December 2017 and 2016, other liabilities comprise:

	2017	*2016*
Obligations under the cession agreement	**1,282,221**	–
Subsidizing of interest rates by the Ministry of Agriculture of the Republic of Kazakhstan as part of the program to support agriculture	**854,272**	353,077
Accounts payable	**79,800**	101,236
Salary and taxes payable	**6,924**	85,153
Liabilities on pension and social deductions	**10,294**	28,492
Other	**74,123**	54,605
Other liabilities	**2,307,634**	622,563

As at 31 December 2017 and 2016, other liabilities of the Company include amounts received from the Ministry of Agriculture of the Republic of Kazakhstan to reimburse the subsidized portion of interest on loans granted to customers for the acquisition of farm animals under budget program 056 "Subsidizing interest rates on loans, and leasing of technological equipment and agricultural machinery".

The Company's obligations under the cession agreement are represented by the amount due arising under the assignment of claim agreement dated 22 December 2017, concluded between the Company, KazMeat LLP and KazAgroProduct JSC. As a result of the transaction, the Company recognised a loss in the amount of KZT 1,166,025 thousand as part of other expenses. In accordance with the agreements above, the Company received the right for claim to the borrowers KazBeef Ltd LLP and Shchuchinsk Gormolzavod LLP with the fair value of KZT 113,714 thousand.

18. Taxation

The corporate income tax expenses comprise:

	2017	*2016*
Current corporate income tax expense	**(856,295)**	(640,884)
Deferred corporate income tax expense	**(548,530)**	(185,969)
Corporate income tax expenses	**(1,404,825)**	(826,853)

	2017	*2016*
Deferred corporate income tax recognised in the income statement	**(548,530)**	(185,969)
Deferred corporate income tax recognised in equity	**833,975**	1,218,234
Change in deferred corporate income tax	**285,445**	1,032,265

As at 31 December 2017, current corporate income tax assets of the Company comprised KZT 39,453 thousand (as at 31 December 2016: KZT 205,713 thousand). Kazakhstan legal entities are obliged to submit tax declarations individually. Corporate income tax rate for the Company was 20.0% in 2017 and 2016.

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

	2017	*2016*
Profit before corporate income tax expense	**8,387,634**	3,747,885
Statutory corporate income tax rate	**20%**	20%
Corporate income tax expenses at the statutory rate	**(1,677,526)**	(749,577)
Non-taxable income / (non-deductible expenses)	**272,701**	(77,276)
Corporate income tax expenses	**(1,404,825)**	(826,853)

(in thousands of tenge)

18. Taxation (continued)

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

	2015	Origination and reversal of temporary differences: In the income statement	Origination and reversal of temporary differences: Within equity	2016	Origination and reversal of temporary differences: In the income statement	Origination and reversal of temporary differences: Within equity	2017
Tax effect of deductible temporary differences							
Loans to customers	809,770	(341,503)	1,603,279	2,071,546	**(777,753)**	**2,260,832**	**3,554,625**
Allowance for accounts receivable	–	24,323	–	24,323	**(6,287)**	**–**	**18,036**
Short-term accrued liabilities	30,577	3,632	–	34,209	**11,130**	**–**	**45,339**
Deferred corporate income tax assets	840,347	(313,548)	1,603,279	2,130,078	**(772,910)**	**2,260,832**	**3,618,000**
Tax effect of taxable temporary differences							
Due to the Shareholder	(352,621)	98,977	(21,531)	(275,175)	**91,316**	**(319,109)**	**(502,968)**
Due to state and budget organizations	–	23,981	(363,514)	(339,533)	**128,107**	**(1,107,748)**	**(1,319,174)**
Property and equipment and intangible assets	(60,704)	4,621	–	(56,083)	**4,957**	**–**	**(51,126)**
Deferred corporate income tax liabilities	(413,325)	127,579	(385,045)	(670,791)	**224,380**	**(1,426,857)**	**(1,873,268)**
Net deferred corporate income tax asset	427,022	(185,969)	1,218,234	1,459,287	**(548,530)**	**833,975**	**1,744,732**

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

	2017	*2016*
By assets	**2,260,832**	1,603,279
By liabilities	**(1,426,857)**	(385,045)
CIT benefit recognised in equity	**833,975**	1,218,234

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. Deferred corporate income tax assets are decreased to the extent that it is no longer probable that a respective tax benefit will be realized.

