KazAgroFinance Joint Stock Company

Financial Statements

for 2021
and Independent Auditors' Report

Table of content

KPMG

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Independent Auditors' Report

To the Board of Directors of KazAgroFinance JSC

Opinion

We have audited the financial statements of KazAgroFinance JSC (the "Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Expected credit losses (ECL) for loans to customers and finance lease receivables

Please refer to the Notes 8 and 9 in the financial statements.

Key audit matter	How the matter was addressed in our audit
Loans to customers and finance lease receivables represent 81% of total assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used. The Company applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas: – timely identification of significant increase in credit risk and default events related to loans to customers and finance lease receivables (allocation between stages 1, 2 and 3 in accordance with IFRS 9); – assessment of probability of default (PD) and loss given default (LGD); – expected cash flows forecast for loans to customers and finance lease receivables, which are credit-impaired. Due to the significant volume of loans to customers and finance lease receivables and related estimation uncertainty, this area is a key audit matter.	We analysed the key aspects of the Company's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, including involvement of financial risks management specialists. To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, we performed the following audit procedures: — For a sample of loans to customers and finance lease receivables, we tested the correctness of data inputs for PD, LGD and EAD calculation, and timely recording of overdue days and repayments by agreeing input data to supporting documents on a sample basis. — For a sample of Stage 3 loans to customers and finance lease receivables, where the allowance for ECL is assessed on individual basis, we critically assessed assumptions used by the Company to forecast future cash flows, including estimated proceeds from realization of collateral and expected realization period based on our understanding of historical experience and publicly available market information. — Regarding loans to customers and finance lease receivables, for which the allowance for ECL is assessed collectively, we tested the design, implementation and operating effectiveness of controls over allocation of loans into credit risk stages. We also assessed whether the financial statements disclosures appropriately reflect the Company's exposure to credit risk.

Emphasis of Matter

We draw attention to Note 5 to the financial statements which describes that the comparative information presented as at and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other Matter Relating to Comparative Information

The financial statements of the Company as at and for the years ended 31 December 2020 and 31 December 2019 (from which the statement of financial position as at 31 January 2020 has been derived), excluding the adjustments described in Note 5 to the financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements on 1 March 2021.

As part of our audit of the financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2020 and 31 December 2019, other than with respect to the adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company for 2021 but does not include the financial statements and our auditors' report thereon. The Annual Report of the Company for 2021 year is expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

Madina Magomedova
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
№ МФ-0000594 of 24 May 2018

KPMG Audit LLC

State Licence to conduct audit #0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of its Charter

29 April 2022

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

(KZT thousand)

	Note	31 December 2021	31 December 2020 (restated)	December 2019 (restated)
Assets				
Cash and cash equivalents	6	**30.011.182**	12.235.576	20.580.665
Amounts due from credit institutions	7	**35.098.466**	39.618.524	8.451.527
Investment securities		**–**	–	11.179.190
Loans to customers	8	**21.720.408**	28.548.012	34.775.908
Finance lease receivables	9	**314.712.495**	256.753.398	225.208.374
Property held for finance lease	10	**3.001.248**	4.288.552	7.704.941
Assets held for sale		**–**	–	511.083
Current corporate income tax assets	17	**134.115**	134.115	134.137
Property, plant and equipment		**902.719**	939.426	463.556
Intangible assets		**491.984**	535.146	581.104
VAT and other taxes recoverable	11	**6.405.180**	6.127.673	6.137.493
Advances paid	12	**477.865**	1.254.879	5.597.916
Other assets		**389.959**	1.083.223	849.024
Total assets		**413.345.621**	351.518.524	322.174.918
Liabilities				
Amounts due to the Shareholder	13	**12.087.335**	53.444.325	54.136.402
Amounts due to credit institutions	14	**66.310.724**	63.549.227	75.934.329
Debt securities issued	15	**157.204.186**	98.237.807	65.384.934
Payables to suppliers	16	**5.778.126**	5.212.367	5.861.586
Deferred corporate income tax liabilities	17	**7.359.124**	1.800.269	754.648
Advances received	18	**5.471.667**	7.957.142	4.795.803
Deferred VAT liabilities	19	**8.817.626**	8.301.324	7.642.894
Other liabilities	20	**2.846.819**	1.487.935	1.965.997
Total liabilities		**265.875.607**	239.990.396	216.476.593
Equity				
Share capital	21	**82.837.204**	82.837.204	82.837.204
Additional paid-in capital	21	**56.818.898**	31.607.374	26.156.975
Reserve capital	21	**1.436.184**	1.436.184	1.436.184
Retained earnings/(accumulated losses)		**6.377.728**	(4.352.634)	(4.732.038)
Total equity		**147.470.014**	111.528.128	105.698.325
Total liabilities and equity		**413.345.621**	351.518.524	322.174.918
Book value per ordinary share (KZT)	21	**1.774,30**	1.339,89	1.268,96

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

Prashev Aidar Gilimovich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief Accountant

29 April 2022

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

(KZT thousand)

	Note	2021	2020
Interest income calculated using the effective interest rate			
Loans to customers		**2.363.188**	2.921.896
Cash and cash equivalents		**1.821.126**	1.805.450
Amounts due from credit institutions		**1.445.309**	1.174.765
		5.629.623	5.902.111
Other interest income			
Finance lease receivables		**41.366.107**	31.495.219
		41.366.107	31.495.219
Total interest income		**46.995.730**	37.397.330
Interest expense			
Debt securities issued		**(12.808.420)**	(9.345.315)
Amounts due to credit institutions		**(7.471.038)**	(6.996.262)
Amounts due to the Shareholder		**(2.670.052)**	(3.916.340)
Total interest expense		**(22.949.510)**	(20.257.917)
Net interest income		**24.046.220**	17.139.413
Credit loss expense	23	**(2.946.841)**	(4.276.299)
Net interest income after credit loss expense		**21.099.379**	12.863.114
Net foreign exchange gain		**208.972**	934.056
Other income	24	**683.784**	905.895
Personnel expenses	25	**(3.337.628)**	(3.088.197)
Other operating expenses	25	**(1.242.411)**	(1.226.587)
Other impairment losses and provisioning expenses	23	**(320.708)**	(526.872)
Net loss from modification of loans to customers and finance lease receivables non-resulting in derecognition		**(211.963)**	(272.265)
Non-interest expense		**(4.219.954)**	(3.273.970)
Profit before income tax benefit		**16.879.425**	9.589.144
Corporate income tax benefit	17	**422.320**	9.055
Profit for the year		**17.301.745**	9.598.199
Basic and diluted earnings per ordinary share (in tenge)	21	**208,86**	115,87

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

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

Prashev Aidar Gilimovich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief Accountant

29 April 2022

The notes set out on pages 7 to 50 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

(KZT thousand)

	Note	*2021*	*2020*
Profit for the year		**17.301.745**	9.598.199
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**17.301.745**	9.598.199

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

Prashev Aidar Gilimovich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief Accountant

29 April 2022

The notes set out on pages 7 to 50 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

(KZT thousand)

	Share capital	*Additional paid-in capital*	*Reserve capital*	*Provision for conditional distribution*	*(Accumulated loss)/retained earnings (restated)*	*Total*
Previously presented as at 31 December 2019	82.837.204	26.156.975	1.436.184	(9.605.611)	8.434.234	109.258.986
Reclassification of provision for notional distribution	–	–	–	9.605.611	(9.605.611)	–
Adjustment of retained earnings *(Note 5)*	–	–	–	–	(3.560.661)	(3.560.661)
As at 1 January 2020 (restated)	**82.837.204**	**26.156.975**	**1.436.184**	**–**	**(4.732.038)**	**105.698.325**
Total comprehensive income for the year	–	–	–	–	9.598.199	9.598.199
Gain on initial recognition of loans due to the Shareholder at below-market rates net of tax of KZT 1.362.600 thousand	–	5.450.399	–	–	–	5.450.399
Dividend declared *(Note 21)*	–	–	–	–	(9.210.964)	(9.210.964)
Loss on initial recognition of loans to customers issued at below-market rates	–	–	–	–	(7.831)	(7.831)
As at 31 December 2020 (restated)	**82.837.204**	**31.607.374**	**1.436.184**	**–**	**(4.352.634)**	**111.528.128**
Total comprehensive income for the year	–	–	–	–	**17.301.745**	**17.301.745**
Gain on initial recognition of loans received from the Shareholder at below-market rates net of tax of KZT 6.302.881 thousand *(Note 13)*	–	**25.211.524**	–	–	–	**25.211.524**
Dividend declared *(Note 21)*	–	–	–	–	**(6.718.739)**	**(6.718.739)**
Recovery of provision in relation to guarantee issued to the subsidiary of the Shareholder	–	–	–	–	**147.356**	**147.356**
At 31 December 2021	**82.837.204**	**56.818.898**	**1.436.184**	**–**	**6.377.728**	**147.470.014**

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

Prashev Aidar Gilimovich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief Accountant

29 April 2022

The notes set out on pages 7 to 61 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

(KZT thousand)

	Note	*2021*	*2020*
Cash flows from operating activities			
Interest received		**43.546.441**	34.644.097
Interest paid		**(18.824.307)**	(17.988.242)
Realised losses less foreign exchange gain		**(24.281)**	(153.657)
Personnel expenses paid		**(3.177.691)**	(3.074.683)
Other operating expenses paid		**(833.387)**	(968.500)
Other income received		**353.334**	317.304
Cash flows from operating activities before changes in operating assets and liabilities		**21.040.109**	12.776.319
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		**4.617.633**	(30.099.858)
Loans to customers		**6.394.306**	5.722.279
Finance lease receivables		**(56.452.915)**	(23.151.085)
VAT and other taxes recoverable		**(322.200)**	(220.041)
Advances paid		**(266.724)**	(1.083.739)
Other assets		**(103.868)**	(407.625)
Net increase/(decrease) in operating liabilities			
Advances received		**49.238**	1.930.735
Other liabilities		**978.362**	(762.353)
Net cash flows used in operating activities before corporate income tax		**(24.066.059)**	(35.295.368)
Corporate income tax paid		**(358.546)**	(305.966)
Net cash used in operating activities		**(24.424.605)**	(35.601.334)
Cash flows from investing activities			
Proceeds from sale of investment securities		–	11.180.024
Purchases of property, plant and equipment and intangible assets		**(209.735)**	(107.353)
Proceeds from sales of property, plant and equipment		**4.915**	6.837
Net cash (used in)/from investing activities		**(204.820)**	11.079.508
Cash flows from financing activities			
Proceeds from loans due to the Shareholder	30	**5.835.875**	20.000.000
Repayment of loans due to the Shareholder	30	**(15.782.396)**	(15.820.436)
Receipt of loans due to credit institutions	30	**18.917.333**	20.416.000
Repayment of loans due to credit institutions	30	**(16.883.249)**	(32.578.583)
Proceeds from debt securities issued	30	**65.000.000**	33.214.631
Repayment of debt securities issued	30	**(8.000.000)**	–
Dividends paid to the Shareholder	30	**(6.718.739)**	(9.210.964)
Net cash from financing activities		**42.368.824**	16.020.648
Effect of changes in exchange rates on cash and cash equivalents		**36.593**	155.787
Effect of movements in expected credit losses on cash and cash equivalents	23	**(386)**	302
Net (decrease)/increase in cash and cash equivalents		**17.775.606**	(8.345.089)
Cash and cash equivalents at the beginning of the year	6	**12.235.576**	20.580.665
Cash and cash equivalents at the end of the year	6	**30.011.182**	12.235.576
Non-cash transactions			
Offsetting of current corporate income tax assets against other tax liabilities		–	22

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

Prashev Aidar Gilimovich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief Accountant

29 April 2022

The notes set out on pages 7 to 61 form an integral part of these financial statements.

(KZT thousand)

1 Corporate information

KazAgroFinance Joint Stock Company (the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 1777 dated 24 November 1999 "On Certain Agricultural Issues", under Kazakhstan legislation. The Company carries out its activities based on the license No. 16 dated 31 March 2006 issued by the National Bank of the Republic of Kazakhstan (the "NBRK") for conducting operations provided for by the banking legislation of the RK. Besides, the Company has a status of a financial agency according to the Resolution of the NBRK No.195 dated 23 September 2006.

The Company's principal activities are as follows:

- leasing activity in the agro-industrial complex;
- lending to the agro-industrial complex;
- participation in implementation of the programmes funded from the national budget and other programmes aimed at development of the agro-industrial complex.

The Company's registered office is: 51 Kenesary Str., Nur-Sultan, Republic of Kazakhstan.

As at 31 December 2021, the Company has 15 registered branches throughout the Republic of Kazakhstan (31 December 2020: 16 registered branches in the Republic of Kazakhstan).

