АКФ

Азиатский Кредитный Фонд

2019

ANNUAL REPORT
ГОДОВОЙ ОТЧЕТ

Contents

Letter from the management

Dear friends and partners,

It is a great honor for me to present to you the annual report of Microfinance Organization Asian Credit Fund LLC (ACF) for 2019.

As I write this message to you, Kazakhstan, like much of the world is battling the devastating effects of COVID19. Lives and businesses have been severely impacted trying to contain the disease. ACF has worked closely with our clients and with the support of our lenders and shareholders, have restructured loans to get our clients through this crisis. These are extraordinary time and we here to support our clients for today and for the future.

Over the past year, ACF has significantly strengthened its position in the financial market in Kazakhstan. We are among the largest MFIs in Kazakhstan based upon number of active clients and by loan portfolio. ACF closed the year with a loan portfolio of 7.1 billion tenge reaching over 28,000 active borrowers. At year-end ACF had 50 offices in six regions of the country, with 88% of them located in villages and small cities. Rural households (93%) and women (75%) remain the cornerstones of our client base.

ACF is one of only two SMART-Certified MFIs in Kazakhstan, applying the customer protection standards throughout our activities. Each year ACF receives recognition from the Association of Microfinance Organizations of Kazakhstan for “Commitment to the clients’ social protection principles” and we were very proud to receive the award again in 2019.

Fundamental to ACF is the achievement of a balance between financial and social goals. We not only provide funding to rural households and SMEs, but also non-financial services to help strengthen household resiliency. Thus, in 2019 ACF significantly expanded the range of training courses provided to clients. As a result, 350 customers learned how to create an eco-farm, install biogas, grow Yalta onions and California worm. The financial education initiative “Plan your future” helped over 14,700 rural clients improve their household cash management practices.

One of the most important events of 2019 was the exit of our founding shareholder Mercy Corps and the acquisition of their shares by our other large shareholder BOPA. The transaction closed on October 4, 2019 at which time BOPA became the owner 98.1% of ACF. We are grateful for the years of support from Mercy Corps and their contribution to the long-term success of ACF, and we now look forward as a company to focusing on innovation and effective execution of our social mission.

Finally, I would like to thank our employees, members of the Supervisory Board and our corporate partners for their cooperation and support. I also express my gratitude to all of our clients, who trust us year after year, choosing us as a financial partner and growing together with ACF. Together we can achieve more!

Thank you for your support and see you next year!

Zhanna Zhakupova
Executive Director
ACF

Supervisory Board

James Anderson
Microfinance Consultant

Mr. Anderson has been a member of the Supervisory Board since 2013 and previously served on the ACF Board from 2005-2011. He has extensive experience in Central Asia and Mongolia with a focus on banking and microfinance. He was Chief Risk Officer for Kompanion Bank, Kyrgyzstan from 2013-2018 and Chief Technical Advisor, Inclusive Finance for the United Nations Capital Development Fund (UNCDF) in Lao PDR from 2011-2013. He was Senior Technical Advisor at XacBank, Mongolia and Manager Financial Services supporting the Mercy Corps microfinance network from 2003-2011. He was also an investment officer for the IFC in Central Asia. He has over 15 years of commercial banking experience with leadership positions in New York and Tokyo. He currently serves on the investment committee of Alterfin, Brussels and is a member of the Board of Directors of ARD Financial Group, Mongolia.

Christian Andersen
Chief Executive Officer
BOPA

Mr. Andersen has more than 15 years experience in business management in Asia and has been involved in microfinance since 2005.

He has personally visited more than 60 MFIs in Asia and Latin America in connection with searching for suitable partners for Base of Pyramid Asia (BOPA), which he co-founded in 2013. BOPA is a holding company that focuses on equity investment in smaller and early stage microfinance institutions in Asia.

Mr. Andersen holds a Master in Business Administration (MBA) from IMD, Swizerland and is a World Bank / Asian Development Bank certified Microfinance Trainer of Trainers (MF-TOT). He has further attended microfinance training courses at CGAP, BRAC and Boulder Institute of Microfinance.

Senad Sinanovic
Director
Partner Microcredit Foundation

Mr. Sinanović is the Director of Partner Microcredit Foundation (Partner MKF), Bosnia and Herzegovina and has over 20 years of experience in the microfinance sector. He started his career in 1997 as a Loan Officer and gained experience as a branch manager and credit manager and in 2000 was appointed Executive Director of the organization. He is also a member of the Board of Directors of AFK Kosovo, Association of Microfinance Institutions (AMFI) and the NGO Center for Financial and Credit Counseling (new name “U plusu”).

Marco de Natale
Manager, Strategic Finance,
LFS Advisory

Mr. de Natale has over 20 years of experience in investment banking and impact finance across many geographies. He is currently Manager for Strategic Finance at LFS Advisory, Berlin and was previously CEO & Co-Founder of a private investment firm focused on the CIS region, as well as CEO and CFO of leading microfinance institutions in Azerbaijan and Russia, and Regional Manager at BlueOrchard Finance, Geneva. Earlier career stages included senior capital markets roles with Barclays Capital, Credit Suisse and Merrill Lynch, London.

Mr. de Natale holds a Masters Degree from Stanford University, a BA from Bocconi University, and is a graduate of the Stonier ABA School of Banking (University of Pennsylvania/Wharton) & Oxford University Fintech Programmes.

Kazakhstan Overview 2019 and Outlook 2020

POPULATION	UNEMPLOYMENTS	GDP GROWTH/CAPITA
18.6M 18.9M	4.8% 4.8%	3.8%
+236,000	442,500 +500	USD 9,686 –USD 14

POVERTY HEADCOUNT RATIO AT NATIONAL POVERTY LINES 4.3%

AVERAGE MONTHLY NOMINAL SALARY USD 485 USD 438

INFLATION RATE 5.4% 4–6%

Source: stat.gov.kz

ACF Social Performance 2019

MISSION STATEMENT

To be the leading development organization in the Kazakh microfinance sector, providing financial and development products and services to households to improve their quality of life.

SOCIAL GOALS

- ✔ Rural households
- ✔ Meeting client needs
- ✔ Creating changes

OUTREACH

- **28,168** Active clients (15% annual growth)
- **KZT 7.1B** Loan portfolio (39% annual growth)
- **75%** Women-borrowers
- **93%** Rural borrowers
- **6 of 14** Regions of Kazakhstan covered

COMMUNITY PROJECTS

- **14,754** Clients received “family budget” training
- **350** Clients received ACF business training
- **KZT 1.2M** Spent for charitable projects

DIVERSITY

- **56%** Women in management
- **70%** Women from all staff

Client success story

Ms. Azhurtchieva is one of the loyal ACF clients. For nine years Balgyz has been working with our company and has become an unofficial relative to the employees of Uzynagash office.

Balgyz and her husband are pensioners, but the quiet life is not for them. After retirement, Balgyz and her husband opened a small grocery store near their home. “The trade was going well, but I always wanted to be involved in agriculture. We had a few head of cattle but I wanted to have my own small farm,” she says. In 2011, she discovered ACF and took a small loan to buy sheep. During nine years working with ACF, Balgyz used five loans to purchase livestock. Today we are happy to say that her dream has come true. Her small farm now has 150 sheep, 26 cows and 12 horses. In addition, during that time Balgyz managed to not only increase the number of livestock, but also make repairs and build additional premises for her livestock. She admits that animal husbandry is not easy, but the result is worth it. All of her work is for the sake of her dream and beloved children and grandchildren, who always need her support.

In cooperation with ACF, Balgyz grew her livestock numbers and her own net worth, but also improved her housing status. Between 2016 and 2018, she received five Housing and Energy Saving loans from ACF. What is a reasonable way to spend money on increased energy efficiency to achieve not just comfort, but also lower heating costs? Balgyz approached this issue very practically. First, she decided to reduce the heat loss of her house by insulating the walls and ceiling. Balgyz knew that such a low cost investment would reduce heat loss at home up to 50%! A new heating system marked the completion of the process of improving the energy efficiency of her home.

Currently, Balgyz and her husband continue breeding livestock while selling meat and dairy products to wholesale buyers in Almaty.

“With ACF loans, I was able to implement everything I wanted. I see many advantages to working with ACF. Loans are issued without fees and commissions. I can repay ahead of schedule and not worry about excessive interest or fines. Moreover, I can make repayments not only through the cash desks but also through terminals. However, the most important thing for me is that I can create a repayment schedule exactly for me, to meet the needs of my seasonal business! I am happy that ACF exists. I am grateful to the ACF employees who are always interested in my life and my projects and happy to help me at any time!”