19. Equity

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

	Number of shares (pieces)	*Cost of placement (in Tenge)*	*Total*
At 31 December 2015	94,227,371		94,227,371
Increase in share capital	64,403,000	1,000	64,403,000
At 31 December 2016	158,630,371		158,630,371
At 31 December 2017	**158,630,371**		**158,630,371**

On 5 March 2016, the Company's Shareholder approved a decision to issue 23,150,000 common shares. This issue was registered by the National Bank of the Republic of Kazakhstan on 25 March 2016.

On 30 September 2016, in accordance with the decision of the Shareholder, the Company's share capital was increased by 41,253,000 common shares. This issue was registered by the National Bank of the Republic of Kazakhstan on 26 October 2016.

As at 31 December 2017 authorised and outstanding common shares of the Company in the amount of 158,630,371 pieces (at 31 December 2016: 158.630.371 shares) were fully paid by the sole Shareholder at the placement value of 1 thousand tenge per common share.

(in thousands of tenge)

19. Equity (continued)

In 2016, in accordance with the decision of the sole Shareholder dated 27 May 2016, the Company declared and paid dividends in the amount of KZT 542,664 thousand or KZT 5.76 per one common share for the year ended 31 December 2015.

In 2017, in accordance with the decision of the sole Shareholder dated 26 May 2017, the Company 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 capital is created for general risks including future losses and other unforeseen risks and obligations.

Presented below is movement in items of additional paid-in capital and provisions for the years ended 31 December 2017 and 2016:

	Reserve capital	*Additional paid-in capital*	*Provision for deemed distribution*
At 31 December 2015	1,086,111	5,291,347	(8,594,957)
Reserve for notional distribution for the year *(Note 7)*	–	–	(8,016,394)
Tax effect of recognition of reserve for notional distribution *(Note 18)*	–	–	1,603,279
Income from initial recognition of loans from the Shareholder and state institutions at fair value	–	1,925,226	–
Gain on initial recognition of loans from the Shareholder and state institutions at fair value *(Note 18)*	–	(385,045)	–
Increase of the reserve capital against the retained earnings	–	–	–
At 31 December 2016	1,086,111	6,831,528	(15,008,072)
Provision for notional distribution for the year *(Note 7)*	–	–	**(11,304,161)**
Tax effect of recognition of provision for notional distribution *(Note 18)*	–	–	**2,260,832**
Income from initial recognition of loans from the Shareholder and state institutions at fair value	–	**7,134,283**	–
Tax effect from initial recognition of loans from the Shareholder and state institutions at fair value *(Note 18)*	–	**(1,426,857)**	–
Increase of the reserve capital against the retained earnings	**1,460,516**	–	–
At 31 December 2017	**2,546,627**	**12,538,954**	**(24,051,401)**

As at 31 December 2017, book value per one common share calculated in accordance with Kazakhstan Stock Exchange methodology is KZT 960.27 (31 December 2016: KZT 946.72):

	2017	*2016*
Assets	**247,112,593**	218,368,572
Less intangible assets	**(230,959)**	(193,681)
Less liabilities	**(94,553,915)**	(67,996,284)
Net assets	**152,327,719**	150,178,607
Number of common shares as at 31 December, pieces	**158,630,371**	158,630,371
Book value per common share, tenge	**960,27**	946,72

(in thousands of tenge)

20. Personnel and other operating expenses

Personnel and other operating expenses comprise the following:

	2017	*2016*
Personnel expenses and other payments	**(1,917,765)**	(1,775,971)
Social security costs	**(191,865)**	(174,610)
Personnel expenses	**(2,109,630)**	(1,950,581)
Legal and advisory services	**(433,241)**	(296,281)
Premises rent and maintenance	**(373,369)**	(343,270)
Depreciation and amortisation *(Notes 9, 10, 11)*	**(147,381)**	(120,402)
Marketing and advertising	**(95,176)**	(99,579)
Business trip expenses	**(66,082)**	(58,450)
Expenses relate to the assessment of collateral	**(56,980)**	(47,678)
Materials including fuels and lubricants	**(46,405)**	(41,090)
Maintenance of property and equipment	**(38,268)**	(46,545)
Insurance expenses	**(32,581)**	(34,276)
Charity and sponsorship	**(26,935)**	(26,558)
Communication	**(23,872)**	(23,835)
Training of personnel	**(21,308)**	(12,973)
Bank services	**(11,561)**	(6,001)
State duty	**(5,612)**	(45,941)
Other	**(134,132)**	(85,778)
Other operating expenses	**(1,512,903)**	(1,288,657)

21. Commitments and contingencies

Credit related commitments

As at 31 December 2017 the Company's commitments and contingencies comprised the following:

	2017	*2016*
Credit related commitments		
Undrawn loan commitments	**38,118,487**	57,184,942
Operating lease commitments		
Not later than 1 year	**12,943**	9,551
Commitments and contingencies	**38,131,430**	57,194,493

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. Contingencies to extend loans do not represent unconditional obligations of the Company.