Before 18 March 2021, KazAgro National Management Holding Joint Stock Company owned 100% of the Company's shares. In accordance with section 52 of the National Action Plan for the Implementation of President of Kazakhstan's State of the Nation Address of 1 September 2020 "Kazakhstan in a New Reality: Time for Action," approved by the Decree No. 413 of the President of the Republic of Kazakhstan of 14 September 2020, a single development institution has been established through the merger of National Managing Holding Baiterek Joint Stock Company and KazAgro National Management Holding Joint Stock Company.

On 18 March 2021, 100% of the Company's shares were transferred to National Managing Holding Baiterek Joint Stock Company.

As at 31 December 2021, the Company's sole shareholder is National Managing Holding Baiterek JSC ("Baiterek" or the "Shareholder").

The Company's ultimate owner is the Government of the Republic of Kazakhstan.

Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

These financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The actual future business environment may differ from management's assessment.

2 Basis of preparation

General

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS').

The accompanying financial statements are prepared under the historical cost convention except as mentioned in Significant accounting policies.

The financial statements are presented in thousands of Kazakhstani tenge ('KZT thousand'), except per common share carrying amounts or unless otherwise indicated.

(KZT thousand)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value measurement

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities (without adjustments).
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Financial assets and liabilities

Initial recognition

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

The classification of financial assets at initial recognition depends on the contractual terms and business model used for managing instruments. Financial instruments are initially measured at fair value plus transaction costs.

Initial measurement

Measurement categories of financial assets and liabilities

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

- amortised cost:
- fair value through other comprehensive income (FVOCI);
- FVTPL.

The Company classifies and measures its derivative and trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

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

(KZT thousand)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement, continued

Amounts due from credit institutions, loans to customers, investment securities measured at amortised cost

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

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

These terms are detailed below.

Business model assessment

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

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model is evaluated and how this information is reported to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the expected frequency, volume and timing of sales are also important aspects of the Company's business model assessment.

Amounts due from credit institutions, loans to customers, investment securities measured at amortised cost

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

"Solely payments of principal and interest on the principal amount outstanding" test (SPPI test)

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

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

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

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

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

(KZT thousand)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

Debt instruments measured at FVOCI

The Company measures debt instruments at FVOCI, if both of the following conditions are met:

- the instrument is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets;
- contractual terms of the financial assets comply with the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ('OCI'). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Expected credit losses (ECL) on debt instruments at FVOCI will not decrease the carrying amount of these financial assets in the statement of financial position that continue to be measured at fair value. Instead, the amount equal to the allowance for expected losses that would be created when measuring the asset at amortised cost is recognized in OCI as the cumulative amount of the impairment with the recognition of corresponding amounts in profit or loss. The cumulative amount of losses recognised in OCI is reclassified to profit or loss when the asset is derecognised.

The Company sometimes at initial recognition of some investments in equity instruments makes an irrevocable decision to classify investments in equity instruments at FVTPL if they meet the definition of an equity instrument according to IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees and credit related commitments

The Company issues financial guarantees and credit related commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit and loss and ECL allowance.

Credit related commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer.

The Company occasionally issues commitments to provide loans at below-market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets and liabilities in 2021 and 2020.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within not more than 90 (ninety) days of the date of origination and are free from contractual encumbrances. -

(KZT thousand)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Borrowings

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

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 recognised in profit or loss.

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. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

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

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

Renegotiated loans

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

The Company derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing, whether the loan to customer should be derecognised, the Company considers the following:

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

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss that is presented within other income or losses in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

If the modification does not result in derecognition, the Company also reassesses the significant increase in credit risk or the need to classify assets as credit-impaired. After the designation of an asset as credit-impaired as a result of modification, it remains within Stage 3 for a probation period of at least 6 months. To transfer a restructured loan from Stage 3, regular payments of more than insignificant amounts of principal or interest are needed during at least half of the probation period in accordance with the modified amortisation schedule.

Modification of the terms of financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification, if they result from existing contractual terms.

(KZT thousand)

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Modification of the terms of financial liabilities, continued

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition of financial assets and financial liabilities

Financial assets

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

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

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

Write-off

Financial assets are written off in part or in full, only when the Company does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write-off relates to the derecognition event.

Financial liabilities

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

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

Taxation

The current 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 income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred corporate income tax assets are recognised 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.

3. Significant accounting policies (continued)

Financial assets and liabilities (continued)

Taxation, continued

The Company performs offsetting of deferred tax assets and deferred tax liabilities and records them in the statement of financial position on a net basis, when:

- The Company has a legally enforced right to offset current tax assets against current tax liabilities, and
- Deferred tax assets and deferred tax liabilities refer to corporate income tax charged by the same tax body from the same taxpayer.

The Company performs its activities in the Republic of Kazakhstan and it is required to accrue and pay different taxes that are applied to the Company's activities. These taxes are recorded in the statement of profit or loss within other operating expenses.

Property, plant and equipment

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

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

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

	Depreciation rate
Land	0%
Buildings and constructions	2%
Vehicles	10-14%
Computers and office equipment	14-20%
Other	6-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Property held for finance lease

Property held for finance lease is stated at the lower of cost and net realisable value. Cost of property held for finance lease comprises direct charges incurred in bringing the property to its present location and condition.

Intangible assets

Intangible assets include computer software and licences.

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

Estimated liabilities

Estimated liabilities are recognised: when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Share capital

Charter capital

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

Additional paid-in capital

When the Company receives loans or other financial aid from its shareholder at interest rates below market rates, the difference between the cash received and the fair value of the loans received is accounted for as additional paid-in capital.

(KZT thousand)

3. Significant accounting policies (continued)

Share capital, continued

Reserve capital

Reserve capital may be increased by transferring funds from retained earnings based on a decision of the Company's Shareholder.

Dividends

Dividends are recognised as liability and deducted from equity at the reporting date only if they are approved 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 for issue.

Segment reporting

The Company's business and geographical segments were not presented separately in these financial statements as management believes that the main operating segment of lending and finance leasing is agricultural organisations in the Republic of Kazakhstan, for which the risks and level of return are considered similar throughout the country.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

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 expenses

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

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

Interest income calculated using the effective rate presented in the statement of profit or loss comprises interest income on financial assets measured at amortised cost and interest income on debt financial assets measured at fair value through other comprehensive income.

Other interest income presented in the statement of profit or loss includes interest income on finance lease receivables.

Fee and commission income

The Company earns commission income from a diverse range of services it provides to its customers.

Loan origination fees are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently recognised as an adjustment of actual proceeds from the loan. When the probability to enter into credit arrangement under loan commitments is remote, loan commitment fees are recognised in the statement of profit or loss over the remaining period of the loan commitment. Upon expiration loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognised in the statement of profit or loss on the date of its expiration.

Loan servicing fees are accounted for as services are provided. Syndicated loan fees are recognised in the statement of profit or loss when such financing services are provided. Other fees are recognised as services are provided.

(KZT thousand)

3. Significant accounting policies (continued)

Leases

Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to office equipment leases wherein an underlying asset is considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the statement of financial position and statement of profit or loss

As at 31 December 2021 and 2020 the Company did not sign finance lease agreements for which the Company is a lessee. For the period ended 31 December 2021 and 2020, the Company recognised expenses on short-term leases in the amount of KZT 113.605 and KZT 123.951 thousand, respectively. The Company did not conclude leases for low-value assets.

Finance lease- Company as lessor

The Company recognises lease payment receivables in the amount equal to net investments in lease from commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are recorded within initial amount of lease payment receivables.

Leases which assume transfer of substantially all the risks and rewards of ownership are classified as finance leases (leasing).

Whether a lease is a finance lease depends on the substance of the transaction rather than the form. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1) The lease transfers ownership of the asset to the lessee by the end of the lease term;
2) The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised;
3) The lease term is for the major part of the economic life of the asset even if title is not transferred;

3. Significant accounting policies (continued)

Leases (continued)

Finance lease- Company as lessor (continued)

4) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, or

5) The leased assets are of such a specialised nature that only the lessee can use them without major modifications being made.

IFRS 16 also identifies characteristics that, individually or in combination, can lead to a lease being classified as a finance lease:

1) if the lessee is entitled to cancel the lease early, the lessor's losses associated with the cancellation are borne by the lessee;

2) gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments equal to the majority of the proceeds from the sale at the end of the lease term); and

3) the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

Initial measurement

Upon lease commencement, the Company shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

Initial recognition is made on the date of signing of the act of transfer/acceptance of the leasing item with the lessee. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

Initial direct costs associated with the acquisition of the leasing item are included in the initial measurement of financial lease receivables.

Lease payments are made by lessees on a regular basis in accordance with finance lease agreements. Lease payments are allocated in accordance with the terms of concluded finance lease agreements.

The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. The accrual of interest begins at commencement of the lease term, unless otherwise is stipulated by the terms of the finance lease.

The commencement date of a lease is the date on which the lessor makes an asset available for use by a lessee. This is the date of initial recognition of the lease (i.e. recognition by the lessee of the relevant assets, liabilities, income or expenses arising from the lease).

Derecognition

Writing off the principal, fees and other receivables on finance lease at the expense of the established provisions is made in the following cases:

a) declaring the debtor bankrupt and/or excluding the debtor from the national registers of identification numbers;

b) the Company has received an act of the bailiff to terminate the enforcement proceedings and return the writ of execution to the claimant due to the debtor's lack of property that can be foreclosed. At the same time, debt cancellation is made only if the bankruptcy proceedings cannot be applied due to legal restrictions.

Fees may be charged under finance leases. If the fee is an integral part of the effective interest rate for a finance lease such fee is recognised as a discount to the principal amount of the finance lease and is credited to income using the effective interest method. The fee is payable within the terms stipulated by the contract.

The Company records a modification of finance lease as a lease if the following two conditions are met:

1) assets increase under the lease agreement; and

2) consideration for the lease is increased by an amount commensurate with the stand-alone selling price to increase the scope, and by appropriate adjustments to that stand-alone selling price to reflect the circumstances of the particular contract.

If the modification to a finance lease is not recorded as a separate lease agreement, the Company accounts for the modification under IFRS 9.

In the event of a finance lease in which the Company acts as a lessee, the Company will be guided by the relevant provisions of IFRS 16 *Leases* for recognition and measurement of transactions.

(KZT thousand)

3. Significant accounting policies (continued)

Foreign currency translation

The Financial statements are presented in Kazakhstani tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies ate initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency, converted at the rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss as net losses 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 was determined.

The difference between the contractual exchange rate of a transaction in a foreign currency and the official (Kazakhstan Stock Exchange (KASE) exchange rate as at the date of the transaction are included in gains less losses from translation difference. Below are the exchange rates used by the Company in preparation of these financial statements:

	31 December 2021	*31 December 2020*
KZT/USD	**431,80**	**420,91**
KZT/EUR	**489,10**	**516,79**
KZT/RUB	**5,76**	**5,62**

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Onerous contracts – Cost of Fulfilling a Contract (Amendments to IAS 37).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16).
- Annual Improvements to IFRS Standards 2018–2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- Reference to Conceptual Framework (Amendments to IFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

A number of new interpretations are effective for annual periods beginning after 1 January 2021. Application of these interpretations did not have significant impact on the Company's financial statements.

4 Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in *Note 27.*

Assessment of collateral

Management of the Company monitors collateral on a regular basis. Management uses its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions. Additional details are provided in *Notes 8, 9 and 10.*

(KZT thousand)

4. Significant accounting judgments and estimates, continued

Estimation uncertainty, continued

Expected credit losses / losses from impairment of financial assets

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

Elements of the ECL models that are considered accounting judgments and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The grouping of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formula and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default (PD), exposures at default (EAD) and losses given default (LGD);
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Additional details are provided in *Note 26*.

Taxation

Tax, currency and customs legislation of the Republic of Kazakhstan 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 local or state authorities. As such, significant additional taxes, penalties and interest may be assessed. Tax periods remain open to review by relevant authorities for 5 (five) calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2021 and 2020, management believes that its interpretation of the legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

5 Reclassification and revision of comparative figures

The Company decided to revise its assessment of ECLs for loans to customers and finance lease receivables due to revision of assessment of collateral for certain assets. As these changes affected the collateral adopted earlier than 31 December 2019, this assessment affected the comparative figures of the financial statements as at 31 December 2019 and 31 December 2020.

The Company has transferred the reserve for notional distribution as at 1 January 2020, as recognised in the Company's latest financial statements, to the retained earnings reserve within equity. The Company previously recognised the discount on the initial recognition of financial assets, the terms of which were determined by the Shareholder, in the separate reserve for notional distribution within equity.

In addition, the Company changed the presentation of certain items in the statement of profit or loss. Comparative information is reclassified to conform to changes in presentation in the current period. The effect of main changes in presentation of the statement of profit or loss for the year ended 31 December 2021 is as follows:

- The presentation of interest income was changed so that interest income from investment securities was presented in interest income from cash and cash equivalents. Interest income from amounts due from credit institutions was presented separately from interest income from cash and cash equivalents.
- Depreciation expense was included in other operating expenses.