Balgyz Azhurtchieva
Almaty branch,
Uzynagash Office

FINANCIAL STATEMENTS

Year ended December 31, 2019
together with independent auditor's report

Statement of financial position

as at December 31, 2019 (in thousands of tenge)

	Notes	2019	2018
Assets			
Cash and cash equivalents	5	**424,995**	403,557
Loans to customers	6	**6,757,827**	5,118,392
Property and equipment		**147,122**	105,928
Right-of-use assets	3	**106,853**	–
Intangible assets		**109,882**	85,735
Current corporate income tax assets	9	**21,542**	21,789
Deferred corporate income tax assets	9	**–**	1,466
Other assets	7	**27,124**	40,534
Total assets		**7,595,345**	5,777,401
Liabilities			
Amounts due to credit institutions	8	**5,711,615**	4,421,261
Lease liabilities	3	**110,668**	–
Deferred corporate income tax liabilities	9	**6,948**	–
Other liabilities	7	**108,253**	80,892
Total liabilities		**5,937,484**	4,502,153
Equity			
Charter capital	10	**341,297**	341,297
Retained earnings		**1,316,564**	933,951
Total equity		**1,657,861**	1,275,248
Total equity and liabilities		**7,595,345**	5,777,401

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

Zhakupova Zh. B. — Executive Director

Amireshova A.K. — Chief Accountant

June 17, 2020

Statement of comprehensive income

as at December 31, 2019 (in thousands of tenge)

	Notes	2019	2018
Interest revenue on loans to customers		**2,973,418**	2,269,338
Interest revenue on amounts due from credit institutions		**2,222**	2,907
Interest revenue calculated using effective interest rate		**2,975,640**	2,272,245
Interest expense on amounts due to credit institutions		**(990,624)**	(773,566)
Other interest expense	3	**(16,493)**	–
Net interest income		**1,968,523**	1,498,679
Credit loss expense	11	**(188,319)**	(132,556)
Net interest income after credit loss expense		**1,780,204**	1,366,123
Net gains/(losses) from foreign currencies:			
translation differences		**(9,692)**	42,019
dealing		**(9,994)**	(16,469)
Other income		**18,597**	7,613
Operating expenses	12	**(1,282,465)**	(1,013,168)
Other expenses		**(4,990)**	(2,883)
Profit before corporate income tax expense		**491,660**	383,235
Corporate income tax expense	9	**(109,047)**	(83,268)
Profit for the year		**382,613**	299,967
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**382,613**	299,967

Statement of cash flows

for the year ended December 31, 2019 (in thousands of tenge)

	Notes	2019	2018
Cash flows from operating activities			
Profit before corporate income tax expense		**491,660**	383,235
Adjustments for:			
Depreciation and amortization	12	**96,765**	21,718
Accrued interest income		**(2,975,640)**	(2,272,245)
Accrued interest expense		**1,007,117**	773,566
Credit loss expense	11	**188,319**	132,556
Accrued expenses on unused vacations and other payroll accruals		**19,077**	9,590
Unrealised (losses)/gains from foreign currencies		**9,692**	(42,019)
Loss on disposal of property and equipment		**610**	1,076
Other expenses		**2,133**	1,836
Net decrease/(increase) in operating assets			
Amounts due from credit institutions		**–**	95,568
Loans to customers		**(1,724,970)**	(1,165,965)
Other assets		**796**	(8,560)
Net increase/(decrease) in operating liabilities			
Other liabilities		**20,653**	(10,665)
		(2,863,788)	(2,080,309)
Interest received		**2,881,241**	2,197,285
Interest paid		**(984,474)**	(684,309)
Corporate income tax paid		**(111,855)**	(95,558)
Net cash flows used in operating activities		**(1,078,876)**	(662,891)

Statement of cash flows *(continued)*

for the year ended December 31, 2019 (in thousands of tenge)

	Notes	2019	2018
Cash flows from investing activities			
Purchase of property and equipment		**(65,843)**	(45,696)
Proceeds from sale of property and equipment		**–**	1,186
Purchase of intangible assets		**(29,440)**	(37,643)
Net cash flows used in investing activities		**(95,283)**	(82,153)
Cash flows from financing activities			
Proceeds from amounts due to credit institutions	18	**2,550,599**	2,230,148
Repayment of amounts due to credit institutions	18	**(1,268,583)**	(1,378,418)
Repayment of leases liabilities	3	**(73,293)**	–
Net cash flows from financing activities		**1,208,723**	851,730
Effect of exchange rates changes on cash and cash equivalents		**(10,537)**	41,248
Effect of expected credit losses on cash and cash equivalents		**(2,589)**	–
Net increase in cash and cash equivalents		**21,438**	147,934
Cash and cash equivalents, as at 1 January		**403,557**	255,623
Cash and cash equivalents, as at 31 December	**5**	**424,995**	403,557

Statement of changes in equity

for the year ended December 31, 2019 (in thousands of tenge)

	Charter capital	Retained earnings	Total equity
As at 31 December 2017	341,297	609,993	951,290
Impact of adopting IFRS 9	–	23,991	23,991
Restated opening balance under IFRS 9	341,297	633,984	975,281
Total comprehensive income for the year	–	299,967	299,967
As at 31 December 2018	341,297	933,951	1,275,248
Total comprehensive income for the year	**–**	**382,613**	**382,613**
As at 31 December 2019	**341,297**	**1,316,564**	**1,657,861**

1. PRINCIPAL ACTIVITIES

Microfinance organization “Asian Credit Fund” Limited Liability Company (hereinafter – the “Company”) was registered on 27 October 2005, and is carrying out its activities in the territory of the Republic of Kazakhstan. On 29 December 2014, the Company was re-registered in connection with the decision of its participants on changing the name of the Company from Microcredit organization “Asian Credit Fund” Limited Liability Company to Microfinance organization “Asian Credit Fund” Limited Liability Company as per requirement of the Law of Republic of Kazakhstan Law On Microfinance Organizations, issued on 26 November 2012, with last amendments on 28 November 2016.

The Company’s principal activity is granting micro loans to customers. As at 31 December 2019, the Company had 7 branches and 51 outlets in the Republic of Kazakhstan (as at 31 December 2018: 6 branches and 41 outlets).

The Company’s head office is located at 60 Auezov Str., Almaty, the Republic of Kazakhstan.

The ultimate shareholder of the Company is BOPA Pte LTD. Participatory shares in the Company are distributed as follows:

	Ownership in %	
Name	*Dec. 31, 2019*	*Dec. 31, 2018*
BOPA Pte LTD	98.10	47.57
Karavella Invest LLP	1.90	1.90
Mercy Corps	–	30.35
“Asian Credit Fund” Public Fund	–	20.18
	100.00	100.00

The participants’ shares in the charter capital are not proportional to contributions made. The controlling participant of the Company is Mercy Corps which has an additional participatory share in the Company through “Asian Credit Fund” Public Fund.

2. BASIS OF PREPARATION

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

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

The financial statements are presented in thousands of tenge (“tenge” or “KZT”), unless otherwise indicated.

3. SUMMARY OF ACCOUNTING POLICIES

Changes in accounting policies

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	Years
Assets	
Right-of-use assets	95,779
Other assets	(3,091)
Total assets	**92,688**
Liabilities	
Lease liabilities	92,688
Total liabilities	**92,688**

(a) Nature of the effect of adoption of IFRS 16

The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Other assets and Other liabilities, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

Leases previously classified as finance leases

The Company did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:
- Right-of-use assets of KZT 95,779 thousand were recognised;
- Additional lease liabilities of KZT 92,688 thousand were recognised; and
- Prepayments of KZT 3,091 thousand related to previous operating leases were derecognized.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018	**27,606**
Weighted average incremental borrowing rate as at 1 January 2019	15%
Discounted operating lease commitments at 1 January 2019	**22,873**
Less:	
Commitments relating to short-term leases	**(3,676)**
Add:	
Payments in optional extension periods not recognised as at 31 December 2018	73,491
Lease liabilities as at 1 January 2019	**92,688**

(b) Summary of new accounting policies
Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

i. Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
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). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KZT 1,900 thousand). 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 judgement 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.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Amounts recognised in the statement of financial position, statement of comprehensive income and statement of cash flows
Set out below, are the carrying amounts of the Company's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets (buildings)	*Lease liabilities*
As at 1 January 2019	95,779	92,688
Additions	**74,780**	**74,780**
Depreciation expense	**(63,706)**	**–**
Interest expense	**–**	**16,493**
Payments	**–**	**(73,293)**
As at 31 December 2019	**106,853**	**110,668**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Interpretation did not have an impact on the financial statements of the Company.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company.

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

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

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

These amendments had no impact on the financial statements as the Company does not have long term interests in associates and joint ventures.

Annual improvements 2015–2017 cycle

IFRS 3 Business Combinations

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

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where joint control is obtained.

IFRS 11 Joint Arrangements

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

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company as there is no transaction where a joint control is obtained.

IAS 12 Income Taxes

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

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

IAS 23 Borrowing Costs

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

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, they had no impact on the financial statements of the Company.

Fair value measurement

Information about fair values of financial instruments measured at amortized costs is disclosed in *Note 15*.

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

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

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

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

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

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 categorization (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

Date of recognition

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

Initial measurement

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

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;
- FVOCI;
- FVPL.

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, 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 FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers 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:

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

The details of these conditions are outlined 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 on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

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

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

The SPPI test

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

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

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

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

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 2019.

Cash and cash equivalents

Cash and cash equivalents include cash, current accounts of the Company in the commercial banks, and highly liquid financial assets with original maturities of less than 3 (three) months, which are not exposed to significant risk of changes in fair value and are used by the Company to settle short-term liabilities. Cash and cash equivalents are recorded at amortised cost in the statement of financial position.