Undrawn credit lines

Agreements on loan commitments provide for the right of the Company to unilaterally withdraw from the agreement in the event of occurrence of adverse conditions for the Company, as well as in the event of absence of resources for lending.

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 Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2017, low prices for crude oil and the volatility of the tenge's exchange rate against major foreign currencies continued to have a negative impact on the Kazakhstan economy.

The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

21. Commitments and contingencies (continued)

Taxation

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

As at 31 December 2017 and 2016, management of the Company believes that its interpretation of the legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

Legal 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.

22. Risk management

Introduction

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

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

Risk management structure

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

Board of Directors

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

Management Board

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

Control of risks

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

Treasury department

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

Internal audit function

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

(in thousands of tenge)

22. Risk management (continued)

Introduction (continued)

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.

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. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. 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 maximum exposure to credit risk for the components of the statement of financial position before the influence of risk mitigation through the use of master netting agreements and collateral agreements is most accurately reflected by their carrying amounts.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Company's internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Company's credit rating system. Loans to borrowers with good financial position and no overdue payments are defined as standard. In the event of a number of impairment factors, including overdue payments of more than 90 days on a collective basis, these loans are included in the category of "overdue but not impaired individually".

At 31 December 2017	*Standard grade*	*Past due, but not individually impaired*	*Individually impaired*	*Total*
Cash and cash equivalents less cash on hand	**7,046,961**	**–**	**–**	**7,046,961**
Amounts due from credit institutions	**10,914,277**	**–**	**16,963,782**	**27,878,059**
Held-to-maturity investment securities	**51,175,874**	**–**	**–**	**51,175,874**
Loans to customers	**141,655,678**	**15,346,598**	**33,896,339**	**190,898,615**
Total	**210,792,790**	**15,346,598**	**50,860,121**	**276,999,509**

(in thousands of tenge)

22. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

At 31 December 2016	*Standard grade*	*Past due, but not individually impaired*	*Individually impaired*	*Total*
Cash and cash equivalents less cash on hand	30,072,378	–	–	30,072,378
Amounts due from credit institutions	26,053,315	–	–	26,053,315
Held-to-maturity investment securities	23,306,474	–	–	23,306,474
Loans to customers	90,051,824	39,486,170	31,269,087	160,807,081
Total	169,483,991	39,486,170	31,269,087	240,239,248

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products.

Ageing analysis of past due but not impaired loans

As at 31 December 2017 and 2016, past due but not impaired individual loans are presented as follows:

Loans to customers	*Less than 30 days*	*31-60 days*	*61-90 days*	*More than 90 days*	*Total*
At 31 December 2017	**4,240,673**	**2,086,991**	**567,444**	**8,451,490**	**15,346,598**
At 31 December 2016	24,140,706	5,742,253	1,777,233	7,825,978	39,486,170

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Collectively assessed allowance

Allowances are assessed collectively for impairment of loans that are not individually significant and provisions for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the expected delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company's overall policy.

Liquidity risk and funding management

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

(in thousands of tenge)

22. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2017 and 2016, based on contractual undiscounted payments.

At 31 December 2017	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Due to the Shareholder	**94,334**	**453,949**	**10,311,951**	**6,453,622**	**17,313,856**
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**
Due to state and state-financed 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**

At 31 December 2016	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Due to the Shareholder	582,929	3,163,524	12,000,979	–	15,747,432
Debt securities issued	425,000	3,829,683	39,958,732	30,914,570	75,127,985
Due to state and state-financed organizations	–	589	3,891,213	–	3,891,802
Total undiscounted financial liabilities	1,007,929	6,993,796	55,850,924	30,914,570	94,767,219

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.