(KZT thousand)

5. Reclassification and revision of comparative figures, continued

The following tables summarise the impacts on the Company's financial statements.

	As previously reported	*Effect of adjustment*	*Effect of reclassifications*	*As restated/reclassified*
Statement of financial position as at 31 December 2020				
Assets				
Loans to customers	30.701.902	(2.153.890)	–	28.548.012
Finance lease receivables	258.160.169	(1.406.771)	–	256.753.398
Equity				
Reserve for notional distribution	(9.613.442)	–	9.613.442	–
(Accumulated losses)/retained earnings	8.821.469	(3.560.661)	(9.613.442)	(4.352.634)

	As previously reported	*Effect of adjustment*	*Effect of reclassifications*	*As restated/reclassified*
Statement of financial position as at 31 December 2019				
Assets				
Loans to customers	36.929.798	(2.153.890)	–	34.775.908
Finance lease receivables	226.615.145	(1.406.771)	–	225.208.374
Equity				
Reserve for notional distribution	(9.605.611)	–	9.605.611	–
(Accumulated losses)/retained earnings	8.434.234	(3.560.661)	(9.605.611)	(4.732.038)

	As previously reported	*Effect of adjustment*	*Effect of reclassifications*	*As restated/reclassified*
Statement of profit or loss for the year ended 31 December 2020				
Interest income calculated using the effective interest method				
Cash and cash equivalents	2.039.768	–	(234.318)	1.805.450
Investment securities	940.447	–	(940.447)	–
Amounts due from credit institutions	–	–	1.174.765	1.174.765
Other operating expenses	(952.489)	–	(274.098)	(1.226.587)
Depreciation	(274.098)	–	274.098	–

(KZT thousand)

6 Cash and cash equivalents

As at 31 December 2021 and 2020 cash comprises:

	31 December 2021	*31 December 2020*
Deposits with the original maturity of less than three months		
- not rated (Citibank JSC)	**3.501.205**	1.466
Total deposits with the original maturity of less than three months	**3.501.205**	1.466
Cash on current bank accounts:		
- with the National Bank of the Republic of Kazakhstan	**5.821.923**	–
- rated from BBB– to BBB+	**20.620.384**	–
- rated from BB– to BB+	**68.349**	12.220.394
- rated from B- to B+	–	1
- not rated (Citibank JSC)	–	14.008
Total cash on current bank accounts	**26.510.656**	12.234.403
Total cash and cash equivalents before loss allowances for expected credit losses	**30.011.861**	12.235.869
ECL allowance	**(679)**	(293)
Total cash and cash equivalents net of loss allowances for expected credit losses	**30.011.182**	**12.235.576**

As at 31 December 2021 the Company has accounts with one bank, whose total balances of cash and cash equivalents exceed 10% of the Company's equity. The gross value of these balances with the above bank as at 31 December 2021 is KZT 20.620.385 thousand or 68,71% of total cash and cash equivalents (31 December 2020: held with one bank KZT 12.064.354 thousand or 98,6%).

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. None of cash and cash equivalents are past due.

Credit quality analysis

Cash is mainly comprised of instruments with a high credit rating and low risk. As at 31 December 2021 and 31 December 2020 the Company recognised allowance for expected credit losses on cash and cash equivalents at an amount equal to 12-month ECL.

7 Amounts due from credit institutions

As at 31 December 2021 and 2020 amounts due from credit institutions comprise:

	31 December 2021	*31 December 2020*
Amounts due from credit institutions		
- rated from BB– to BB+	**35.099.362**	39.619.641
Total cash and cash equivalents before loss allowances for expected credit losses	**35.099.362**	39.619.641
ECL allowance	**(896)**	(1.117)
Total cash and cash equivalents net of loss allowances for expected credit losses	**35.098.466**	39.618.524

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. No amounts due from credit institutions are past due.

As at 31 December 2021 the Company had no banks (31 December 2020: had balances with one bank in the amount of KZT 23.898.811 thousand or 60,3%), whose balances exceed 10% of equity.

Credit quality analysis

Amounts due from credit institutions are mainly comprised of instruments with a high credit rating and low risk.

As at 31 December 2021 the Company recognised allowance for expected credit losses on amounts due from credit institutions at an amount equal to 12-month ECL.

(KZT thousand)

8 Loans to customers

As at 31 December 2021, 2020 and 2019 loans to customers comprise:

	31 December 2021	*31 December 2020 (as restated)*	*31 December 2019 (as restated)*
Loans to legal entities	**35.205.572**	43.741.763	48.509.786
Total loans to customers before ECL allowance	**35.205.572**	43.741.763	48.509.786
ECL allowance	**(13.485.164)**	(15.193.751)	(13.733.878)
Loans to customers	**21.720.408**	28.548.012	34.775.908

ECL allowance on loans to customers measured at amortised cost

An analysis of changes in the ECL allowance for 2021 is as follows:

	2021			
	Stage 1 12–month expected losses	*Stage 2 Lifetime ECL – not credit-impaired*	*Stage 3 Lifetime ECL – credit-impaired*	*Total*
ECL allowance at 1 January 2021 (as restated)	**17.605**	**139.338**	**15.036.808**	**15.193.751**
New assets originated or purchased	**190.378**	–	–	**190.378**
Transfers to Stage 1	**163.596**	**(163.596)**	–	–
Transfers to Stage 2	**(7.030)**	**212.080**	**(205.050)**	–
Transfers to Stage 3	**(18.947)**	**4.444**	**14.503**	–
Net recovery of loss allowance	**(224.583)**	**(177.422)**	**(1.988.759)**	**(2.390.764)**
Unwinding of discount on present value of ECLs	–	–	**506.150**	**506.150**
Amounts written off	–	–	**(14.351)**	**(14.351)**
At 31 December 2021	**121.019**	**14.844**	**13.349.301**	**13.485.164**

An analysis of changes in the ECL allowance for 2020 is as follows:

	2020 (as restated)			
	Stage 1 12–month expected losses	*Stage 2 Lifetime ECL – not credit-impaired*	*Stage 3 Lifetime ECL – credit-impaired*	*Total*
ECL allowance at 1 January 2020 (as restated)	381.325	58.421	13.294.132	13.733.878
New assets originated or purchased	39.120	701	3.305	43.126
Transfers to Stage 1	321.125	(319.957)	(1.168)	–
Transfers to Stage 2	(195.097)	603.998	(408.901)	–
Transfers to Stage 3	(174.445)	(48.718)	223.163	–
Net (reversal)/charge for the period	(354.423)	(155.107)	1.699.096	1.189.566
Unwinding of discount on present value of ECLs	–	–	299.333	299.333
Amounts written off	–	–	(72.152)	(72.152)
At 31 December 2020	17.605	139.338	15.036.808	15.193.751

(KZT thousand)

8. Loans to customers (continued)

ECL allowance on loans to customers measured at amortised cost (continued)

The following table provides information on the credit quality of loans to customers as at 31 December 2021 and 31 December 2020:

	31 December 2021			
	Stage 1 12–month expected credit losses	*Stage 2 Lifetime ECL – not credit-impaired*	*Stage 3 Lifetime ECL – credit-impaired*	*Total*
- not overdue	**2.451.021**	**–**	**4.769.522**	**7.220.543**
- overdue less than 30 days	**4.190**	**–**	**3.929.514**	**3.933.704**
- overdue more than 31 days and less than 90 days	**–**	**735.328**	**3.337.412**	**4.072.740**
- overdue more than 91 days and less than 180 days	**–**	**–**	**818.158**	**818.158**
- overdue more than 181 days and less than 1 year	**–**	**–**	**1.376.042**	**1.376.042**
- overdue more than 1 year	**–**	**–**	**17.784.385**	**17.784.385**
	2.455.211	**735.328**	**32.015.033**	**35.205.572**
Loss allowance	**(121.019)**	**(14.844)**	**(13.349.301)**	**(13.485.164)**
Total loans to customers	**2.334.192**	**720.484**	**18.665.732**	**21.720.408**

	31 December 2020 (as restated)			
	Stage 1 12–month expected credit losses	*Stage 2 Lifetime ECL – not credit-impaired*	*Stage 3 Lifetime ECL – credit-impaired*	*Total*
- not overdue	3.340.253	1.746.228	8.178.705	13.265.186
- overdue less than 30 days	1.026.640	–	2.361.340	3.387.980
- overdue more than 31 days and less than 90 days	–	334.255	3.758.078	4.092.333
- overdue more than 91 days and less than 180 days	–	–	199.986	199.986
- overdue more than 181 days and less than 1 year	–	–	5.360.416	5.360.416
- overdue more than 1 year	–	–	17.435.862	17.435.862
	4.366.893	2.080.483	37.294.387	43.741.763
Loss allowance	(17.605)	(139.338)	(15.036.808)	(15.193.751)
Total loans to customers	4.349.288	1.941.145	22.257.579	28.548.012

Analysis of movements in the gross carrying amounts

The note further explains how significant movements in the gross carrying amounts of loans to customers have contributed to changes in loss allowances for expected credit losses.

During 2021, repayments of loans to customers designated to Stage 3 of KZT 6.900.152 thousand (31 December 2020: KZT 1.069.077 thousand) and to Stage 2 of KZT 1.850.999 thousand (31 December 2020: KZT 2.768.953 thousand) resulted in a decrease in the allowance for expected credit losses in the amount of KZT 1.743.858 thousand on loans to customers designated to Stage 3 (31 December 2020: KZT 325.497 thousand) and KZT 33.355 thousand on loans to customers designated to Stage 2 (31 December 2020: KZT 40.279 thousand).

Collateral and other instruments that reduce credit risk

The amount and type of collateral required by the Company depend 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 commercial lending collateral include real estate, land and agricultural machinery.

The following table provides information on collateral and other credit enhancements related to loans to customers (net of loss allowance) as at 31 December 2021, by types of collateral:

(KZT thousand)

8. Loans to customers (continued)

Collateral and other instruments that reduce credit risk, continued

	Loans to customers, carrying amount	Fair value of collateral - for collateral assessed during the reporting period
Loans to customers, under which the ECL are within 12 months:		
Real estate	2.334.192	2.334.192
Total loans to customers, under which the ECL are within 12 months	**2.334.192**	**2.334.192**
Loans to customers with lifetime ECL of assets not credit-impaired:		
Real estate	720.484	720.484
Total loans to customers with lifetime ECL of assets not credit-impaired	**720.484**	**720.484**
Loans to customers with lifetime ECL of assets credit-impaired:		
Real estate	18.475.988	18.475.988
Vehicles	66.105	66.105
Other collateral	123.639	123.639
Total loans to customers with lifetime ECL of assets credit-impaired	**18.665.732**	**18.665.732**
Total loans to customers	**21.720.408**	**21.720.408**

The following table provides information on collateral and other credit enhancements related to loans to customers (net of impairment allowance) as at 31 December 2020, by types of collateral:

	Loans to customers, carrying amount (as restated)	Fair value of collateral - for collateral assessed during the reporting period (as restated)
Loans to customers, under which the ECL are within 12 months:		
Real estate	4.349.288	4.349.288
Total loans to customers, under which the ECL are within 12 months	4.349.288	4.349.288
Loans to customers with lifetime ECL of assets not credit-impaired:		
Real estate	1.941.145	1.941.145
Total loans to customers with lifetime ECL of assets not credit-impaired	1.941.145	1.941.145
Loans to customers with lifetime ECL of assets credit-impaired:		
Real estate	22.163.657	22.163.657
Vehicles	90.691	90.691
Other collateral	3.231	3.231
Total loans to customers with lifetime ECL of assets credit-impaired	22.257.579	22.257.579
Total loans to customers	28.548.012	28.548.012

Management monitors the market value of collateral, requests additional collateral under the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment.

Concentration of loans to customers

As at 31 December 2021, the Company had a concentration of loans represented by KZT 14.899.291 thousand issued by the Company to ten largest unrelated parties or 42,32% of the gross loan portfolio (31 December 2020: KZT 16.917.234 thousand or 38,7% of gross loan portfolio). As at 31 December 2021, the ECL allowance of KZT 5.668.836 thousand was formed against these loans (31 December 2020: KZT 5.583.704 thousand).

Loans are issued to customers within the Republic of Kazakhstan carrying out activities in the agricultural sector of the economy.