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 credit institutions. After initial recognition, borrowings are subsequently 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.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize 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, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

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

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Company also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset.

Write-off

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

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 expense is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred corporate income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company’s activities. These taxes are recorded in the statement of comprehensive income within Operating expenses.

Property and equipment

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

The carrying values of property 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:

	Years
Computer hardware	2.5–10
Vehicles	5
Office furniture and equipment	2–10

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

Costs related to repairs and renewals are charged when incurred and included in the statement of comprehensive income within Operating expenses, unless they qualify for capitalisation.

Intangible assets
Intangible assets include computer software and are initially measured at cost.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. 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 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

Retirement and other employee benefit obligations
The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments for employees. These expenses are charged in the period the related salaries are earned. In addition, the Company has no post-retirement benefits or significant other compensated benefits requiring accrual.

Equity
Charter capital
Charter capital is classified as equity. Incremental costs directly attributable to the issue of additional charter capital are recognised as a deduction from equity, net of any tax effects.

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

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

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

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

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

Interest revenue on all financial assets at FVPL is recognised using the contractual interest rate in "Other interest revenue" in the statement of comprehensive income.

Foreign currency translation
The financial statements are presented in Kazakhstan tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the official exchange rate established by the National Bank of the Republic of Kazakhstan (hereinafter – the "NBRK") ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as net gains/(losses) from transactions in foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate on the date of the transaction are included in net gains/(losses) from transactions in foreign currencies. The official exchange rates established by the NBRK as at 31 December 2019 and 2018 were KZT 381.18 and KZT 384.2 to US dollar 1, respectively.

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

IFRS 17 Insurance Contracts
In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17

applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company will continue to assess the potential effect of IFRS 17 on its financial statements.

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS

Interest Rate Benchmark Reform Amendments to IFRS 9, IAS 39 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments come into effect from 1 January 2020, but entities may choose to apply them earlier. The amendments are not expected to have a significant impact on the Company's financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments

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

Fair values 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 15.*

Impairment losses on financial assets

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

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

More details are provided in *Notes 6* and *14*.

Taxation

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

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

Leases − estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. More details are provided in *Note 3*.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2019	*2018*
Cash on hand	**521**	88
Current accounts with banks	**427,063**	403,469
	427,584	403,557
Less: ECL allowance	**(2,589)**	–
Cash and cash equivalents	**424,995**	403,557

All balances of cash and cash equivalents are allocated to Stage 1. An analysis of changes in the ECL allowances during 2019 is as follows:

	2019
ECL allowance as at 1 January 2019	**–**
Changes in ECL (Note 11)	**(2,589)**
As at 31 December 2019	**(2,589)**

6. LOANS TO CUSTOMERS

Loans to customers comprise the following:

	2019	*2018*
Group loans	**2,977,528**	2,885,588
Individual loans	**4,151,036**	2,378,757
Gross loans to customers	**7,128,564**	5,264,345
Less: ECL allowance	**(370,737)**	(145,953)
Loans to customers	**6,757,827**	5,118,392

Group loans are unsecured loans granted to groups of borrowers, who sign loan agreements with joint obligation to repay their loans.

As at 31 December 2019 and 2018 loans to customers mainly comprise loans issued to individuals.

ECL allowance of loans to customers

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to group loans during the year ended 31 December 2019 is as follows:

Group loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2019	2,816,720	38,420	30,448	2,885,588
New assets originated	**3,556,824**	**–**	**–**	**3,556,824**
Assets repaid	**(3,350,607)**	**(59,548)**	**(83,141)**	**(3,493,296)**
Net change in accrued interest	**(6,233)**	**288**	**4,037**	**(1,908)**
Transfers to Stage 1	**46,542**	**(42,833)**	**(3,709)**	**–**
Transfers to Stage 2	**(208,625)**	**214,006**	**(5,381)**	**–**
Transfers to Stage 3	**–**	**(120,379)**	**120,379**	**–**
Recoveries	**–**	**–**	**71,675**	**71,675**
Amounts written off	**–**	**–**	**(41,355)**	**(41,355)**
As at 31 December 2019	**2,854,621**	**29,954**	**92,953**	**2,977,528**
ECL allowance as at 1 January 2019	(51,193)	(19,816)	(30,448)	(101,457)
New assets originated	**(86,728)**	**–**	**–**	**(86,728)**
Assets repaid	**81,024**	**34,556**	**82,760**	**198,340**
Transfers to Stage 1	**(28,529)**	**24,819**	**3,710**	**–**
Transfers to Stage 2	**5,087**	**(10,468)**	**5,381**	**–**
Transfers to Stage 3	**–**	**69,753**	**(69,753)**	**–**
Impact on ECL of exposures transferred between stages and changes to inputs used for ECL calculations	**(6,991)**	**(118,108)**	**(48,617)**	**(173,716)**
Unwinding of discount	**–**	**–**	**(5,652)**	**(5,652)**
Recoveries	**–**	**–**	**(71,675)**	**(71,675)**
Amounts written off	**–**	**–**	**41,355**	**41,355**
As at 31 December 2019	**(87,330)**	**(19,264)**	**(92,939)**	**(199,533)**

An analysis of changes in gross carrying value and corresponding ECL allowance in relation to individual loans during the year ended 31 December 2019 is as follows:

Individual loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2019	2,354,896	16,438	7,423	2,378,757
New assets originated	**4,909,597**	**–**	**–**	**4,909,597**
Assets repaid	**(3,136,418)**	**(20,130)**	**(26,975)**	**(3,183,523)**
Net change in accrued interest	**31,124**	**3,379**	**5,945**	**40,448**
Transfers to Stage 1	**51,487**	**(48,971)**	**(2,516)**	**–**
Transfers to Stage 2	**(171,748)**	**174,087**	**(2,339)**	**–**
Transfers to Stage 3	**–**	**(79,163)**	**79,163**	**–**
Recoveries	**–**	**–**	**26,928**	**26,928**
Amounts written off	**–**	**–**	**(21,171)**	**(21,171)**
As at 31 December 2019	**4,038,938**	**45,640**	**66,458**	**4,151,036**
ECL allowance as at 1 January 2019	(28,055)	(9,018)	(7,423)	(44,496)
New assets originated	**(88,379)**	**–**	**–**	**(88,379)**
Assets repaid	**53,618**	**9,273**	**26,958**	**89,849**
Transfers to Stage 1	**(27,248)**	**25,118**	**2,130**	**–**
Transfers to Stage 2	**2,630**	**(4,969)**	**2,339**	**–**
Transfers to Stage 3	**–**	**41,587**	**(41,587)**	**–**
Impact on ECL of exposures transferred between stages and changes to inputs used for ECL calculations	**(2,544)**	**(83,771)**	**(32,985)**	**(119,300)**
Unwinding of discount	**–**	**–**	**(3,121)**	**(3,121)**
Recoveries	**–**	**–**	**(26,928)**	**(26,928)**
Amounts written off	**–**	**–**	**21,171**	**21,171**
As at 31 December 2019	**(89,978)**	**(21,780)**	**(59,446)**	**(171,204)**

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

Group loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2018	3,019,886	13,807	6,703	3,040,396
New assets originated	3,529,553	–	–	3,529,553
Assets repaid	(3,578,162)	(258)	(43,809)	(3,622,229)
Net change in accrued interest	1,271	1,566	2,635	5,472
Transfers to Stage 1	29,726	(29,413)	(313)	–
Transfers to Stage 2	(164,199)	164,199	–	–
Transfers to Stage 3	(21,355)	(111,481)	132,836	–
Recoveries	–	–	40,011	40,011
Amounts written off	–	–	(107,615)	(107,615)
As at 31 December 2018	2,816,720	38,420	30,448	2,885,588
ECL allowance as at 1 January 2018	(58,654)	(7,147)	(6,703)	(72,504)
New assets originated	(71,204)	–	–	(71,204)
Assets repaid	75,884	133	43,789	119,806
Transfers to Stage 1	(17,323)	17,010	313	–
Transfers to Stage 2	2,757	(2,757)	–	–
Transfers to Stage 3	379	60,780	(61,159)	–
Impact on ECL of exposures transferred between stages and changes to inputs used for ECL calculations	16,968	(87,835)	(70,844)	(141,711)
Unwinding of discount	–	–	(3,448)	(3,448)
Recoveries	–	–	(40,011)	(40,011)
Amounts written off	–	–	107,615	107,615
As at 31 December 2018	(51,193)	(19,816)	(30,448)	(101,457)

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

Individual loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2018	1,047,670	8,029	3,516	1,059,215
New assets originated	2,744,591	–	–	2,744,591
Assets repaid	(1,418,919)	(2,182)	(24,573)	(1,445,674)
Net change in accrued interest	33,123	465	389	33,977
Transfers to Stage 1	13,987	(13,361)	(626)	–
Transfers to Stage 2	(57,748)	57,923	(175)	–
Transfers to Stage 3	(7,808)	(34,436)	42,244	–
Recoveries	–	–	23,551	23,551
Amounts written off	–	–	(36,903)	(36,903)
As at 31 December 2018	2,354,896	16,438	7,423	2,378,757
ECL allowance as at 1 January 2018	(14,157)	(4,559)	(3,516)	(22,232)
New assets originated	(39,235)	–	–	(39,235)
Assets repaid	24,627	1,220	24,512	50,359
Transfers to Stage 1	(7,621)	6,995	626	–
Transfers to Stage 2	729	(904)	175	–
Transfers to Stage 3	100	18,461	(18,561)	–
Impact on ECL of exposures transferred between stages and changes to inputs used for ECL calculations	7,502	(30,231)	(22,259)	(44,988)
Unwinding of discount	–	–	(1,752)	(1,752)
Recoveries	–	–	(23,551)	(23,551)
Amounts written off	–	–	36,903	36,903
As at 31 December 2018	(28,055)	(9,018)	(7,423)	(44,496)

Modified and restructured loans

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

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

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- Guarantees;
- Inventory;
- Real estate;
- Vehicles.