Foreign 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 the Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive trading monetary assets). The effect on equity does not differ from the effect on the income statement. All other parameters are held constant. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

	2017		*2016*	
Currency	*Change in currency rate in %*	*Effect on profit before tax*	*Change in currency rate in %*	*Effect on profit before tax*
US dollars	**+10.00%**	–	+13.00%	798
US dollars	**-10.00%**	–	-13.00%	(798)

Operational risk

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

(in thousands of tenge)

23. Changes in liabilities arising from financing activities

	Note	*Due to the Shareholder*	*Due to credit institutions*	*Debt securities issued*	*Due to state and state-financed organisations*	*Total liabilities from financing activities*
Carrying amount as at 31 December 2015		27,360,358	–	27,742,150	19,942	55,122,450
Proceeds from issuance	14	45,519,031	–	22,826,050	3,890,000	72,235,081
Repayment		(59,739,473)	–	–	(19,810)	(59,759,283)
Discount on initial recognition of liabilities at fair value	19	(135,357)	–	–	(1,789,869)	(1,925,226)
Other		357,145	–	1,080,420	92,089	1,529,654
Carrying amount as at 31 December 2016		13,361,704	–	51,648,620	2,192,352	67,202,676
Proceeds from issuance	14	**4,924,242**	**1,500,000**	**14,997,895**	**12,731,935**	**34,154,072**
Repayment		**(3,336,264)**	**–**	**–**	**(134,967)**	**(3,471,231)**
Discount on initial recognition of liabilities at fair value	19	**(1,501,950)**	**–**	**–**	**(5,632,333)**	**(7,134,283)**
Other		**297,421**	**15,288**	**221,463**	**734,180**	**1,268,352**
Carrying value as at 31 December 2017		**13,745,153**	**1,515,288**	**66,867,978**	**9,891,167**	**92,019,586**

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

24. Fair value of financial instruments

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

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

(in thousands of tenge)

24. 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*
At 31 December 2017					
Assets for which fair value is 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**
Held-to-maturity investment securities	31 December 2017	**51,175,874**	–	–	**51,175,874**
Other financial assets	31 December 2017	–	–	**545,151**	**545,151**
Liabilities for which fair values are disclosed					
Due to credit institutions	31 December 2017	–	**1,448,683**	–	**1,448,683**
Due to the Shareholder	31 December 2017	–	**12,417,053**	–	**12,417,053**
Debt securities issued	31 December 2017	**63,945,176**	–	–	**63,945,176**
Due to state and state-financed organizations	31 December 2017	–	**10,428,072**	–	**10,428,072**
Other financial liabilities	31 December 2017	–	**1,647,626**	**1,025,413**	**2,673,039**
At 31 December 2016					
Assets for which fair value is disclosed					
Cash and cash equivalents	31 December 2016	30,072,378	–	–	30,072,378
Amounts due from credit institutions	31 December 2016	–	20,167,315	–	20,167,315
Loans to customers	31 December 2016	–	–	116,381,309	116,381,309
Held-to-maturity investment securities	31 December 2016	23,306,474	–	–	23,306,474
Other financial assets	31 December 2016	–	–	367,458	367,458
Liabilities for which fair values are disclosed					
Due to the Shareholder	31 December 2016	–	11,061,781	–	11,061,781
Debt securities issued	31 December 2016	52,046,590	–	–	52,046,590
Due to state and state-financed organizations	31 December 2016	–	2,474,733	–	2,474,733

(in thousands of tenge)

24. 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. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value	*Fair values*	*Unrecognised gain/(loss)*
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)**
Held-to-maturity investment securities	**51,175,874**	**51,175,874**	**–**
Other financial assets	**545,151**	**545,151**	**–**
Financial liabilities			
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**
Due to state and budget organisations	**9,891,167**	**10,428,072**	**(536,905)**
Other financial liabilities	**2,307,634**	**2,673,039**	**(365,405)**
Total unrecognised change in unrealised fair value			**(25,859,163)**
At 31 December 2016			
Financial assets			
Cash and cash equivalents	30,072,378	30,072,378	–
Amounts due from credit institutions	26,053,315	20,167,315	(5,886,000)
Held-to-maturity investment securities	23,306,474	23,306,474	–
Loans to customers	135,725,198	116,381,309	(19,343,889)
Other financial assets	365,959	367,458	1,499
Financial liabilities			
Due to the Shareholder	13,361,704	11,061,781	2,299,923
Debt securities issued	51,648,620	52,046,590	(397,970)
Due to state and budget organisations	2,192,352	2,474,733	(282,381)
Total unrecognised change in unrealised fair value			(23,608,817)

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

Assets for which fair value approximates carrying value

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

Fixed and variable rate financial instruments

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

(in thousands of tenge)

25. 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.