(KZT thousand)

9 Finance lease receivables

The analysis of finance lease receivables at 31 December 2021 and 2020 is as follows:

	31 December 2021	*31 December 2020 (as restated)*	*31 December 2019 (as restated)*
Less than 1 year	**101.146.928**	89.980.499	83.175.666
From 1 to 2 years	**65.802.822**	52.942.445	49.013.324
From 2 to 3 years	**63.591.332**	53.842.787	44.593.064
From 3 to 4 years	**62.824.200**	47.742.737	44.172.746
From 4 to 5 years	**60.948.122**	44.663.558	35.952.318
More than 5 years	**166.085.802**	121.308.537	99.575.512
Minimum lease payments	**520.399.206**	410.480.563	356.482.630
Less unearned finance income			
Less than 1 year	**(4.783.600)**	(4.086.146)	(2.684.193)
From 1 to 5 years	**(78.902.473)**	(58.163.721)	(49.074.897)
More than 5 years	**(91.516.205)**	(64.920.421)	(55.512.178)
Less unearned finance income, total	**(175.202.278)**	(127.170.288)	(107.271.268)
Loss allowance for expected credit losses	**(30.484.433)**	(26.556.877)	(24.002.988)
Finance lease receivables	**314.712.495**	256.753.398	225.208.374

An analysis of changes in the ECL allowance for the year ended 31 December 2021:

	2021			
	Stage 1 12–month expected losses	**Stage 2 Lifetime ECL – not credit-impaired**	**Stage 3 Lifetime ECL – credit-impaired**	***Total***
ECL allowance at 1 January 2021 (as restated)	**4.047.880**	**986.731**	**21.522.266**	**26.556.877**
New assets originated or purchased	**2.888.610**	**–**	**16.199**	**2.904.809**
Transfers to Stage 1	**2.790.946**	**(2.790.946)**	**–**	**–**
Transfers to Stage 2	**(857.129)**	**3.238.472**	**(2.381.343)**	**–**
Transfers to Stage 3	**(413.964)**	**(2.545.537)**	**2.959.501**	**–**
Net (reversal)/charge for the period	**(3.428.369)**	**2.099.612**	**2.674.359**	**1.345.602**
Amounts written off	**–**	**–**	**(322.855)**	**(322.855)**
At 31 December 2021	**5.027.974**	**988.332**	**24.468.127**	**30.484.433**

An analysis of changes in the ECL allowance for the year ended 31 December 2020:

	2020 (as restated)			
	Stage 1 12–month expected losses	**Stage 2 Lifetime ECL – not credit-impaired**	**Stage 3 Lifetime ECL – credit-impaired**	***Total***
ECL allowance at 1 January 2020, as restated	4.427.759	1.070.908	18.504.321	24.002.988
New assets originated or purchased	2.955.473	–	63.753	3.019.226
Transfers to Stage 1	3.209.998	(3.144.476)	(65.522)	–
Transfers to Stage 2	(1.079.333)	3.660.310	(2.580.977)	–
Transfers to Stage 3	(818.882)	(3.295.484)	4.114.366	–
Net charge of loss allowance	(4.647.135)	2.695.473	1.746.704	(204.958)
Amounts written off	–	–	(260.379)	(260.379)
At 31 December 2020	4.047.880	986.731	21.522.266	26.556.877

(KZT thousand)

9. Finance lease receivables, continued

Credit quality of finance lease portfolio

The following table provides information on the credit quality of the finance lease portfolio as at 31 December 2021 and 2020:

	31 December 2021			
	Stage 1 12–month expected credit losses	*Stage 2 Lifetime ECL – not credit-impaired*	*Stage 3 Lifetime ECL – credit-impaired*	*Total*
- not overdue	**275.505.700**	**3.474.325**	**15.451.230**	**294.431.255**
- overdue less than 30 days	**5.059.784**	**1.206.590**	**6.100.985**	**12.367.359**
- overdue more than 31 days and less than 90 days	**–**	**2.865.243**	**2.737.890**	**5.603.133**
- overdue more than 91 days and less than 180 days	**–**	**–**	**2.231.010**	**2.231.010**
- overdue more than 181 days and less than 1 year	**–**	**–**	**3.323.782**	**3.323.782**
- overdue more than 1 year	**–**	**–**	**27.240.389**	**27.240.389**
	280.565.484	**7.546.158**	**57.085.286**	**345.196.928**
Loss allowance	**(5.027.974)**	**(988.332)**	**(24.468.127)**	**(30.484.433)**
Total finance lease receivables	**275.537.510**	**6.557.826**	**32.617.159**	**314.712.495**

	31 December 2020 (restated)			
	Stage 1 12– month ECL	*Stage 2 Lifetime ECL – on assets not credit-impaired*	*Stage 3 Lifetime ECL – on credit-impaired assets*	*Total*
– not overdue	216.553.292	4.565.296	11.938.346	233.056.934
– overdue up to 30 days	5.258.887	1.089.748	1.504.680	7.853.315
– overdue more than 31 days and less than 90 days	–	3.288.722	5.133.367	8.422.089
– overdue more than 91 days and less than 180 days	–	–	906.618	906.618
– overdue more than 181 days and less than 1 year	–	–	9.969.412	9.969.412
– overdue more than 1 year	–	–	23.101.907	23.101.907
	221.812.179	8.943.766	52.554.330	283.310.275
Loss allowance	(4.047.880)	(986.731)	(21.522.266)	(26.556.877)
Total finance lease receivables	217.764.299	7.957.035	31.032.064	256.753.398

Analysis of movements in gross carrying amount

Increased funding secured for leases in 2021 caused the gross carrying value of the portfolio to grow by KZT 119.633.899 thousand (31 December 2021: KZT 6.373.411thousand) and resulted in related increase in the portfolio loss allowance totalling KZT 2.904.809 thousand (31 December 2020: KZT 3.019.226 thousand).

Repayment of finance lease receivables categorised into Stage 3 totalling KZT 5.165.704 thousand (31 December 2020: KZT 6.517.714 thousand) resulted in a decrease in ECL allowance of KZT 1.683.792 thousand (31 December 2020: KZT 1.639.611 thousand).

Transfer of finance lease receivables to Stage 3 totalling KZT 14.853.222 thousand (31 December 2020: KZT 19.913.619 thousand) resulted in an increase in ECL allowance of KZT 1.799.473 thousand (31 December 2020: KZT 1.813.494 thousand).

(KZT thousand)

9. Finance lease receivables, continued

Analysis of movements in gross carrying amount, continued

Transfer of finance lease receivables categorised into Stage 3 to Stage 2 totalling KZT 6.869.203 thousand (31 December 2020: KZT 13.411.042 thousand) resulted in a decrease in ECL allowance of KZT 454.788 thousand (31 December: KZT 936.746 thousand).

Transfer of finance lease receivables categorised into Stage 1 to Stage 2 totalling KZT 30.648.615 thousand (31 December 2020: KZT 38.140.284 thousand) resulted in an increase in ECL allowance of KZT 1.911.360 thousand (31 December: KZT 2.378.568 thousand).

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of loss allowance, as at 31 December 2021, by types of collateral:

	Finance lease receivables, carrying amount	Fair value of collateral: for collateral assessed during the reporting period
Leases for which ECL are measured as 12-month ECL:		
Vehicles	261.168.237	261.168.237
Equipment	10.430.973	10.430.973
Real estate	1.441.599	1.441.599
Other assets	2.496.701	2.496.701
Total leases for which ECL are measured as 12-month ECL	**275.537.510**	**275.537.510**
Leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired:		
Vehicles	5.693.396	5.693.396
Equipment	631.226	631.226
Other assets	233.204	233.204
Total leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired	**6.557.826**	**6.557.826**
Leases for which ECL are measured as lifetime ECL for assets that are credit-impaired:		
Vehicles	16.361.591	16.361.591
Equipment	12.412.339	12.412.339
Real estate	1.174.360	1.174.360
Other assets	2.668.869	2.668.869
Total leases for which ECL are measured as lifetime ECL for assets that are credit-impaired	**32.617.159**	**32.617.159**
Total finance lease receivables	**314.712.495**	**314.712.495**

(KZT thousand)

9. Finance lease receivables (continued)

Analysis of collateral (continued)

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of loss allowance, as at 31 December 2020, by types of collateral:

	Finance lease receivables, carrying amount (restated)	Fair value of collateral: for collateral assessed during the reporting period (restated)
Leases for which ECL are measured as 12-month ECL:		
Vehicles	198.647.793	198.647.793
Equipment	12.293.063	12.293.063
Real estate	2.059.393	2.059.393
Other assets	4.764.050	4.764.050
Total leases for which ECL are measured as 12-month ECL	217.764.299	217.764.299
Leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired:		
Vehicles	6.343.444	6.343.444
Equipment	1.156.330	1.156.330
Other assets	457.261	457.261
Total leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired	7.957.035	7.957.035
Leases for which ECL are measured as lifetime ECL for assets that are credit-impaired:		
Equipment	14.009.960	14.009.960
Vehicles	14.023.651	14.023.651
Real estate	620.439	620.439
Other assets	2.378.014	2.378.014
Total leases for which ECL are measured as lifetime ECL for assets that are credit-impaired	31.032.064	31.032.064
Total finance lease receivables	256.753.398	256.753.398

The tables above exclude overcollateralisation.

Foreclosed leased assets

During the year ended 31 December 2021, the Company obtained foreclosed leased assets for the amount of KZT 1.297.061 thousand (2020: KZT 2.005.990 thousand).

Concentration of finance lease receivables

As at 31 December 2021, the Company has ten major independent parties, whose finance lease receivables balances totalled KZT 25.139.204 thousand or 7.28% of gross finance lease receivables (31 December 2020: KZT 22.645.732 thousand or 9.0%). On 31 December 2021, an ECL allowance for these receivables recognised by the Company totalled KZT 3.839.190 thousand (31 December 2020: KZT 2.505.134 thousand).

As at 31 December 2021, finance lease receivables comprise the amount due from lessees of KZT 8.812.626 thousand, which comprises value-added tax payments (31 December 2020: KZT 8.301.324 thousand).

10 Property held for a finance lease

As at 31 December 2021 and 2020, property held for a finance lease comprised the following:

	31 December 2021	*31 December 2020*
Equipment held for a finance lease	**2.210.086**	3.436.243
Collateral transferred to ownership	**1.596.904**	1.801.143
Other materials	**33.249**	31.372
	3.840.239	5.268.758
Impairment allowance (*Note 23*)	**(838.991)**	(980.206)
Property held for a finance lease	**3.001.248**	4.288.552

During 2021, the Company took ownership of various assets obtained to repay borrowers' outstanding debts. The Company plans on transferring these properties under a finance lease agreement.

(KZT thousand)

11 Value added tax and other taxes receivable

As at 31 December 2021 and 2020, value added tax and other taxes receivable comprised the following:

	31 December 2021	*31 December 2020*
Value added tax receivable	**6.390.344**	6.109.181
Other taxes	**14.836**	18.492
Value added tax and other taxes receivable	**6.405.180**	6.127.673

12 Advances paid

As at 31 December 2021 and 2020, advances paid comprised the following:

	31 December 2021	*31 December 2020*
Advances paid for agricultural machinery	**472.642**	272.826
Advances paid for equipment	**10.770**	10.770
Other advances paid	**5.736**	982.566
	489.148	1.266.162
Impairment allowance (*Note 23*)	**(11.283)**	(11.283)
Advances paid	**477.865**	1.254.879

As at 31 December 2021 and 2020, advances comprised prepaid supplies expenses for agricultural machinery, equipment and cattle to be subsequently leased out under a finance lease.

13 Amounts due to the Shareholder

As at 31 December 2021 and 2020, amounts due to the Shareholder comprised the following:

	Currency	*Maturity date*	*31 December 2021*	*31 December 2020*
A loan agreement № 25	KZT	2041	**10.834.739**	–
A framework loan agreement No.63	KZT	2022	**1.031.597**	3.018.335
A framework loan agreement No.113	KZT	2022	**220.999**	500.277
A framework loan agreement No.35	KZT	2023	–	19.807.393
A loan agreement No.22	KZT	2030	–	13.417.468
A loan agreement No.86	KZT	2021	–	10.544.278
A framework loan agreement No.39	KZT	2027	–	4.329.926
A loan agreement No.118	KZT	2021	–	991.912
A loan agreement No.64	KZT	2023	–	834.736
Amounts due to the Shareholder			**12.087.335**	53.444.325

As part of the optimisation of the structure of the loan previously provided by KazAgro Holding to the Company, funded by the money of the National Fund of the Republic of Kazakhstan, by pooling the amounts due under the agreements previously concluded, a Loan Agreement No. 25 of 16 June 2021 was signed. The amount of the loan is KZT 50.000.000 thousand, with maturity on 10 February 2041, an interest rate of 1.02% per annum, and a discount rate of 11,98% per annum, including a new drawdown totalling KZT 5.835.875 thousand. The purpose of the loan is purchase of locally manufactured and/or assembled agricultural machinery, including self-propelled, trailing and mounted equipment, as well as locally manufactured and/or assembled vehicles for the transportation of agricultural products, processed agricultural products and biological assets for further transfer of the assets under a finance lease to entities operating in the agro-industry. The conclusion of this agreement resulted in derecognition of the previous agreements funded by the money of the National Fund of the Republic of Kazakhstan, and recognition of a new liability under the Loan Agreement No. 25 dated 16 June 2021. The difference between the carrying amount of old financial liabilities and fair value of new financial instruments of KZT 31.514.405 thousand (net of tax effect of KZT 6.302.881 thousand) was recognised directly in equity in the additional paid-in capital reserve to reflect the new terms negotiated with the ultimate controlling party. As at 31 December 2021, the amount due under this agreement is KZT 10.834.739 thousand.