Recoverability of loans mainly depends on creditworthiness of the borrower rather than on collateral. The Company's policy provides for foreclosure by selling the collateral in exceptional cases. This is supported by previous experience of obtaining and selling the collateral in the event of the borrower's inability to meet its obligations to the Company at maturity.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2019 would not change.

Concentration of loans to customers

As at 31 December 2019 and 2018, the Company has no borrowers or groups of interrelated borrowers whose loan balances exceed 10% of equity.

In absence of collateral or other credit enhancements, ECL in respect of Stage 3 loans to customers as at 31 December 2019 would have been higher by:

	2019
Individual loans	7,025
	7,025

7. OTHER ASSETS AND LIABILITIES

Other assets comprise the following:

	2019	*2018*
Other accounts receivable	**14,854**	12,709
Less: ECL allowance	**(11,379)**	(5,583)
Other financial assets	**3,475**	7,126
Advances paid	**13,414**	18,734
Prepaid expenses	**2,561**	3,297
Inventories	**1,535**	4,927
Prepaid taxes other than corporate income tax	**–**	740
Other	**6,139**	5,710
Other non-financial assets	**23,649**	33,408
Other assets	**27,124**	40,534

An analysis of change in ECL allowance in relation to other financial assets during the year ended 31 December 2019 is as follows:

	Stage 3	*Total*
ECL allowance as at 1 January 2019	(5,583)	(5,583)
Net change during the year	**(5,796)**	**(5,796)**
As at 31 December 2019	**(11,379)**	**(11,379)**

An analysis of change in ECL allowance in relation to other financial assets during the year ended 31 December 2018 is as follows:

	Stage 3	*Total*
ECL allowance as at 1 January 2018	–	–
Net change during the year	**(5,583)**	**(5,583)**
As at 31 December 2018	**(5,583)**	**(5,583)**

Other liabilities comprise the following:

	2019	*2018*
Payables to employees	**24,679**	78
Payables to suppliers	**14,394**	11,428
Other payables	**13,230**	–
Other financial liabilities	**52,303**	11,506
Accrued expenses on unused vacations	**27,536**	33,060
Taxes payable other than corporate income tax	**25,878**	34,386
Other payables	**2,536**	1,940
Other non-financial liabilities	**55,950**	69,386
Other liabilities	**108,253**	80,892

8. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise the following:

	2019	*2018*
Loans from investment funds	**5,711,615**	4,393,957
Loans from other credit institutions	**–**	27,304
Amounts due to credit institutions	**5,711,615**	4,421,261

As at 31 December 2019, the Company had borrowings from 13 investment funds (as at 31 December 2018: 12 investment funds).

Covenants

As at 31 December 2019 and 2018, the Company was in compliance with all the financial covenants under agreements with credit institutions.

9. TAXATION

The corporate income tax expense comprises:

	2019	*2018*
Current corporate income tax charge	**(100,633)**	(87,907)
Deferred corporate income tax charge/ (benefit) – origination and reversal of temporary differences	**(8,414)**	4,639
Corporate income tax expense	**(109,047)**	(83,268)

The Republic of Kazakhstan was the only tax jurisdiction in which the Company's income is taxable. In accordance with tax legislation, the applied corporate income tax rate is 20% in 2019 and 2018.

The reconciliation between the corporate income tax expense in the accompanying financial statements and profit before corporate income tax multiplied by the statutory tax rate for the years ended 31 December is as follows:

	2019	*2018*
Profit before corporate income tax expense	**491,660**	383,235
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expense at the statutory rate	**(98,332)**	(76,647)
Non-deductible losses from foreign currencies	**(2,839)**	(1,228)
Non-deductible other impairment and provisions	**(1,677)**	(1,117)
Non-deductible operating expenses	**(6,199)**	(4,276)
Corporate income tax expense	**(109,047)**	(83,268)

As at 31 December 2019, current corporate income tax assets comprised KZT 21,542 thousand (as at 31 December 2018: KZT 21,789 thousand).

Deferred tax assets and deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the amounts used for the purposes of calculation of taxable base, give rise to net deferred corporate income tax liabilities and assets as at 31 December 2019 and 2018. The future tax benefits will only be received in the event that there are no changes in the legislation of Kazakhstan that would adversely affect the Company's ability to utilise such benefits in future periods.

Deferred corporate income tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	2017	Effect of adopting IFRS 9	Origination and reversal of temporary differences in profit or loss	2018	Origination and reversal of temporary differences in profit or loss	2019
Tax effect of deductible temporary differences						
Accrued expenses on unused vacations	4,694	–	1,918	**6,612**	**(1,105)**	**5,507**
Other taxes	–	–	–	**–**	**653**	**653**
Lease liabilities	–	–	–	**–**	**763**	**763**
Loans to customers	2,795	(5,998)	3,203	**–**	**–**	**–**
Deferred corporate income tax assets	7,489	(5,998)	5,121	**6,612**	**311**	**6,923**
Tax effect of taxable temporary differences						
Property and equipment and intangible assets	(4,047)	–	(800)	**(4,847)**	**(9,024)**	**(13,871)**
Amounts due to credit institutions	(557)	–	258	**(299)**	**299**	**–**
Other payables	(60)	–	60	**–**	**–**	**–**
Deferred corporate income tax liabilities	(4,664)	–	(482)	**(5,146)**	**(8,725)**	**(13,871)**
Net deferred corporate income tax assets/ (liabilities)	2,825	(5,998)	4,639	**1,466**	**(8,414)**	**(6,948)**

10. EQUITY

As at 31 December 2019 and 2018, the Company's paid and outstanding charter capital was equal to KZT 341,297 thousand.

11. CREDIT LOSS EXPENSE

The table below shows the ECL charges on finance instruments recognised in the statement of comprehensive income for the year ended 31 December 2019:

	Notes	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	5	**(2,589)**	**–**	**–**	**(2,589)**
Loans to customers	6	**(50,000)**	**(158,050)**	**28,116**	**(179,934)**
Other financial assets	7	**–**	**–**	**(5,796)**	**(5,796)**
Credit loss expense		**(52,589)**	**(158,050)**	**22,320**	**(188,319)**

The table below shows the ECL charges on finance instruments recognised in the statement of comprehensive income for the year ended 31 December 2018:

	Notes	Stage 1	Stage 2	Stage 3	Total
Loans to customers	6	**14,542**	**(116,713)**	**(24,802)**	**(126,973)**
Other financial assets	7	**–**	**–**	**(5,583)**	**(5,583)**
Credit loss expense		**14,542**	**(116,713)**	**(30,385)**	**(132,556)**

12. OPERATING EXPENSES

Operating expenses comprise the following:

	2019	2018
Salaries, bonuses and related taxes	**738,149**	572,154
Depreciation and amortisation	**96,765**	21,718
Professional services	**93,141**	78,439
Transportation	**76,304**	61,967
Business trip and representative expenses	**69,450**	65,911
Bank charges	**32,300**	23,047
Advertising and marketing	**22,534**	12,603
Office supplies	**17,632**	11,528
Communication and information services	**15,392**	12,999
Rent	**14,289**	67,326
Repair and maintenance	**7,904**	5,302
Training of personnel	**6,442**	13,338
Database maintenance services	**2,841**	2,294
Taxes other than corporate income tax	**3,049**	235
Other	**86,273**	64,307
Operating expenses	**1,282,465**	1,013,168

13. COMMITMENTS AND CONTINGENCIES

Political and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Interest rates in tenge remain high, which resulted in limited access to capital, a high cost of capital, high inflation and uncertainty regarding further economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. The management of the Company believes that it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Legal

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company, no provision were recognized in financial statements.

Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and profit related to reported and discovered violations of Kazakh laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognise provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakh tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2019. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

Operating lease commitments

Operating lease commitments are presented as follows:

	2019	*2018*
Operating lease commitments		
Not later than 1 year	–	3,783
From 1 to 5 years	–	23,823
Commitments and contingencies	–	27,606

14. RISK MANAGEMENT

Management of risks is fundamental to the Company's business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are:

- Credit risk;
- Operational risk;
- Liquidity risk;
- Market risk.

The Company recognises that it is essential to have efficient and effective risk management processes in place. To enable this, the Company has established a risk management framework, whose main purpose is to protect the Company from risk and allow it to achieve its performance objectives.