	2017			*2016*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	7,046,982	–	7,046,982	30,072,378	–	30,072,378
Amounts due from credit institutions	4,056,828	17,614,584	21,671,412	6,968,241	19,085,074	26,053,315
Loans to customers	67,193,683	96,361,779	163,555,462	39,920,242	95,804,956	135,725,198
Assets held for sale	443,657	–	443,657	–	–	–
Held-to-maturity investment securities	51,175,874	–	51,175,874	23,306,474	–	23,306,474
Investment property	–	337,694	337,694	–	348,631	348,631
Property and equipment	–	242,056	242,056	–	208,369	208,369
Intangible assets	–	230,959	230,959	–	193,681	193,681
Current corporate income tax assets	39,453	–	39,453	205,713	–	205,713
Deferred corporate income tax assets	–	1,744,732	1,744,732	–	1,459,287	1,459,287
Other assets	388,312	236,000	624,312	511,609	283,917	795,526
Total assets	130,344,789	116,767,804	247,112,593	100,984,657	117,383,915	218,368,572
Financial liabilities						
Due to the Shareholder	294,353	13,450,800	13,745,153	3,400,560	9,961,144	13,361,704
Amounts due to credit institutions	1,515,288	–	1,515,288	–	–	–
Debt securities issued	11,455,414	55,412,564	66,867,978	1,346,247	50,302,373	51,648,620
Due to state and budget organizations	69	9,891,098	9,891,167	217	2,192,135	2,192,352
Short-term accrued liabilities	226,695	–	226,695	171,045	–	171,045
Other liabilities	1,025,413	1,282,221	2,307,634	622,563	–	622,563
Total liabilities	14,517,232	80,036,683	94,553,915	5,540,632	62,455,652	67,996,284
Net position	115,827,557	36,731,121	152,558,678	95,444,025	54,928,263	150,372,288

26. 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.

(in thousands of tenge)

26. Related party transactions (continued)

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

	2017			2016		
	Shareholder	*Entities under common control*	*State and budget organiza-tions*	*Shareholder*	*Entities under common control*	*State and budget organiza-tions*
Loans obtained at 1 January	**13,361,704**	–	**2,192,352**	27,360,358	–	19,942
Loans obtained	**4,924,242**	–	**12,731,935**	45,519,031	–	3,890,000
Loans repaid	**(3,336,264)**	–	**(134,967)**	(59,739,473)	–	(19,810)
Other differences	**(1,204,529)**	–	**(4,898,153)**	221,788	–	(1,697,780)
Loans obtained at 31 December	**13,745,153**	–	**9,891,167**	13,361,704	–	2,192,352
Debt securities issued at 1 January	**50,830,831**	**797,174**	–	26,924,361	797,174	–
Debt securities placed	**4,997,895**	–	–	22,826,050	–	–
Other differences	**129,796**	–	–	1,080,420	–	–
Debt securities issued at 31 December	**55,958,522**	**797,174**	–	50,830,831	797,174	–
Other liabilities at 31 December	–	**1,282,221**	–	–	–	–
Interest expenses on loans received	**(950,193)**	–	**(641,611)**	(1,552,760)	–	(120,111)
Interest expense on debt securities issued	**(4,587,529)**	**(63,583)**	–	(3,506,825)	(63,583)	–
Interest expenses on other liabilities	–	**(2,482)**	–	–	–	–

Loans received from the Shareholder as at 31 December 2017 have effective interest rates from 4.5% to 11.63% per annum (as at 31 December 2016: from 4.5% to 11.63% per annum).

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

Compensation to the key management personnel

Key management personnel in 2017 and 2016 consisted of 5 persons. Compensation of key management personnel comprised of the following:

	2017	*2016*
Salaries and other short-term benefits	**88,494**	78,032
Social security contributions	**9,167**	8,072
Total key management personnel compensation	**97,661**	86,104

27. 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 2017 and 2016 the Company had complied in full with all its externally imposed capital requirements.

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

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

(in thousands of tenge)

27. Capital adequacy (continued)

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 2017 and 31 December 2016 the capital adequacy ratios of the Company calculated in accordance with the requirements of the NBRK were as follows:

	2017	*2016*
Tier 1 capital	**145,409,627**	147,334,428
Tier 2 capital	**6,982,809**	2,921,032
Total capital	**152,392,436**	150,255,460
Risk weighted assets	**193,652,341**	192,931,226
Commitments and contingencies	**19,059,244**	28,592,471
Operational risk	**10,867,218**	6,413,201
Capital adequacy ratio (k1)	**58.8%**	67.5%
Capital adequacy ratio (k1-2)	**68.4%**	66.5%
Capital adequacy ratio (k1-3)	**68.2%**	65.9%

28. Subsequent events

On 22 January 2018, the Company signed a Loan agreement No. 9ПРЧ0906 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%. Financing under this Loan agreement was received in full on 25 January 2018 for the purpose to support agro-industrial complex entities.