On 24 July 2018, the Company and the Shareholder entered into a Loan Agreement No. 86 in the amount of KZT 10.000.000 thousand for a period of 12 months, with an option to renew it up to 36 months by the decision of the Shareholder's Management Board. On 20 March 2020, the Company entered into an additional agreement No. 2 with the Shareholder, providing for the prolongation of the loan term up to 36 months. On 23 July 2021, the principal amount outstanding of KZT 10,000,000 thousand was repaid in full.

(KZT thousand)

13. Amounts due to the Shareholder (continued)

As at 31 December 2021, the Company has no obligations on compliance with financial covenants under agreements with the Shareholder. The amount due to the Shareholder is not secured by collateralised property.

14 Amounts due to credit institutions

As at 31 December 2021 and 2020, amounts due to credit institutions comprised the following:

	Currency	*Maturity*	*31 December 2021*	*31 December 2020*
Halyk Bank of JSC	KZT	2024-2025	**38.131.865**	36.605.399
SB Sberbank of Russia JSC	KZT	2026	**13.593.189**	9.152.623
Agrarian Credit Corporation JSC	KZT	2025-2029	**13.146.580**	15.515.127
ROSEKSIMBANK JSC	RUB	2022-2023	**1.439.090**	2.276.078
Amounts due to credit institutions			**66.310.724**	63.549.227

On 28 August 2020, the Company and SB Sberbank of Russia JSC entered into an agreement to set up a credit line, with a limit of KZT 9.333.333 thousand, for a period of 5 years. On 12 July 2021, the Company entered into an additional agreement whereby the credit line period was extended to 28 August 2026.

During the year ended 31 December 2021, the Company raised loans of KZT 9,333,000 thousand from SB Sberbank of Russia JSC, borrowed from the credit line dated 28 August 2020 maturing in 2026.

During the year ended 31 December 2021, the Company raised loans of KZT 9.584.000 thousand from Halyk Bank of Kazakhstan JSC, borrowed from the credit line dated 13 August 2019 maturing in 2025.

Financial covenants

Under the terms of loan agreements with credit institutions, the Company is obliged to comply with certain financial covenants, including prudential standards established by the NBRK for the subsidiaries of Baiterek operating in the agricultural sector of the Republic of Kazakhstan.

As at 31 December 2021 and 31 December 2020, the Company meets the requirements related to compliance with the restrictive covenants under the agreements with the creditors.

15 Debt securities issued

As at 31 December 2021 and 2020, debt securities issued comprised the following:

	Maturity	*Rate, %*	*Currency*	*31 December 2021*	*31 December 2020*
The issue of coupon bonds	20 August 2028	11,9%	KZT	**41.555.385**	–
The issue of coupon bonds	21 December 2031	11,5%	KZT	**25.079.861**	–
The fourth issue as part of the second bond programme	24 December 2024	12,0%	KZT	**19.503.095**	19.301.533
The third issue of coupon bonds as part of the second bond programme	24 December 2024	12,0%	KZT	**19.445.272**	19.351.821
The second issue of coupon bonds	12 June 2022	8,5%	KZT	**18.062.146**	18.044.098
The third issue of bonds as part of the first bond programme	16 January 2023	8,0%	KZT	**17.409.234**	17.263.736
The first issue of coupon bonds as part of the second bond programme	8 November 2023	12,0%	KZT	**12.190.675**	12.173.321
The first issue of coupon bonds	12 June 2024	8,5%	KZT	**3.958.518**	3.955.269
The second issue of bonds as part of the second bond programme	14 November 2021	15,0%	KZT	**–**	8.148.029
Debt securities issued				**157.204.186**	98.237.807

In August 2021, the Company issued coupon bonds with a par value of KZT 40.000.000 thousand and placed the issue in full.

(KZT thousand)

15. Debt securities issued, continued

In December 2021, the Company issued coupon bonds with a par value of KZT 25.000.000 thousand and placed the issue in full.

In November 2021, the Company redeemed the second bond issue under the Company's second bond programme with a par value of KZT 8.000.000 thousand.

As at 31 December 2021 and 2020, the Company complied with the restrictive covenants related to the debt securities issued.

16 Payables to suppliers

As at 31 December 2021 and 2020, accounts payable to suppliers comprise the Company's payables to suppliers for property to be subsequently transferred under a finance lease, as follows:

	31 December 2021	*31 December 2020*
Agricultural machinery	**4.881.657**	4.658.610
Equipment	**635.374**	469.026
Cattle	**741**	783
Other	**260.354**	83.948
Payables to suppliers	**5.778.126**	5.212.367

17 Taxation

Corporate income tax benefits comprise:

	2021	*2020*
Current corporate income tax expense	**358.546**	305.966
Deferred corporate income tax expense - origination and reversal of temporary differences	**5.558.855**	1.045.621
Net of deferred tax recognised in equity	**(6.339.721)**	(1.360.642)
Corporate income tax benefit	**(422.320)**	(9.055)

As at 31 December 2021, the Company's current corporate income tax assets totalled KZT 134.115 thousand (31 December 2020: KZT 134.115 thousand).

The corporate income tax rate for the Company was 20.0% in 2021 and 2020.

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

Reconciliation of effective tax rate:

	2021	*%*	*2020*	*%*
Profit before income tax	**16.879.425**	**100**	9.589.144	100
Income tax at the applicable tax rate	**3.375.885**	**20**	1.917.829	20
Non-taxable interest income on finance lease receivables	**(4.775.816)**	**(28)**	(3.160.525)	(33)
Expenses for corporate income tax withheld at the source of payment of income	**358.546**	**2**	305.965	3
Non-deductible credit losses	**589.368**	**3**	855.260	9
Other non-deductible expenses	**29.697**	**–**	72.416	1
Corporate income tax benefit	**(422.320)**	**(3)**	(9.055)	–

(KZT thousand)

17. Taxation (continued)

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

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	2019	*In the statement of profit or loss*	*In equity*	*2020*	*In the statement of profit or loss*	*In equity*	*2021*
Tax effect of deductible temporary differences							
Loans to customers	355.722	(147.923)	1.958	**209.757**	**(133.543)**	**–**	**76.214**
Finance lease receivables	110.677	(63.507)	–	**47.170**	**37.911**	**–**	**85.081**
Amounts due to credit institutions	126.300	2.453	–	**128.753**	**24.641**	**–**	**153.394**
Accrued expenses for unused vacations	53.450	(26.790)	–	**26.660**	**34.781**	**–**	**61.441**
Forfeits recognised in accordance with the court ruling	–	–	–	**–**	**471.964**	**–**	**471.964**
Guarantees	36.840	–	–	**36.840**	**–**	**(36.840)**	**–**
Deferred corporate income tax assets	682.989	(235.767)	1.958	**449.180**	**435.754**	**(36.840)**	**848.094**
Tax effect of taxable temporary differences							
Finance lease receivables	(98.734)	98.734	–	**–**	**–**	**–**	**–**
Amounts due to the Shareholder	(855.250)	340.691	(1.297.767)	**(1.812.326)**	**242.486**	**(6.302.881)**	**(7.872.721)**
Amounts due from credit institutions	(434.998)	107.248	(64.833)	**(392.583)**	**93.198**	**–**	**(299.385)**
Property, plant and equipment and intangible assets	(48.655)	4.115	–	**(44.540)**	**9.428**	**–**	**(35.112)**
Deferred corporate income tax liabilities	(1.437.637)	550.788	(1.362.600)	**(2.249.449)**	**345.112**	**(6.302.881)**	**(8.207.218)**
Net deferred corporate income tax liability	(754.648)	315.021	(1.360.642)	**(1.800.269)**	**780.866**	**(6.339.721)**	**(7.359.124)**

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

18 Advances received

As at 31 December 2021, advance received of KZT 5.471.667 thousand (31 December 2020: KZT 7.957.142 thousand) comprised prepayment from clients for property held for finance lease that was acquired under finance lease agreements but not transferred to the lessee, as well as prepayments made under finance lease agreements.

19 Deferred value added tax liabilities

The Company recognises deferred value added tax liabilities when transferring property under a finance lease. As at 31 December 2021, deferred value added tax liabilities totalled KZT 8.817.626 thousand (31 December 2020: KZT 8.301.324 thousand).

(KZT thousand)

20 Other liabilities

As at 31 December 2021 and 2020, other liabilities comprised the following:

	31 December 2021	*31 December 2020*
Other financial liabilities		
ECL allowance for credit-related commitments (*Note 22*)	**233.258**	173.104
Other financial liabilities	**233.258**	173.104
Other non-financial liabilities		
Deferred interest income	**2.196.795**	858.547
Taxes other than corporate income tax, payable	**53.955**	77.352
Mandatory payments to the budget payable and payables to employees	**37.885**	46.929
Other current liabilities	**324.926**	332.003
Other non-financial liabilities	**2.613.561**	1.314.831
Other liabilities	**2.846.819**	1.487.935

21 Equity

As at 31 December 2021 and 2020, the authorised and paid share capital comprised 82.837.204 ordinary shares at the offering price of KZT 1.000 per share. The owner of an ordinary share has the right to one vote and an equal right for dividends. Distributable income is determined based on income recorded in the Company's financial statements.

In accordance with the decision of the Shareholder of 29 May 2020, the Company declared dividends for 2019 for KZT 9.210.964 thousand or KZT 111,19 per an ordinary share. As at 31 December 2020, the dividends were paid in full. In accordance with the decision of the Shareholder of 12 March 2021, the Company declared dividends for 2020 in the amount of KZT 6.718.739 thousand or KZT 81.11 per an ordinary share. During the reporting period, the dividends were fully paid.

Under the Company's policy, reserve capital is formed to cover general risks, including deferred losses and other contingent risks and liabilities. The reserve capital is subject to distribution based on the shareholder's decision made during the general meeting. During the 12 months of 2021 and 2020, reserve capital remained unchanged. As at 31 December 2021 and 31 December 2020, the reserve fund amounted to KZT 1.436.184 thousand.

As at 31 December 2021, the book value per ordinary share calculated as per the Kazakhstan Stock Exchange methodology is KZT 1 827.27 (31 December 2020: KZT 1 382.88). The book value per ordinary share as at 31 December 2021 and 31 December 2020 was calculated as follows:

	31 December 2021	**31 December 2020 (restated)**	**31 December 2019 (restated)**
Assets	**413.345.621**	351.518.524	322.174.918
Intangible assets	**(491.984)**	(535.146)	(581.104)
Liabilities	**(265.875.607)**	(239.990.396)	(216.476.593)
Net assets	**146.978.030**	110.992.982	105.117.221
The number of ordinary shares at the calculations date	**82.837.204**	82.837.204	82.837.204
The book value per share in KZT	**1.774,30**	1.339,89	1.268,96

The following table shows the profit and number of shares used to calculate basic and diluted earnings per share:

	2021	*2020*
Net profit for the year	**17.301.745**	9.598.199
A weighted average number of ordinary shares for the year ended 31 December	**82.837.204**	82.837.204
Basic and diluted earnings per ordinary share (in KZT)	**208,86**	115,87

As at 31 December 2021 and 2020, the Company had no financial instruments, which dilute earnings per share.

22 Commitments and contingent liabilities

Litigation

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 Company's operations and financial position.

Management is unaware of any significant or pending and threatened claims against the Company.

(KZT thousand)

22 Commitments and contingent liabilities, continued

Taxation

Kazakhstani commercial, and in particular, tax legislation contains regulations, interpretation of which could vary, and in certain cases, the legislation could be amended with indirect retrospective impact. Also, the Company's management's interpretation of the legislation may differ from that of tax authorities, and as a result, transactions carried out by the Company could be estimated by tax authorities in another way, and this could result in an additional charge of taxes, fines and penalties. The Company's management believes that all necessary tax accruals were fulfilled and, correspondingly, there were no allowances charged in the statements. Tax periods remain open for 5 (five) years.

Credit related commitments

As at 31 December 2021 and 2020, the Company's commitments and contingencies comprised the following:

	31 December 2021	*31 December 2020*
Credit related commitments		
Finance lease commitments	**11.379.962**	10.017.928
Guarantees issued	**–**	285.994
Credit related commitments before ECL allowance	**11.379.962**	10.303.922
ECL allowance	**(233.258)**	(173.104)
Total	**11.146.704**	10.130.818

On 16 June 2011, the Company has entered into a financial guarantee agreement in the amount of 6.661.130 Islamic dinars with the Islamic Development Bank, which guarantees meeting liabilities of Agriculture Financial Support Fund JSC under the loan facility agreement. This guarantee was secured by a counter-guarantee of the Shareholder. On 24 June 2021, the loan received by Agriculture Financial Support Fund JSC was repaid in full.