Risk management policies and procedures

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Supervisory Board of the Company has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management of the Company is responsible for monitoring and implementation of risk mitigation measures and making sure that the Company operates within the established risk parameters. Each department is responsible for direct management of the relevant risks, and together with the lawyer continuously monitors compliance with currently effective legislation.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of different committees of the Company, including the Credit Committee. Both external and internal risk factors are identified and managed throughout the Company's organizational structure.

Credit risk

Credit risk is the risk that the Company will incur a financial loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages credit risk through the adoption of approved policies and procedures, requiring to set and meet the limits of credit risk concentration as well as by means of establishing the credit committees whose functions include monitoring of a credit risk. The credit policy is reviewed and approved by the Supervisory Board.

A credit policy establishes:

- Procedures for review and approval of loan applications;
- Methodology of borrowers' creditworthiness assessment;
- Methodology of proposed collateral assessment;
- Requirements to loan documentation;
- Procedures of on-going monitoring of loans and other credit risk bearing products.

The Company continuously monitors the performance of individual loans and other credit risks. Apart from individual borrower analysis, the Company assesses the loan portfolio as a whole with regard to concentration of loans and market risks.

Impairment assessment

The Company calculates ECL on a group basis according to the migration matrix adjusted for the impact of the macroeconomic factors to measure the expected cash shortfalls, discounted at an approximation to the EIR or its approximate value. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)
The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

Exposure at Default (EAD)
The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD)
The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

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

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

Stage 1
When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2
When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3
Loans considered credit-impaired. The Company records an allowance for the LTECL.

POCI
Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

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.

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

- The Company has information about force majeure, as well as other circumstances that caused the borrower significant material damage or do not allow the borrower to continue commercial or employment activities, including information about the deprivation/suspension of a license for activities, as well as information about the absence of employment or commercial activities of the borrower;
- A high probability of bankruptcy or another kind of financial reorganization, as well as involvement in the court proceedings of the borrower, which may worsen its financial condition;
- The borrower is deceased.

By decision of the Credit Committee, the Company is entitled to use additional risk factors as signs of impairment:

- Lack of communication with the borrower;
- Court proceedings on claims of third parties, where the borrower acts as a defendant;
- Loss of collateral for a loan or the absence of duly executed collateral.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive payments according to the last schedule approved in accordance with the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Treasury
The Company's treasury comprise transactions with financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Company's credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings.

Group and individual loans
Consumer lending includes secured and unsecured loans to individuals. The main indicator for evaluating these products is the number of overdue days.

Exposure at default
The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default
LGD levels are assessed for all asset classes of Stage 1, 2 and 3 and POCI. These LGD levels take into account the expected EAD figure compared with the amounts that are expected to be recovered or realized as a result of the sale of collateral.

LGD is estimated on a monthly basis by the Company's Risk Management Department. Credit risk assessment is based on the LGD model based on the value of the collateral. The value of collateral is estimated by adjusting for the liquidity ratio, after which it is discounted for a period of 2 years using the initial effective rate.

Significant increase in credit risk
The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a signif-

icant increase in credit risk since initial recognition. The Company deems that the credit risk have increased significantly since initial recognition in the following cases:

- Significant changes in external market credit risk indicators for a specific loan or similar loans with the same expected maturity;
- Overdue on principal and/or interest for a period exceeding 30 calendar days;
- Significant financial difficulties of the borrower;
- Loan restructuring due to financial difficulties during the last 12 months;
- The Company has information about force majeure, as well as other circumstances that caused the borrower significant material damage or do not allow it to continue its activities, including information about the deprivation/suspension of a license for activities, as well as information about the lack of employment or commercial activities borrower;
- High probability of bankruptcy or another kind of financial reorganization, as well as involvement in the court proceedings of the borrower, which may worsen its financial condition.

Grouping financial assets measured on a collective basis

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

The company calculates an ECL on an individual basis for financial instruments that are material and for which a significant increase in credit risk or signs of impairment has been identified. Financial instruments are material if the amount owed by the borrower or a group of related borrowers at the reporting date exceeds or is equal to the threshold of 50 million tenge established by the Company.

For all other classes of asset, the Company calculates ECL on a collective basis. The Company groups these financial assets into homogeneous individual and group loans.

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;
- Oil production and gas condensates volume;
- Crude oil price, Brent;
- Refinancing rate of NBRK;
- Average exchange rate of US dollar to tenge;
- Inflation rate.

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. NBRK, and international financial institutions). Experts of the Company's Credit Risk Department determine 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 (optimistic, base and pessimistic scenarios with the probabilities 10%, 80% and 10% accordingly):

Key drivers	*2020*
GDP by production method, % to prior year	104.3
Oil production and gas condensates volume, mln tons	90
Crude oil price, Brent, USD per barrel	55
Refinancing rate of NBRK	9.25
Average exchange rate of USD to tenge	370
Inflation rate at the end of the period, %	6.0

The geographical concentration of the Company's financial assets and liabilities is set out below:

	2019			*2018*		
	Kazakhstan	*OECD*	*Total*	*Kazakhstan*	*OECD*	*Total*
Assets						
Cash and cash equivalents	**424,995**	**–**	**424,995**	403,557	–	403,557
Loans to customers	**6,757,827**	**–**	**6,757,827**	5,118,392	–	5,118,392
Other financial assets	**3,475**	**–**	**3,475**	7,126	–	7,126
	7,186,297	**–**	**7,186,297**	5,529,075	–	5,529,075
Liabilities						
Amounts due to credit institutions	**–**	**5,711,615**	**5,711,615**	27,304	4,393,957	4,421,261
Lease liabilities	**110,668**	**–**	**110,668**	–	–	–
Other financial liabilities	**51,984**	**319**	**52,303**	10,434	1,072	11,506
	162,652	**5,711,934**	**5,874,586**	37,738	4,395,029	4,432,767
Net assets/(liabilities)	**7,023,645**	**(5,711,934)**	**1,311,711**	5,491,337	(4,395,029)	1,096,308

Liquidity risk

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.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Liquidity management policy is reviewed and approved by the Management.

The Company seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring liquidity ratios in accordance with regulatory requirements.
-

Analysis of financial liabilities by remaining contractual maturities

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations:

As at 31 December 2019	*On demand and less than 1 month*	*From 1 to 3 months*	*From 3 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*Total*
Financial liabilities						
Amounts due to credit institutions	**219,478**	**329,302**	**1,310,708**	**1,514,888**	**3,668,205**	**7,042,581**
Lease liabilities	**7,347**	**14,695**	**22,042**	**44,084**	**35,424**	**123,592**
Other financial liabilities	**24,679**	**14,394**	**–**	**13,230**	**–**	**52,303**
Total liabilities	**251,504**	**358,391**	**1,332,750**	**1,572,202**	**3,703,629**	**7,218,476**

As at 31 December 2018						
Financial liabilities						
Amounts due to credit institutions	79,468	421,717	827,186	1,027,624	3,135,993	5,491,988
Other financial liabilities	78	11,428	–	–	–	11,506
Total liabilities	79,546	433,145	827,186	1,027,624	3,135,993	5,503,494

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 foreign currency, the Company has no significant concentration of market risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. As at 31 December 2019 and 2018, the Company had no non-trading financial assets and financial liabilities with floating interest rate.

Currency risk

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

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

	2019		*2018*	
Currency	*Change in currency rates in %*	*Effect on profit before tax*	*Change in currency rates in %*	*Effect on profit before tax*
US dollar	**12.00%**	**24,200**	14.00%	33,458
	-9.00%	**(18,150)**	-10.00%	(23,898)
Euro	**12.00%**	**1,092**	10.00%	8,240
	-9.00%	**(819)**	-10.00%	(8,240)

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 include effective segregation of duties, access rights, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

15. FAIR VALUE MEASUREMENTS

For the purpose of disclosing the fair values, the Company determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

		Fair value measurement using			
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	Total
As at 31 December 2019					
Assets for which fair values are disclosed					
Cash and cash equivalents	31 Dec. 2019	**521**	**424,474**	**–**	**424,995**
Loans to customers	31 Dec. 2019	**–**	**–**	**6,708,144**	**6,708,144**
Other financial assets	31 Dec. 2019	**–**	**–**	**3,475**	**3,475**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 Dec. 2019	**–**	**5,778,943**	**–**	**5,778,943**
Lease liabilities	31 Dec. 2019	**–**	**110,668**	**–**	**110,668**
Other financial liabilities	31 Dec. 2019	**–**	**–**	**52,303**	**52,303**
As at 31 December 2018					
Assets for which fair values are disclosed					
Cash and cash equivalents	31 Dec. 2018	88	403,469	–	403,557
Loans to customers	31 Dec. 2018	–	–	5,106,070	5,106,070
Other financial assets	31 Dec. 2018	–	–	7,126	7,126
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 Dec. 2018	–	4,368,940	–	4,368,940
Other financial liabilities	31 Dec. 2018	–	–	11,506	11,506

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by 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 2019			31 December 2018		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	**424,995**	**424,995**	**–**	403,557	403,557	–
Loans to customers	**6,757,827**	**6,708,144**	**(49,683)**	5,118,392	5,106,070	(12,322)
Other financial assets	**3,475**	**3,475**	**–**	7,126	7,126	–
Financial liabilities						
Amounts due to credit institutions	**5,711,615**	**5,778,943**	**(67,328)**	4,421,261	4,368,940	52,321
Lease liabilities	**110,668**	**110,668**	**–**	–	–	–
Other financial liabilities	**52,303**	**52,303**	**–**	11,506	11,506	–
Total unrecognised change in fair value			**(117,011)**			39,999

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

Assets for which fair value approximates carrying value

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

Financial assets and financial liabilities carried at amortised cost

Fair value of unquoted instruments, including loans to customers, amounts due from credit institutions and amounts due to credit institutions, and other financial assets and liabilities, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

16. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. For the Company's contractual undiscounted repayment obligations refer to *Note 14*.