The analysis of movements in ECL allowance for finance lease commitments and issued guarantees for the years ended 31 December 2021 and 2020 is as follows: As at 31 December 2021 and 31 December 2020, the Company recognised an ECL allowance for undrawn credit lines at an amount equal to 12-month ECL.

	Undrawn credit lines	*Issued guarantees*	*Total*
ECL allowance at 1 January 2020	**156.868**	**3.251**	**160.119**
Changes in ECL for the year	**15.842**	**(2.857)**	**12.985**
At 31 December 2020	**172.710**	**394**	**173.104**
Changes in ECL for the year	**60.548**	**(394)**	**60.154**
At 31 December 2021	**233.258**	**–**	**233.258**

23 Credit loss expense

The table below presents the ECL expense on financial instruments recognised in profit or loss for the year ended 31 December 2021 and 31 December 2020:

	Note	*2021*	*2020*
Finance lease receivables	9	**(4.250.411)**	(2.814.268)
Credit related commitments	22	**(60.548)**	(15.842)
Cash and cash equivalents		**(386)**	302
Securities measured at amortised cost		**–**	834
Amounts due from credit institutions		**222**	(1.112)
Issued guarantees		**394**	2.857
Loans to customers	8	**2.200.386**	(1.232.692)
Other financial assets		**(836.498)**	(216.378)
		(2.946.841)	(4.276.299)

(KZT thousand)

23. Credit loss expense, continued

The movement in the impairment allowance and other provisions was as follows:

	Property held for finance lease	*Advances paid*	*Assets held for sale*	*Total*
At 31 December 2019	(976.782)	(24.073)	–	(1.000.855)
(Charge)/reversal	(537.892)	12.790	(1.770)	(526.872)
Write-off of assets	534.468	–	1.770	536.238
At 31 December 2020	**(980.206)**	**(11.283)**	–	**(991.489)**
(Charge)/reversal	**(320.664)**	**(44)**	–	**(320.708)**
Write-off of assets	**461.879**	**44**	–	**461.923**
At 31 December 2021	**(838.991)**	**(11.283)**	–	**(850.274)**

Impairment allowance for assets is deducted from the value of respective assets.

24 Other income

Other income comprised the following:

	2021	*2020*
Income from reimbursement of expenses	**286.633**	481.792
Income from reversal of provisions for inventories	**253.128**	276.266
Fines and penalties received	**98.950**	38.845
Income from the remeasurement of asset held for sale due to reclassification	–	87.800
Other	**45.073**	21.192
Other income	**683.784**	905.895

Fines and penalties were obtained by the Company from suppliers for untimely delivery of equipment held for a finance lease.

25 Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2021	*2020*
Personnel expenses	**(3.066.819)**	(2.815.104)
Social security costs	**(270.809)**	(273.093)
Personnel expenses	**(3.337.628)**	(3.088.197)

Amortisation of software and other intangible assets	**(147.241)**	(132.480)
Depreciation of property, plant and equipment	**(142.188)**	(141.618)
Repair and maintenance of PPE and IA	**(139.008)**	(119.961)
Operating lease expense	**(113.605)**	(123.951)
Outsourcing costs	**(105.696)**	(121.571)
Other taxes other than corporate income tax	**(102.324)**	(112.050)
Consulting services/ Professional services	**(86.100)**	(35.246)
Materials	**(38.385)**	(39.569)
Communication services	**(37.081)**	(35.587)
Marketing and advertising services	**(26.661)**	(25.879)
Costs of assigning/watching/maintaining ratings services	**(22.628)**	(24.775)
Information services	**(21.131)**	(22.482)
Business travel expenses	**(19.543)**	(10.286)
Transportation	**(14.303)**	(9.290)
Stationary and printing services	**(12.533)**	(10.457)
Employee training programmes	**(12.009)**	(10.128)
The Board of Directors administrative expenses	**(8.345)**	(12.327)
Insurance	**(2.897)**	(2.924)
Charity and sponsorship	**(1.971)**	(2.452)
Representation expenses	**(35)**	(12)
Other	**(188.727)**	(233.542)
Other operating expenses	**(1.242.411)**	(1.226.587)

(KZT thousand)

26 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, the latter being subdivided into trading and non-trading risks. It also subjects to operating risks.

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

The Board of Directors

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

The Management Board

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

Risk management

The risk management unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk control

The risk control unit is responsible for monitoring compliance with risk principles, policies and limits, across the Company. The Company's structure comprises a separate unit that is directly subordinate to the Board of Directors and which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This department also ensures the complete capture of the risks in risk measurement and reporting systems. There are risk managers for risk controlling in the branches of the Company.

Treasury

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

The objective of an internal audit is to provide the Board of Directors with an independent, objective and unbiased information based on annual audits, both adequacy of procedures and compliance with these procedures by the Company. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations directly to the Boards of Directors.

Risk measurement and reporting systems

The Company's risks are measured using a method that 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. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do occur.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries. Also, the Company monitors and measures the overall risk-bearing capacity about the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed to analyse, control and identify early risks. This information is presented to the Board of Directors, the Management Board, Credit Committee and the heads of departments. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios, interest risk ratios and risk profile changes.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed to ensure that all business divisions have access to extensive, necessary and up-to-date information.

(KZT thousand)

26. Risk management, continued

Introduction, continued

Risk measurement and reporting systems, continued

The Company's Management Board and other relevant employees' meetings are regularly held to discuss maintenance of established limits and analyse value allowing for risk, investments, liquidity, and risk developments.

Risk mitigation

As part of its overall risk management, the Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies exchange rates, and share prices, credit risk and exposures arising from forecast transactions.

The Company actively uses collateral to reduce its credit risks.

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 geographical and industry concentrations, and by monitoring exposures for such limits.

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. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Credit risk is reviewed on an ongoing basis. 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 take corrective action.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2021	31 December 2020 (restated)
Assets		
Cash and cash equivalents	**30.011.182**	12.235.576
Amounts due from credit institutions	**35.098.466**	39.618.524
Loans to customers	**21.720.408**	28.548.012
Finance lease receivables	**314.712.495**	256.753.398
Other financial assets	**80.945**	891.709
Total maximum exposure to credit risk	**401.623.496**	338.047.219

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Company makes available to its customers the guarantees which may require that the Company make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Company to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in *Note 22.*

Impairment assessment

The Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at and at an approximation to the EIR. A cash shortfall is a difference between the cash flows that are due to an entity following the contract and the cash flows that the entity expects to receive.

(KZT thousand)

26. Risk management, continued

Credit risk, continued

Impairment assessment, continued

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

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

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

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

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

Impairment assessment (continued)

In estimating the ECL, the Company considers three scenarios: basic, optimistic, and pessimistic. Each of them has its PD, EAD and LGD indicators. In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs. Impairment losses and consideration are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and interbank transactions defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. The expected credit loss on securities, deposits, current account funds is calculated based on external credit ratings assigned by international rating agencies - Fitch Ratings, Moody's Investors Service, S&P GlobalRatings.

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

(KZT thousand)

26. Risk management (continued)

Credit risk (continued)

Definition of default and cure, continued

Such events include:

- Availability of the Company's information on force majeure, as well as other circumstances that caused substantial material damage to the borrower (co-borrower) and do not allow the borrower to continue its business activities, including the information on revocation/suspension of a licence for activities, as well as the information on the borrower's (co-borrowers) unemployment or absence of commercial activities.
- Objectively supportable information about the high probability of bankruptcy or reorganisation, as well as the involvement of the borrower (co-borrower) in legal proceedings, which may worsen its financial condition. The Company considers the following events as this information:
  - Availability of information about the death of the borrower-individual (co-borrower individual);
  - Cross-default for more than 60 calendar days inclusive (if the information is available);
  - Downgrading the external credit rating of the counterparty to "CC" and lower assigned by Standard & Poor's, Moody's Investors Service and Fitch rating agencies;
  - Absence of an active market for that financial asset because of financial difficulties.

Treasury and interbank relationships

The treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers. For these relationships, the Company's Finance Department and Risk Management Department analyse publicly available information such as financial statements and other external data, e.g., the external ratings.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Company segments its lending products into homogeneous portfolios, based on key characteristics of credit risk that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values and payment status.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. Baseline data for such LGD levels are evaluated and, where possible, adjusted through testing based on historical data, taking into account recent recoveries. If necessary, such data is determined for each economic scenario.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or life-time ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company believes that the credit risk on a financial instrument has increased significantly since its initial recognition if the following indicators of a significant increase in credit risk were identified:

- Delay of 30 (thirty) calendar days or more;
- The Company has information about the outstanding principal and/or interest of the borrower (co-borrower) from 31 to 60 calendar days including other credit institutions (if the Company has information);
- Assets from the moment of restructuring and/or prolongation of which more than 12 months have passed, but less than 24 months inclusively, for which there is no delay or a delay of no more than 60 days as at the reporting date;
- Assets from the moment of restructuring and/or prolongation of which more than 24 months have passed, and for which there is a delay of more than 30 days, but less than 60 days as at the reporting date;
- Actual or expected (based on reasonable and supportable information) downgrading the external credit rating of the borrower;
- A significant change in the value of the collateral for the liability (lowering the fair value of collateral by more than 50% from the date of initial recognition) or the quality of guarantees or credit enhancement mechanisms provided by third parties, which are expected to reduce the economic incentive for the borrower to make the scheduled payments provided for by the contract, or otherwise affect the likelihood of default (if the Company has information);

(KZT thousand)

26. Risk management (continued)

Credit risk (continued)

Significant increase in credit risk, continued

- A significant change in the quality of the guarantee provided by second-tier banks, namely a change in the second-tier banks' rating (downgrade by two notches or more), resulting in a significant increase in credit risk, under the approach used for treasury assets (if a guarantee is available).
- Deterioration of financial condition.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/asset to the watch list, or the account becoming restructured due to a credit event. In certain cases, the Company may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

For cash and cash equivalents and amounts due from credit institutions, the Company considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the issuer's credit rating decreased by 2 points or more since initial recognition.

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates;
- Inflation rates;
- Export volume.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Company obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. international financial institutions). The Company determines the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Forward-looking information and multiple economic scenarios

Key factors	*ECL scenario*	*Assigned probability for 2022, %*	*Assigned probability for 2023, %*	*2022*	*2023*
GDP growth, %	Upside	**9%**	**9%**	**4,0**	**5,0**
	Base case	**64%**	**55%**	**3,7**	**4,6**
	Downside	**27%**	**36%**	**2,7**	**2,9**
Unemployment rate, %	Upside	**0%**	**0%**	**5,1**	**4,9**
	Base case	**64%**	**64%**	**5,1**	**4,9**
	Downside	**36%**	**36%**	**7,0**	**6,7**
Inflation rate, %	Upside	**18%**	**18%**	**4,9**	**4,1**
	Base case	**73%**	**73%**	**6,0**	**5**
	Downside	**9%**	**9%**	**6,5**	**5,5**
Export volume, billions of US dollars	Upside	**9%**	**9%**	**46,9**	**51,3**
	Base case	**82%**	**82%**	**43,0**	**47**
	Downside	**9%**	**9%**	**39,1**	**42,7**

(KZT thousand)

26. Risk management (continued)

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, management has arranged diversified funding sources. Management 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.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's payments that comprise of the principle and interest /coupon on financial liabilities at 31. December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many creditors will not request repayment on the earliest date the Company could be required to pay.

31 December 2021	*Less than 3 month*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the Shareholder	**350.686**	**1.454.298**	**2.040.000**	**56.783.000**	**60.627.984**
Amounts due to credit institutions	**2.540.792**	**21.170.865**	**56.216.112**	**2.714.479**	**82.642.248**
Debt securities issued	**3.058.090**	**31.261.375**	**115.689.552**	**88.895.000**	**238.904.017**
Total undiscounted financial liabilities	**5.949.568**	**53.886.538**	**173.945.664**	**148.392.479**	**382.174.249**

31 December 2020	*Less than 3 month*	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
Amounts due to the Shareholder	3.053.496	23.779.981	27.825.646	10.951.220	65.610.343
Amounts due to credit institutions	3.674.056	19.345.921	54.467.513	3.701.593	81.189.083
Debt securities issued	678.090	17.980.950	111.834.017	–	130.493.057
Total undiscounted financial liabilities	7.405.642	61.106.852	194.127.176	14.652.813	277.292.483

The table below shows the contractual expiry by maturity of the Company's contractual commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contacts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called (Note 22).

	Less than 3 month	*From 3 to 12 months*	*From 1 to 5 years*	*More than 5 years*	*Total*
2021	**11.379.962**	–	–	–	**11.379.962**
2020	10.303.922	–	–	–	10.303.922

The Company expects that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

The Company's capability to meet its liabilities depends upon its ability to realise an equivalent amount of assets within the certain period of time.

The Company has received significant funds from the Shareholder. Management believes that this level of funding will remain with the Company for the foreseeable future and that in the event of withdrawal of funds, the Company would be given sufficient notice so as to realise its liquid assets to enable repayment.

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, foreign exchanges, and equity prices. The market risk for the trading portfolio is monitored using sensitivity analysis. Except for the concentrations within a foreign currency, the Company has no significant concentration of market risk.

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. The interest rate for assets and liabilities of the Company is fixed.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

(KZT thousand)

26. Risk management (continued)

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	31 December 2021						
	Demand and less than 3 months	*3-6 months*	*6-12 months*	*1-5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Assets							
Cash and cash equivalents	23.873.210	–	–	–	–	6.137.972	30.011.182
Amounts due from credit institutions	–	4.157.235	30.941.231	–	–	–	35.098.466
Loans to customers	750.789	1.608.605	14.761.331	4.032.293	567.390	–	21.720.408
Finance lease receivables	25.032.024	13.143.658	39.754.488	165.156.290	71.626.035	–	314.712.495
Other financial assets	–	–	–	–	–	80.945	80.945
Total financial assets	49.656.023	18.909.498	85.457.050	169.188.583	72.193.425	6.218.917	401.623.496
Liabilities							
Amounts due to the Shareholder	289.017	985.659	176.253	–	10.636.406	–	12.087.335
Amounts due to credit institutions	1.766.974	5.089.478	11.262.153	46.154.415	2.037.704	–	66.310.724
Debt securities issued	2.353.694	18.511.687	–	71.515.532	64.823.273	–	157.204.186
Payables to suppliers	–	–	–	–	–	5.778.126	5.778.126
Other financial liabilities	–	–	–	–	–	233.258	233.258
Total financial liabilities	4.409.685	24.586.824	11.438.406	117.669.947	77.497.383	6.011.384	241.613.629
Net position	45.246.338	(5.677.326)	74.018.644	51.518.636	(5.303.958)	207.533	160.009.867

	31 December 2020 (restated)						
	Demand and less than 3 months	*3-6 months*	*6-12 months*	*1-5 years*	*More than 5 years*	*Non-interest bearing*	*Total*
Assets							
Cash and cash equivalents	11.468.667	–	–	–	–	766.909	12.235.576
Amounts due from credit institutions	–	–	39.618.524	–	–	–	39.618.524
Loans to customers	2.215.526	1.707.846	17.648.589	6.774.481	201.570	–	28.548.012
Finance lease receivables	20.909.515	11.605.639	36.551.277	133.298.830	54.388.137	–	256.753.398
Other financial assets	–	–	–	–	–	891.709	891.709
Total financial assets	34.593.708	13.313.485	93.818.390	140.073.311	54.589.707	1.658.618	338.047.219
Liabilities							
Amounts due to the Shareholder	2.855.305	2.781.642	19.588.853	21.381.704	6.836.821	–	53.444.325
Amounts due to credit institutions	2.976.142	4.718.406	9.861.221	43.314.754	2.678.704	–	63.549.227
Debt securities issued	621.582	607.052	7.991.363	89.017.810	–	–	98.237.807
Payables to suppliers	–	–	–	–	–	5.212.367	5.212.367
Other financial liabilities	–	–	–	–	–	173.104	173.104
Total financial liabilities	6.453.029	8.107.100	37.441.437	153.714.268	9.515.525	5.385.471	220.616.830
Net position	28.140.679	5.206.385	56.376.953	(13.640.957)	45.074.182	(3.726.853)	117.430.389

26. Risk management (continued)

Interest rate gap analysis (continued)

The table below displays the Company's interest bearing assets and liabilities as at 31 December 2021 and 2020 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2021		2020	
	Carrying amount '000 KZT	Average effective interest rate	Carrying amount '000 KZT (restated)	Average effective interest rate
Interest-bearing assets				
Cash and cash equivalents				
- in Tenge	**23.873.210**	**6,77%**	7.195.066	6,85%
- in US dollars	**–**	**–**	4.273.601	0,98%
Amounts due from credit institutions				
- in Tenge	**30.941.231**	**8,18%**	34.226.221	8,01%
- in US dollars	**4.157.235**	**1,25%**	5.392.303	1,25%
Loans to customers				
- in Tenge	**21.720.408**	**8,7%**	28.548.012	8,6%
Interest-bearing liabilities				
Amounts due to the Shareholder				
- in Tenge	**12.087.335**	**11,38%**	53.444.325	8,09%
Amounts due to credit institutions				
- in Tenge	**64.871.634**	**12,16%**	61.273.149	11,99%
- in Russian roubles	**1.439.090**	**8,84%**	2.276.078	8,84%
Debt securities issued				
- in Tenge	**157.204.186**	**10,55%**	98.237.807	10,86%

Cash flow interest rate sensitivity analysis

An analysis of the sensitivity of the Company's net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021		31 December 2020 (restated)	
	Profit	Equity	Profit	Equity
100 bp parallel rise	(453.733)	(473.773)	(335.771)	(335.771)
100 bp parallel fall	453.733	473.773	335.771	335.771

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the NBRK recommendations. Positions are monitored daily.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2021:

	31 December 2021				
	Tenge	*US Dollar*	*Euro*	*Russian rouble*	*Total*
Assets					
Cash and cash equivalents	**29.763.032**	**3.603**	**229.265**	**15.282**	**30.011.182**
Amounts due from credit institutions	**30.941.231**	**4.157.235**	**–**	**–**	**35.098.466**
Loans to customers	**21.720.408**	**–**	**–**	**–**	**21.720.408**
Finance lease receivables	**314.712.495**	**–**	**–**	**–**	**314.712.495**
Other assets	**80.945**	**–**	**–**	**–**	**80.945**
Total assets	**397.218.111**	**4.160.838**	**229.265**	**15.282**	**401.623.496**
Liabilities					
Amounts due to the Shareholder	**12.087.335**	**–**	**–**	**–**	**12.087.335**
Amounts due to credit institutions	**64.871.634**	**–**	**–**	**1.439.090**	**66.310.724**
Debt securities issued	**157.204.186**	**–**	**–**	**–**	**157.204.186**
Payables to suppliers	**3.648.425**	**1.154.999**	**838.695**	**136.007**	**5.778.126**
Other liabilities	**233.258**	**–**	**–**	**–**	**233.258**
Total liabilities	**238.044.838**	**1.154.999**	**838.695**	**1.575.097**	**241.613.629**
Net position	**159.173.273**	**3.005.839**	**(609.430)**	**(1.559.815)**	**160.009.867**

(KZT thousand)

26. Risk management (continued)

Currency risk (continued)

	31 December 2020 (restated)				
	Tenge	*US Dollar*	*Euro*	*Russian rouble*	*Total*
Assets					
Cash and cash equivalents	7.606.831	4.278.421	320.541	29.783	12.235.576
Amounts due from credit institutions	34.226.221	5.392.303	–	–	39.618.524
Loans to customers	28.548.012	–	–	–	28.548.012
Finance lease receivables	256.753.398	–	–	–	256.753.398
Other assets	891.075	–	634	–	891.709
Total assets	328.025.537	9.670.724	321.175	29.783	338.047.219
Liabilities					
Amounts due to the Shareholder	53.444.325	–	–	–	53.444.325
Amounts due to credit institutions	61.273.149	–	–	2.276.078	63.549.227
Debt securities issued	98.237.807	–	–	–	98.237.807
Payables to suppliers	3.304.726	1.000.202	850.596	56.843	5.212.367
Other liabilities	173.104	–	–	–	173.104
Total liabilities	216.433.111	1.000.202	850.596	2.332.921	220.616.830
Net position	111.592.426	8.670.522	(529.421)	(2.303.138)	117.430.389

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

Currency	*Exchange rate change, % 2021*	*Effect on pre-tax profit 2021*	*Exchange rate change, % 2020*	*Effect on pre-Tax profit 2020 (restated)*
US Dollar	**-20%**	**(480.934)**	-20,0%	(1.387.284)
US Dollar	**20%**	**480.934**	20,0%	1.387.384
Euro	**-20%**	**97.509**	-20,0%	84.707
Euro	**20%**	**(97.509)**	20,0%	(84.707)
Russian rouble	**-8%**	**99.828**	-8,0%	147.401
Russian rouble	**8%**	**(99.828)**	8,0%	(147.401)

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.

27. Fair value measurement

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

(KZT thousand)

27. Fair value measurement, continued

Fair value hierarchy, continued

The following table provides an analysis of financial instruments recorded by the level of the fair value hierarchy as of 31 December 2021:

	Fair value measurement using			
31 December 2021	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets with a disclosed fair value				
Cash and cash equivalents	–	30.011.182	–	30.011.182
Amounts due from credit institutions	–	35.098.466	–	35.098.466
Loans to customers	–	3.113.139	11.151.934	14.265.073
Finance lease receivables	–	278.621.882	21.073.662	299.695.544
Other financial assets	–	80.945	–	80.945
Total financial assets with a disclosed fair value	–	346.925.614	32.225.596	379.151.210
Financial liabilities with a disclosed fair value				
Amounts due to the Shareholder	–	15.530.519	–	15.530.519
Amounts due to credit institutions	–	66.260.854	–	66.260.854
Debt securities issued	92.644.790	62.576.417	–	155.221.207
Payables	–	5.778.126	–	5.778.126
Other financial liabilities	–	233.258	–	233.258
Total financial liabilities with a disclosed fair value	92.644.790	150.379.174	–	243.023.964

The following table provides an analysis of financial instruments recorded by the level of the fair value hierarchy as of 31 December 2020:

	Fair value measurement using			
31 December 2020 (restated)	*Quoted prices in active markets (Level 1)*	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets with a disclosed fair value				
Cash and cash equivalents	–	12.235.576	–	12.235.576
Amounts due from credit institutions	–	39.618.524	–	39.618.524
Loans to customers	–	6.302.549	14.333.631	20.636.180
Finance lease receivables	–	234.734.703	21.124.319	255.859.022
Other financial assets	–	891.709	–	891.709
Total financial assets with a disclosed fair value	–	293.783.061	35.457.950	329.241.011
Financial liabilities with a disclosed fair value				
Amounts due to the Shareholder	–	52.560.662	–	52.560.662
Amounts due to credit institutions	–	63.116.978	–	63.116.978
Debt securities issued	60.220.574	36.516.517	–	96.737.091
Payables to suppliers	–	5.212.367	–	5.212.367
Other financial liabilities	–	173.104	–	173.104
Total financial liabilities with a disclosed fair value	60.220.574	157.579.628	–	217.800.202

(KZT thousand)

27. Fair value measurement, continued

Fair value hierarchy, continued

Set out below is a comparison by a class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2021		*31 December 2020 (restated)*	
	Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Financial assets				
Cash and cash equivalents	**30.011.182**	**30.011.182**	12.235.576	12.235.576
Amounts due from credit institutions	**35.098.466**	**35.098.466**	39.618.524	39.618.524
Loans to customers	**21.720.408**	**14.265.073**	28.548.012	20.636.180
Finance lease receivables	**314.712.495**	**299.695.544**	256.753.398	255.859.022
Other financial assets	**80.945**	**80.945**	891.709	891.709
	401.623.496	**379.151.210**	338.047.219	329.241.011
Financial liabilities				
Amounts due to the Shareholder	**12.087.335**	**15.530.519**	53.444.325	52.560.662
Amounts due to credit institutions	**66.310.724**	**66.260.854**	63.549.227	63.116.978
Debt securities issued	**157.204.186**	**155.221.207**	98.237.807	96.737.091
Payables to suppliers	**5.778.126**	**5.778.126**	5.212.367	5.212.367
Other financial liabilities	**233.258**	**233.258**	173.104	173.104
	241.613.629	**243.023.964**	220.616.830	217.800.202

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

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 their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

The fair values of unquoted financial instruments are estimated by discounting future cash flows using rates currently available for financial instruments on similar terms, credit risk and remaining maturities.

For assets whose fair value is disclosed in the condensed financial statements, future cash flows are discounted using the average market rate of financial instruments with similar maturities based on statistics published by the NBRK. The indicated approach is used in determining the fair value of loans to clients and finance lease receivables. As at 31 December 2021, the average market rate was 16.7% (31 December 2020: 13.1%, unaudited).

In the case of liabilities with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities and credit rating. As at 31 December 2021, market rates used to measure fair value ranged from 10.27% to 12.4% per annum on tenge-denominated loans (31 December 2020: from 9.94% to 12.00% per annum).