	31 December 2019			*31 December 2018*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	**424,995**	**–**	**424,995**	403,557	–	403,557
Loans to customers	**3,680,463**	**3,077,364**	**6,757,827**	3,308,804	1,809,588	5,118,392
Property and equipment	**–**	**147,122**	**147,122**	–	105,928	105,928
Right-of-use asset	**–**	**106,853**	**106,853**	–	–	–
Intangible assets	**–**	**109,882**	**109,882**	–	85,735	85,735
Current corporate income tax assets	**21,542**	**–**	**21,542**	21,789	–	21,789
Deferred corporate income tax assets	**–**	**–**	**–**	–	1,466	1,466
Other assets	**17,526**	**9,598**	**27,124**	25,539	14,995	40,534
Total assets	**4,144,526**	**3,450,819**	**7,595,345**	3,759,689	2,017,712	5,777,401
Amounts due to credit institutions	**2,704,807**	**3,006,808**	**5,711,615**	1,781,114	2,640,147	4,421,261
Lease liabilities	**77,461**	**33,207**	**110,668**	–	–	–
Deferred corporate income tax liability	**–**	**6,948**	**6,948**	–	–	–
Other liabilities	**108,253**	**–**	**108,253**	80,892	–	80,892
Total liabilities	**2,890,521**	**3,046,963**	**5,937,484**	1,862,006	2,640,147	4,502,153
Net position	**1,254,005**	**403,856**	**1,657,861**	1,897,683	(622,435)	1,275,248

17. RELATED PARTY DISCLOSURES

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

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related party transactions

The balances as well as the corresponding gain or loss on transactions with other related parties are as follows:

	Participants	
	2019	*2018*
Statement of financial position		
Assets		
Other assets	**–**	5,764
Statement of comprehensive income		
Operating expenses	**7,465**	6,746

Transactions with members of key management personnel

Compensation of key management personnel comprised the following:

	2019	*2018*
Salaries & other short-term benefits	**86,843**	70,529
Social security costs	**7,912**	7,134
Total compensation to the key management personnel	**94,755**	77,663

18. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of movements of liabilities to cash flows arising from financing activities during the years ended 31 December 2019 and 2018 is as follows:

Liabilities	*Amounts due to credit institutions*
Carrying amount as at 31 Dec. 2017	3,482,946
Proceeds	2,230,148
Repayment	(1,378,418)
Foreign currency translation	(5,862)
Other	92,447
Carrying amount as at 31 Dec. 2018	4,421,261
Proceeds	**2,550,599**
Repayment	**(1,268,583)**
Foreign currency translation	**(427)**
Other	**8,765**
Carrying amount as at 31 Dec. 2019	**5,711,615**

"Other" mainly represents the effect of accrued, but not yet paid interest on amounts due to credit institutions. The Company classifies interest paid as cash flows from operating activities. Reconciliation of movements of lease liabilities is disclosed in *Note 3*.

19. CAPITAL ADEQUACY

In accordance with the Law of the Republic of Kazakhstan On Microfinance Organizations dated 26 November 2012, the Company is obliged to have the charter capital paid in the amount of not less than 30,000 times the monthly calculation index (hereinafter – "MCI"), equal to 2,525 tenge as at 31 December 2019 (as at 31 December 2018: 2,405 tenge).

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 in supervising the Company.

As at 31 December 2019 and 2018, the Company had complied in full with all its externally imposed capital requirements.

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

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

The NBRK requires microfinance organisations to maintain a Tier 1 capital adequacy ratio in the amount of not less than 10% of the assets, the total maximum risk factor per a single borrower in the amount of not more than 25% of equity, calculated in accordance with the requirements of the NBRK, and the overall rate of maximum limit of total liabilities in the amount of not exceeding 10 times of equity. As at 31 December 2019 and 2018, the Company's capital adequacy ratio based on the NBRK methodology exceeded the statutory minimum.

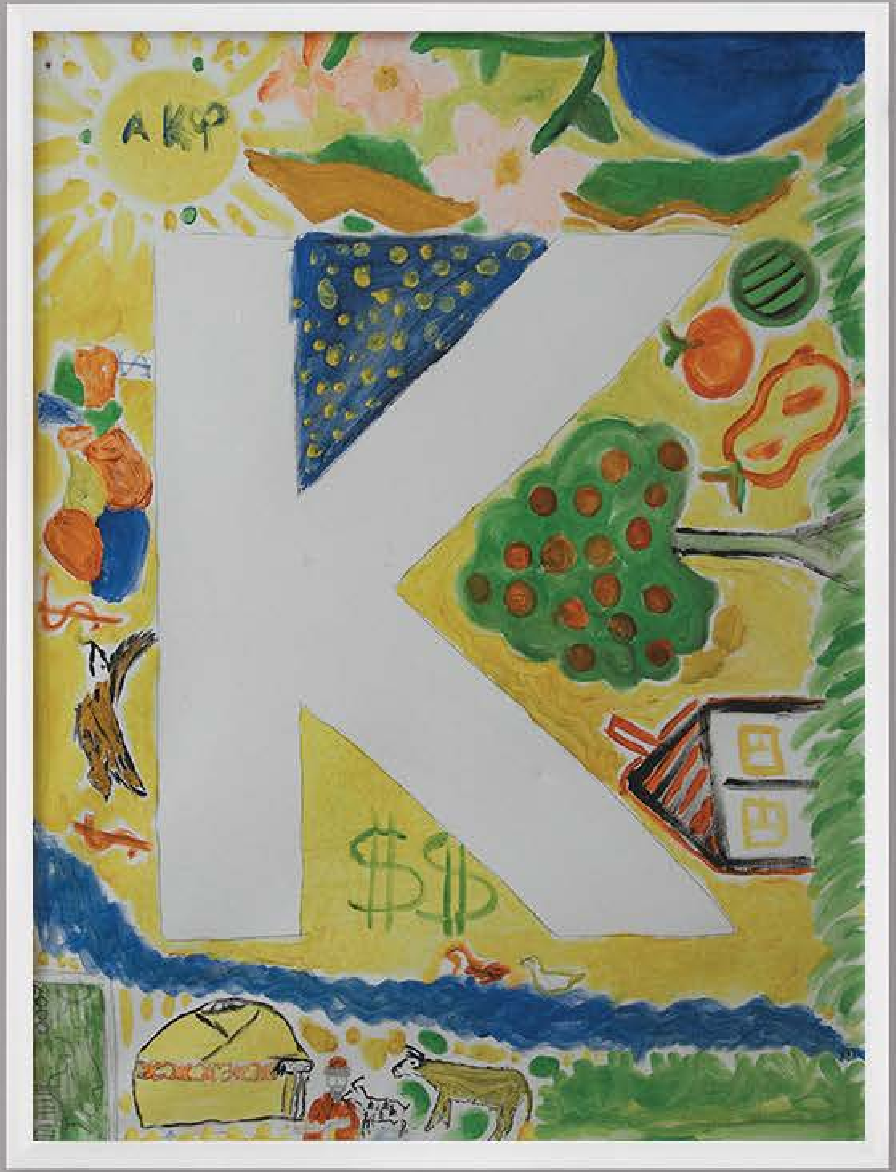
The Company's capital adequacy ratio, computed in accordance with the NBRK requirements as at 31 December, comprise:

	2019	*2018*
Tier 1 capital	**1,657,861**	1,267,836
Total assets	**7,595,345**	5,777,401
Tier 1 capital ratio	**0.22**	0.22
Tier 1 capital	**1,657,861**	1,267,836
Total amount due from a single borrower	**20,444**	14,654
Maximum exposure per single borrower to Tier 1 Capital	**0.01**	0.01
Tier 1 capital	**1,657,861**	1,267,836
Total liabilities of a microfinance organisation	**5,937,484**	4,502,153
Maximum exposure of total liabilities to Tier 1 Capital	**3.58**	3.55

20. EVENTS AFTER THE REPORTING PERIOD

Since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices for more than 40% and a depreciation of Tenge against major currencies. Currently, the Company's management is analyzing the possible impact of changing micro- and macroeconomic economic conditions on the financial position and performance of the Company.

Due to the recent transient development of the coronavirus pandemic (COVID-19), many countries, including the Republic of Kazakhstan, introduced quarantine measures, which had a significant impact on the level and scale of business activity of market participants. It is expected that both the pandemic itself and measures to minimize its consequences can affect the activities of companies from various industries. The Company may face the increasingly broad effects of COVID-19 as a result of its negative impact on the economy and financial markets. The significance of the effect of COVID-19 on the Company's business largely depends on the duration and the incidence of the pandemic effects on the Kazakhstan economy. The Company regards this pandemic as a non-adjusting event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence.



Содержание

Письмо руководства

Уважаемые друзья и партнеры,

Перед вами годовой отчет, в котором отражены итоги работы ТОО «Микрофинансовая организация „Азиатский Кредитный Фонд“» (АКФ, компания) за 2019 г.

В то время, как я пишу вам это письмо, Казахстан, как и большая часть мира, борется с разрушительными последствиями COVID19. Люди и бизнес серьезно пострадали, пытаясь противостоять вирусу. АКФ, тесно сотрудничая со своими клиентами и при поддержке кредиторов, реструктурировал кредиты своим клиентам для того, чтобы помочь им преодолеть этот кризис. В это тяжелое для всех время, я хочу сказать нашим клиентам, что АКФ всегда рядом, вы можете рассчитывать на нашу поддержку и сегодня и в будущем.

За прошедший год наша компания значительно укрепила свои позиции на финансовом рынке Казахстана. Мы входим в десятку крупных МФО Казахстана по активному кредитному портфелю и количеству активных клиентов. АКФ завершил год с кредитным портфелем в размере 7.1 млрд тенге, достигнув более 28 000 активных заемщиков. На конец 2019 г. в АКФ действовало 50 офисов в 6 областях страны, 88% из которых расположены в селах и небольших городах Казахстана. Сельские домомохозяйства (93%) и женщины (75%) по-прежнему являются основными нашими клиентами.

АКФ является одной из двух SMART-сертифицированных МФО в Казахстане, которое применяет стандарты защиты клиентов во всей деятельности организации. Ежегодно АКФ получает признание от Ассоциации Микрофинансовых организаций Казахстана за «Приверженность Принципам социальной защиты клиентов», и мы гордимся, что получили эту награду и в 2019 году.

Основополагающим для АКФ является достижение баланса между финансовыми и социальными целями. Мы не только предоставляем финансирование сельским домохозяйствам и МСБ, но и оказываем нефинансовые услуги в целях укрепления устойчивости домашних хозяйств. Так, в 2019 году АКФ существенно расширил спектр тренингов, предоставляемых клиентам АКФ. Более 350 клиентов обучились созданию эко фермы, установке биогаза, выращиванию ялтинского лука и калифорнийского червя. Инициатива в области финансового образования «Планируй свое будущее» помогла 14 700 сельским клиентам АКФ усовершенствовать практику управления денежными средствами в домашних хозяйствах.

Одним из важнейших событий 2019 года стал выход основателя АКФ Международного Корпуса Милосердия (Mercy Corps) и приобретение его доли другим крупным участником — BOPA. Сделка завершилась 4 октября 2019 года, и доля участия BOPA составила 98,1%. Мы благодарны Корпусу Милосердия за многолетнюю поддержку и их вклад в долгосрочный успех АКФ. Под руководством BOPA мы планируем сосредоточиться на инновациях и эффективном выполнении нашей социальной миссии.

В завершении, я хотела бы поблагодарить сотрудников АКФ, членов Наблюдательного Совета и наших партнеров за их сотрудничество и поддержку. Отдельную благодарность я выражаю клиентам компании, которые из года в год оказывают нам доверие, выбирая в качестве финансового партнера и развиваются вместе с АКФ. Все вместе мы можем достичь большего!

Благодарю за внимание и до встречи в следующем году!

Жанна Жакупова
Исполнительный директор
АКФ

Наблюдательный Совет

Джим Андерсон
Консультант по микрофинансированию

Джим Андерсон является постоянным членом Наблюдательного Совета АКФ с 2013 г. В 2005–2011 гг. он также являлся членом Совета Директоров АКФ. Он обладает обширным практическим опытом в Центральной Азии и Монголии, с акцентом на деятельность банковских и микрофинансовых организаций. Он работал главным специалистом по рискам в Банке Компаньон, Кыргызстан в 2013–2018 гг., старшим техническим советником в UNCDF (Фонд капитального развития ООН) в Лаосском PDR с 2011–2013 гг.

В 2003–2011 гг. Джим Андерсон работал старшим техническим советником Mercy Corps в XacBank, Монголия, и менеджером по финансовым услугам в Улан-Баторе, в рамках поддержки сети микрофинансовых учреждений Mercy Corps. Также он работал инвестиционным специалистом IFC в Центральной Азии.

Джим Андерсон имеет более, чем 15 лет опыта в области банковского обслуживания коммерческих организаций на руководящих должностях в Нью-Йорке и Токио. В настоящее время Джим Андерсон является членом инвестиционного комитета Alterfin, Брюссель и является членом совета директоров ARD Financial Group, Монголия.

Кристиан Андерсен
Генеральный директор
Холдинговая компании BOPA, Сингапур

Кристиан Андерсен имеет 15 летний опыт работы в области управления бизнесом в Азии. В микрофинансирование он вовлечен с 2005 г. Он лично посетил более 60 МФО в Азии и Латинской Америке в связи с поиском подходящих партнеров для Base of Pyramid Asia (BOPA), соучредителем которого является Кристиан Андерсен с 2013 года. BOPA является холдинговой компанией, основная деятельность которой направлена на инвестиции в акционерный капитал в небольшие микрофинансовые организации в Азии, находящиеся на ранней стадии развития.

Кристиан Андерсен имеет степень магистра в области делового администрирования от Международного института управленческого развития в Швейцарии и сертификат Тренер тренеров по микрофинансированию от Всемирного банка / Азиатский банк развития.

Он является членом Совета Директоров в Chamroeun Microfinance (Камбоджа), Alliance Microfinance (Мьянма) и KIF (Восточный Тимор).

Сенад Синанович
Директор Микрокредитного фонда «Партнер», Босния и Герцеговина

Сенад Синанович является директором Микрокредитного фонда «Партнер», Босния и Герцеговина и имеет 20-летний опыт работы в микрофинансовом секторе. Он начал свою карьеру в качестве кредитного сотрудника в 1997 году, затем работал директором филиала, кредитным менеджером и начал руководить организацией с 2000 года.

Сенад Синанович был членом совета директоров таких организаций как, Агенство по Финансам в Косове, Ассоциации микрофинансовых организаций (AMFI) и НПО «Центр Финансовой и Кредитной Помощи» (новое название «U plusu»).

Марко де Натале
Менеджер по стратегическим финансам
LFS Advisory, Германия

Марко имеет почти 20-летний опыт работы в инвестиционно-банковской сфере и финансовом воздействии в различных регионах. Он работал генеральным директором и соучредителем частной инвестиционной компании, специализирующейся на регионе СНГ, а также занимал должности генерального директора и финансового директора в ведущих микрофинансовых организациях в Азербайджане и России. Более ранние этапы карьеры включали работу с Barclays Capital, Credit Suisse & Merrill Lynch в Лондоне, а также Blue Orchard в Женеве.

Марко имеет степень магистра в Стэнфордском Университете и является выпускником Школы банковского дела Stonier ABA (Университет Пенсильвании / Уортон) и Оксфордского университета по программе Финтех.

Развитие Казахстана за 2019 г. и прогнозы на 2020 г.

НАСЕЛЕНИЕ КАЗАХСТАНА	УРОВЕНЬ БЕЗРАБОТИЦЫ	РОСТ ВВП НА ДУШУ НАСЕЛЕНИЯ
18,6M 18,9M	4,8% 4,8%	3,8%
+236 000	442 500 +500	$9686 –$14

УРОВЕНЬ БЕДНОСТИ НА НАЦИОНАЛЬНОМ УРОВНЕ	4,3%
СРЕДНЕМЕСЯЧНАЯ НОМИНАЛЬНАЯ ЗАР. ПЛАТА	$485 $438
УРОВЕНЬ ИНФЛЯЦИИ	5,4% 4–6%

Источник: stat.gov.kz

Социальные показатели за 2019 г.

МИССИЯ

Стать лидирующей организацией развития в микрофинансовом секторе Казахстана, предоставляющей домохозяйствам финансовые услуги и услуги по развитию с целью улучшения качества их жизни.

СОЦИАЛЬНЫЕ ЦЕЛИ

- Сельские домохозяйства
- Удовлетворение потребностей клиентов
- Создание изменений

ОХВАТ ФИН. УСЛУГАМИ

- **28 168** активных клиентов (15% годовой рост)
- **₸ 7.1млрд** кредитный портфель (годовой рост 39%)
- **75%** клиентов-женщин
- **93%** клиентов из сельских регионов
- **6 из 14** покрыто регионов в Казахстане

БЛАГОТВОРИТЕЛЬНОСТЬ

- **14,754** клиентов АКФ обучились ведению семейного бюджета
- **350** клиентов посетили бизнес-тренинги, организованные АКФ
- **₸ 1.2 млн** тенге было потрачено на благотворительные проекты

ГЕНДЕР

- **56%** женщин в управленческом персонале
- **70%** женщин, работающих в АКФ

История успеха клиента

Джуртчиева Балгыз является одной из лояльных клиентов АКФ. Можно сказать, что за 9 лет, которые Балгыз сотрудничает с нашей компанией, она стала родным человеком для сотрудников офиса Узынагаш.