The future cash flows comprise repayment of principal and interest calculated at the interest rate stipulated by the agreement to the amount of principal.

28 Maturity analysis of assets and liabilities

The following table shows assets and liabilities by expected maturities: See Note 26 *Risk management* for the Company's contractual undiscounted repayment obligations.

(KZT thousand)

28. Maturity analysis of assets and liabilities (continued)

	31 December 2021								
	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets									
Cash and cash equivalents	30.011.182	–	–	–	–	–	–	–	30.011.182
Amounts due from credit institutions	–	–	–	35.098.466	–	–	–	–	35.098.466
Loans to customers	–	44.964	705.825	6.899.373	4.032.293	567.390	–	9.470.563	21.720.408
Finance lease receivables	–	3.415.714	21.616.310	41.696.660	165.156.290	71.626.035	–	11.201.486	314.712.495
Property held for finance lease	–	–	–	–	–	–	3.001.248	–	3.001.248
Current corporate income tax assets	–	–	–	134.115	–	–	–	–	134.115
Property, plant and equipment	–	–	–	–	–	–	902.719	–	902.719
Intangible assets	–	–	–	–	–	–	491.984	–	491.984
VAT and other taxes recoverable	–	122.761	592.764	1.142.367	4.547.288	–	–	–	6.405.180
Advances paid	–	56.700	–	160.155	261.010	–	–		477.865
Other assets	–	553	–	309.547	–	–	–	79.859	389.959
Total assets	30.011.182	3.640.692	22.914.899	85.440.683	173.996.881	72.193.425	4.395.951	20.751.908	413.345.621
Liabilities									
Amounts due to the Shareholder	–	51.196	237.821	1.161.912	–	10.636.406	–	–	12.087.335
Amounts due to credit institutions	–	43.164	1.723.810	16.351.631	46.154.415	2.037.704	–	–	66.310.724
Debt securities issued	–	621.583	1.732.111	18.511.687	71.515.532	64.823.273	–	–	157.204.186
Payables to suppliers	–	–	5.220.442	557.684	–	–	–	–	5.778.126
Deferred corporate income tax liabilities	–	–	–	–	–	7.359.124	–	–	7.359.124
Advances received	–	–	–	5.471.667	–	–	–	–	5.471.667
Deferred VAT liabilities	–	122.761	577.928	1.142.367	5.586.675	1.387.895	–	–	8.817.626
Other liabilities	–	112.170	39.747	2.694.902	–	–	–	–	2.846.819
Total liabilities	–	950.874	9.531.859	45.891.850	123.256.622	86.244.402	–	–	265.875.607
Net position as at 31 December 2021	30.011.182	2.689.818	13.383.040	39.548.833	50.740.259	(14.050.977)	4.395.951	20.751.908	147.470.014

(KZT thousand)

28. Maturity analysis of assets and liabilities (continued)

31 December 2020 (restated)	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets									
Cash and cash equivalents	12.235.576	–	–	–	–	–	–	–	12.235.576
Amounts due from credit institutions	–	–	–	39.618.524	–	–	–	–	39.618.524
Loans to customers	–	774.737	1.440.789	8.675.728	6.774.481	201.570	–	10.680.707	28.548.012
Finance lease receivables	–	2.748.767	18.160.748	37.996.713	133.298.830	54.388.137	–	10.160.203	256.753.398
Property held for finance lease	–	–	–	–	–	–	4.288.552	–	4.288.552
Current corporate income tax assets	–	–	–	134.115	–	–	–	–	134.115
Property, plant and equipment	–	–	–	–	–	–	939.426	–	939.426
Intangible assets	–	–	–	–	–	–	535.146	–	535.146
VAT and other taxes recoverable	–	113.507	547.609	1.052.934	4.413.623	–	–	–	6.127.673
Advances paid	–	981.164	–	273.715	–	–	–		1.254.879
Other assets	–	312	–	191.402	–	–	–	891.509	1.083.223
Total assets	12.235.576	4.618.487	20.149.146	87.943.131	144.486.934	54.589.707	5.763.124	21.732.419	351.518.524
Liabilities									
Amounts due to the Shareholder	–	1.550.936	1.304.369	22.370.495	21.381.704	6.836.821	–	–	53.444.325
Amounts due to credit institutions	–	18.102	2.958.040	14.579.627	43.314.754	2.678.704	–	–	63.549.227
Debt securities issued	–	621.582	–	8.598.415	89.017.810	–	–	–	98.237.807
Payables to suppliers	–	–	4.627.861	584.506	–	–	–	–	5.212.367
Deferred corporate income tax liabilities	–	–	–	–	–	1.800.269	–	–	1.800.269
Advances received	–	–	–	7.957.142	–	–	–	–	7.957.142
Deferred VAT liabilities	–	113.507	529.117	1.052.934	5.008.841	1.596.925	–	–	8.301.324
Other liabilities	–	125.841	22.265	1.339.829	–	–	–	–	1.487.935
Total liabilities	–	2.429.968	9.441.652	56.482.948	158.723.109	12.912.719	–	–	239.990.396
Net position as at 31 December 2020	12.235.576	2.188.519	10.707.494	31.460.183	(14.236.175)	41.676.988	5.763.124	21.732.419	111.528.128

(KZT thousand)

29 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, and 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 Republic of Kazakhstan, acting through the State Property Committee within the Ministry of Finance, controls the Company and has a significant impact on its activities.

The Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organisations (together referred to as "government-related entities"). The Company executes bank transactions with these entities such as borrowings and placement of cash.

The balances as at 31 December 2021 for transactions with related parties are as follows:

	Shareholder	*Fellow subsidiaries*	*Transactions with state owned entities*
ASSETS			
Current corporate income tax assets	–	–	**134.115**
VAT and other taxes recoverable	–	–	**6.405.180**
LIABILITIES			
Amounts due to the Shareholder (nominal interest rate: 1.02%–10%)	**12.087.335**	–	–
Debt securities issued (nominal interest rates: 8.00%–12.00%)	**69.241.701**	**9.770.635**	**20.007.191**
Amounts due to credit institutions (nominal interest rates: 5.00%)	–	**13.146.580**	–
Deferred VAT liabilities	–	–	**8.817.626**
Deferred corporate income tax liabilities	–	–	**7.359.124**

The balances as at 31 December 2020 for transactions with related parties are as follows:

	Shareholder	*Fellow subsidiaries*	*Transactions with state owned entities*
ASSETS			
Current corporate income tax assets	–	–	134.115
VAT and other taxes recoverable	–	–	6.127.673
LIABILITIES			
Amounts due to the Shareholder (nominal interest rate: 1.02%–14.50%)	53.444.325	–	–
Debt securities issued (nominal interest rates: 8.00%–8.50%)	43.963.105	586.998	–
Amounts due to credit institutions (nominal interest rates: 5.00%)	–	15.515.127	–
Deferred VAT liabilities	–	–	8.301.324
Deferred corporate income tax liabilities	–	–	1.800.269

The income and expense items with related parties for the year ended 31 June 2021 were as follows:

	Shareholder	*Fellow subsidiaries*	*Transactions with state owned entities*
Interest expense	**(6.896.212)**	**(1.873.536)**	**(1.623.249)**
Other operating expenses	–	**(1.553)**	–
Corporate income tax benefit	–	–	**422.320**

The income and expense items with related parties for the year ended 31 June 2020 were as follows:

	Shareholder	*Fellow subsidiaries*	*Transactions with state owned entities*
Interest expense	7.723.363	1.587.645	(815.940)
Corporate income tax benefit	–	–	9.055

(KZT thousand)

29. Related party transactions (continued)

Information about the terms and conditions of loans from the Shareholder and the company under common control is provided in Notes 13 and 14, respectively.

Remuneration to the key management personnel consisting of 5 (five) persons in 2020 and 2019 was as follows:

	2021	*2020*
Salaries and other short-term benefits	**120.449**	111.901
Social security taxes and costs	**11.121**	10.393
Total key management personnel remuneration	**131.571**	122.294

30 Changes in liabilities arising from financing activities

	Debt securities issued	*Amounts due to credit institutions*	*Amounts due to the Shareholder*	*Total liabilities from financing activities*
Carrying amount at 31 December 2019	65.384.934	75.934.329	54.136.402	195.455.665
Additions	33.214.631	20.416.000	20.000.000	73.630.631
Redemption	–	(32.578.583)	(15.820.436)	(48.399.019)
Foreign exchange differences	–	(295.681)	–	(295.681)
Non-cash transactions	(487.150)	183.962	(4.720.548)	(5.023.736)
Dividends declared	–	–	9.210.964	9.210.964
Dividends paid	–	–	(9.210.964)	(9.210.964)
Other	125.392	(110.800)	(151.093)	(136.501)
Carrying amount at 31 December 2020	**98.237.807**	**63.549.227**	**53.444.325**	**215.231.359**
Additions	**65.000.000**	**18.917.333**	**5.835.875**	**89.753.208**
Redemption	**(8.000.000)**	**(16.883.249)**	**(15.782.396)**	**(40.665.645)**
Foreign exchange differences	**–**	**84.912**	**–**	**84.912**
Non-cash transactions	**311.074**	**532.912**	**(31.282.601)**	**(30.438.615)**
Dividends declared	**–**	**–**	**6.718.739**	**6.718.739**
Dividends paid	**–**	**–**	**(6.718.739)**	**(6.718.739)**
Other	**1.655.305**	**109.589**	**(127.868)**	**1.637.026**
Carrying amount at 31 December 2021	**157.204.186**	**66.310.724**	**12.087.335**	**235.602.245**

Non-cash transactions include changes in the discount on debt securities issued, other borrowed funds and loans received from the Shareholder during the reporting period as well as offset of advances.

The "Other" item includes the effect of accrued but not yet paid interest on debt securities issued, other loans and borrowings from the Shareholder. The Company classifies the interest paid as cash flows from operating activities.

31 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 NBRK and 1988 Basel Agreement in supervising the Company.

As of 31 December 2021 and 2020, the Company 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 to support its business and to maximise shareholders' value.

The NBRK requires companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio of 6.0% of assets and Tier 2 capital adequacy ratio of 6.0% of assets and minimum general total capital adequacy ratio of 12.0% of risk-weighted assets. On 31 December, the Company's capital adequacy ratio on this basis was as follows:

(KZT thousand)

31 Capital adequacy, continued

	2021	2020
Tier 1 capital	**130.070.951**	101.779.421
Tier 2 capital	**17.301.745**	9.598.199
Total equity	**147.372.696**	111.377.620
Total assets	**413.345.621**	351.518.524
Risk-weighted assets and contingent and potential liabilities	**413.341.793**	356.489.751
Operational risk	**14.988.056**	11.479.345
Capital adequacy ratio (k1) — not less than 6,0%	**31,47%**	28,95%
Capital adequacy ratio (k1 -2) — not less than 6,0%	**31,47%**	28,55%
Capital adequacy ratio (k1 -3) — not less than 12,0%	**34,41%**	30,27%

Capital adequacy ratio under Basel Capital Accord 1988

As of 31 December, the Company's capital adequacy ratio calculated with requirements of the 1988 Basel Accord, inclusive of consequential amendments to incorporate market risks, was:

	2021	2020
Tier 1 capital	**130.070.951**	101.779.421
Tier 2 capital	**17.301.745**	9.598.199
Total equity	**147.372.696**	111.377.620
Risk-weighted assets	**404.156.877**	348.237.470
Tier 1 capital adequacy ratio	**32,18%**	29,23%
Total capital adequacy ratio	**31,47%**	28,95%

32 Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Segment Reporting*. The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The chief operating decision maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.

33 Subsequent events

On 2 January 2022 protests started in the West of Kazakhstan related to an increase in the LNG price from 60 tenge per litre to 120 tenge per litre. These protests spread to other cities and resulted in looting and loss of life. On 5 January the government declared a state of emergency. As a result of the above protests and state of emergency the President of Kazakhstan has made certain public announcements regarding possible measures including additional taxes.

On 19 January 2022 the state of emergency was lifted. The Company is currently unable to quantify what the impact, if any, may be on the financial position of any new measures the government may take or any impact from the effect on the Kazakhstan economy as a result of the above protests and state of emergency.

In February 2022, because of the conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

Against the background of the aforementioned geopolitical events, the national currency of the Republic of Kazakhstan has weakened against world currencies. In February 2022, the National Bank of Kazakhstan increased the base rate to 13.5% with a corridor of +/- 1%.

According to press releases from the National Bank of Kazakhstan, the rapidly changing geopolitical and external economic environment in trading partner countries and the unprecedented level of uncertainty reduce significantly the possibility to make robust forecasts regarding the impact of the conflict on the economy of the Republic of Kazakhstan.

The Company is currently unable to quantify the impact of the above events on the Company's operations and financial position. According to the forecasts, the value of agricultural machinery is expected to increase, which will affect the volume of supplies.