Балгыз и ее супруг — пенсионеры, но спокойная жизнь не для них. После выхода на пенсию Балгыз и ее супруг открыли небольшой продуктовый магазин возле дома. «Торговля шла хорошо, но я всегда хотела заниматься сельским хозяйством. У нас было немного скота, но я хотела иметь свою маленькую ферму» - говорит Балгыз. Узнав об АКФ в 2011 году Балгыз решила взять небольшой кредит для покупки баранов. За девять лет сотрудничества с АКФ 5 кредитов Балгыз использовала на приобретение скота. На сегодняшний день можно считать, что ее мечта сбылась. В ее хозяйстве 150 баранов, 26 коров и 12 лошадей. За все время сотрудничества с АКФ Балгыз смогла не только увеличить поголовье скота, но и отремонтировать хозяйственные постройки, достроить дополнительные помещения для скота. Балгыз признается, что животноводство - труд не легкий, но результат того стоит. Все это ради своей мечты и любимых детей и внуков, которым всегда необходима материнская поддержка.

Сотрудничая с АКФ Балгыз не только расширила свое поголовье скота, но и улучшила свои жилищные условия. В период с 2016-2018 гг. Балгыз получала «Жилищно-энергосберегающие» кредиты (ЖЭСК). Как можно наиболее разумно потратить средства на повышение энергоэффективности, чтобы получить не только комфорт, но и экономию расходов на отопление? Балгыз подошла к решению этого вопроса практично. Прежде всего она решила снизить теплопотери дома, утеплив стены и потолок своего дома. Балгыз знала, что такая эффективная и малозатратная работа позволит уменьшить теплопотери дома до 50%! Ну а проведение отопления было финальным завершением процесса повышения энергоэффективности дома.

В данное время Балгыз и ее супруг продолжают заниматься откормом скота, реализацией мяса и молочных изделий через оптовых покупателей в г. Алматы.

«С помощью кредитов АКФ я многое смогла реализовать в своей жизни. Я вижу много преимуществ работы с АКФ: кредиты выдаются без комиссий, я могу погашать досрочно в любое время и не думать о лишних процентах или штрафах, я могу оплачивать кредиты не только через кассу, но и через терминалы. Но самое главное, что я могу получить график погашения, подстроенный именно под меня, под мой сезонный бизнес! Я благодарна АКФ за то, что существует такая компания, благодарна сотрудникам, которые всегда интересуются моими делами и рады помочь в любое время!»

Джуртчиева Балгыз
Алматинский департамент,
офис Узынагаш

ФИНАНСОВАЯ ОТЧЕТНОСТЬ

За год, закончившийся 31 декабря 2019 года

Отчёт о финансовом положении

на 31 декабря 2019 года (в тысячах тенге)

	Прим.	2019 год	2018 год
Активы			
Денежные средства и их эквиваленты	5	**424 995**	403 557
Кредиты клиентам	6	**6 757 827**	5 118 392
Основные средства		**147 122**	105 928
Активы в форме права пользования	3	**106 853**	–
Нематериальные активы		**109 882**	85 735
Активы по текущему корпоративному подоходному налогу	9	**21 542**	21 789
Активы по отложенному корпоративному подоходному налогу	9	**–**	1 466
Прочие активы	7	**27 124**	40 534
Итого активы		**7 595 345**	5 777 401
Обязательства			
Средства кредитных организаций	8	**5 711 615**	4 421 261
Обязательства по аренде	3	**110 668**	–
Обязательства по отложенному корпорат. подоходному налогу	9	**6 948**	–
Прочие обязательства	7	**108 253**	80 892
Итого обязательства		**5 937 484**	4 502 153
Капитал			
Уставный капитал	10	**341 297**	341 297
Нераспределённая прибыль		**1 316 564**	933 951
Итого капитал		**1 657 861**	1 275 248
Итого капитал и обязательства		**7 595 345**	5 777 401

Подписано и утверждено к выпуску от имени Руководства Компании:

Жакупова Ж.Б. — Исполнительный директор

Амирешова А.К. — Главный бухгалтер

17 июня 2020 года

Отчёт о совокупном доходе

за год, закончившийся 31 декабря 2019 года (в тысячах тенге)

	Прим.	2019 год	2018 год
Процентные доходы по кредитам клиентам		**2 973 418**	2 269 338
Процентные доходы по средствам в кредитных организациях		**2 222**	2 907
Процентные доходы, рассчитанные с использованием эффективной процентной ставки		**2 975 640**	**2 272 245**
Процентные расходы по средствам кредитных организациях		**(990 624)**	(773 566)
Прочие процентные расходы	3	**(16 493)**	–
Чистый процентный доход		**1 968 523**	**1 498 679**
Расходы по кредитным убыткам	11	**(188 319)**	(132 556)
Чистый процентный доход после расходов по кредитным убыткам		**1 780 204**	1 366 123
Чистые (расходы)/доходы по операциям в иностранной валюте:			
переоценка валютных статей		**(9 692)**	42 019
торговые операции		**(9 994)**	(16 469)
Прочие доходы		**18 597**	7 613
Операционные расходы	12	**(1 282 465)**	(1 013 168)
Прочие расходы		**(4 990)**	(2 883)
Прибыль до расходов по корпоративному подоходному налогу		**491 660**	**383 235**
Расходы по корпоративному подоходному налогу	9	**(109 047)**	(83 268)
Прибыль за год		**382 613**	**299 967**
Прочий совокупный доход за год		**–**	–
Итого совокупный доход за год		**382 613**	**299 967**

Отчёт о движении денежных средств

за год, закончившийся 31 декабря 2019 года (в тысячах тенге)

	Прим.	2019 год	2018 год
Денежные потоки от операционной деятельности			
Прибыль до расходов по корпоративному подоходному налогу		**491 660**	383 235
Корректировки:			
Износ и амортизация	12	**96 765**	21 718
Начисленные процентные доходы		**(2 975 640)**	(2 272 245)
Начисленные процентные расходы		**1 007 117**	773 566
Расходы по кредитным убыткам	11	**188 319**	132 556
Расходы по отпускам и прочие начисления по фонду заработной платы		**19 077**	9 590
Нереализованные (расходы)/доходы по операциям в иностранной валюте		**9 692**	(42 019)
Убыток от выбытия основных средств		**610**	1 076
Прочие расходы		**2 133**	1 836
Чистое уменьшение/(увеличение) в операционных активах			
Средства в кредитных организациях		**–**	95 568
Кредиты клиентам		**(1 724 970)**	(1 165 965)
Прочие активы		**796**	(8 560)
Чистое увеличение/(уменьшение) в операционных обязательствах			
Прочие обязательства		**20 653**	(10 665)
		(2 863 788)	(2 080 309)
Проценты полученные		**2 881 241**	2 197 285
Проценты выплаченные		**(984 474)**	(684 309)
Корпоративный подоходный налог уплаченный		**(111 855)**	(95 558)
Чистое расходование денежных средств в операционной деятельности		**(1 078 876)**	(662 891)

Отчёт о движении денежных средств *(продолжение)*

за год, закончившийся 31 декабря 2019 года (в тысячах тенге)

	Прим.	2019 год	2018 год
Денежные потоки от инвестиционной деятельности			
Приобретение основных средств		**(65 843)**	(45 696)
Продажа основных средств		**–**	1 186
Приобретение нематериальных активов		**(29 440)**	(37 643)
Чистое расходование денежных средств в инвестиционной деятельности		**(95 283)**	(82 153)
Денежные потоки от финансовой деятельности			
Поступление средств кредитных организаций	18	**2 550 599**	2 230 148
Погашение средств кредитных организаций	18	**(1 268 583)**	(1 378 418)
Погашение обязательств по аренде	3	**(73 293)**	–
Чистое поступление денежных средств от финансовой деятельности		**1 208 723**	851 730
Влияние изменений обменных курсов на денежные средства и их эквиваленты		**(10 537)**	41 248
Влияние ожидаемых кредитных убытков на денежные средства и их эквиваленты		**(2 589)**	–
Чистое увеличение денежных средств и их эквивалентов		**21 438**	147 934
Денежные средства и их эквиваленты, на 1 января		**403 557**	255 623
Денежные средства и их эквиваленты, на 31 декабря	**5**	**424 995**	403 557

Отчёт об изменениях в капитале

за год, закончившийся 31 декабря 2019 года (в тысячах тенге)

	Уставный капитал	Нераспределённая прибыль	Итого капитал
На 31 декабря 2017 года	341 297	609 993	951 290
Влияние применения МСФО (IFRS) 9	–	23 991	23 991
Остаток на 1 января 2018 года, пересчитанный в соответствии с МСФО (IFRS) 9	**341 297**	**633 984**	**975 281**
Итого совокупный доход за год	**–**	**299 967**	**299 967**
На 31 декабря 2018 года	**341 297**	**933 951**	**1 275 248**
Итого совокупный доход за год	**–**	**382 613**	**382 613**
На 31 декабря 2019 года	**341 297**	**1 316 564**	**1 657 861**

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