

**“AQRARKREDIT”  
CLOSED JOINT STOCK  
NON-BANKING CREDIT ORGANIZATION**

**Consolidated Financial Statements and  
Independent Auditors’ Report**  
For the year ended 31 December 2020



## INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of "Aqrarkredit" Closed Joint Stock Non-Banking Credit Organization:

### *Opinion*

We have audited the consolidated financial statements of "Aqrarkredit" Closed Joint Stock Non-Banking Credit Organization and its subsidiaries ("the Group") which comprise consolidated the statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### *Basis for Opinion*

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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



### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

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

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

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

03 May 2021  
Baku, Republic of Azerbaijan

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**“AQRARKREDIT” CJSC NON-BANKING CREDIT ORGANIZATION**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

(in Azerbaijani Manats)

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest income calculated using the effective interest method	4	17,324,823	10,605,127
Interest expense	4	(244,049)	(198,037)
<b>Net interest income before recovery of provision for impairment losses on interest bearing assets and other assets</b>		<b>17,080,774</b>	<b>10,407,090</b>
Provision for impairment losses on interest bearing assets	12	11,703,535	(23,632,379)
<b>Net interest income/(loss)</b>		<b>28,784,309</b>	<b>(13,225,289)</b>
Net gain on foreign exchange operations	5	1,496,274	(913,538)
Fee and commission income	6	355,229	505,458
Fee and commission expense	6	(226,200)	(247,166)
Other income	7	(24,810,311)	18,882,725
<b>Operating income</b>		<b>5,599,301</b>	<b>5,002,190</b>
Operating expenses	8	(4,386,859)	(4,256,702)
<b>Profit before income tax</b>		<b>1,212,442</b>	<b>745,488</b>
Income tax expense	9	(345,753)	(134,538)
<b>Net profit for the year</b>		<b>866,689</b>	<b>610,950</b>

On behalf of the Management Board

Mammad Musayev

Chairman of the Management Board



Parviz Safarov

Chief accountant

03 May 2021  
Baku, the Republic of Azerbaijan

03 May 2021  
Baku, the Republic of Azerbaijan

The notes on pages 9-50 form an integral part of these consolidated financial statements.



**“AQRARKREDIT” CJSC NON-BANKING CREDIT ORGANIZATION**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 DECEMBER 2020**

*(in Azerbaijani Manats)*

	Notes	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	10	133,527,262	141,428,831
Term deposits placed in banks	11	29,418,989	14,106,222
Loans to customers	12	73,856,764	78,555,573
Investments	15	-	-
Non-current assets held for sale	16	381,924	424,251
Assets received from IBAR	17	11,812,907,526	12,125,713,926
Assets received from other banks	18	103,879,167	103,879,167
Property and equipment	13	1,051,031	1,157,779
Intangible assets	14	59,817	42,876
Other assets	19	73,959,910	89,431,263
<b>Total assets</b>		<b>12,229,042,390</b>	<b>12,554,739,888</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to financial institutions	21	21,791,002	18,262,565
Debt securities issued	20	12,167,685,455	12,505,859,850
Customer accounts	22	5,902,948	5,796,080
Current income tax liability		521,022	200,704
Deferred tax liability	9	219,745	138,767
Other liabilities	23	8,492,643	749,036
<b>Total liabilities</b>		<b>12,204,612,815</b>	<b>12,531,007,002</b>
<b>Equity</b>			
Share capital	24	22,669,491	22,669,491
Retained earnings		1,760,084	1,063,395
<b>Total equity</b>		<b>24,429,575</b>	<b>23,732,886</b>
<b>Total liabilities and equity</b>		<b>12,229,042,390</b>	<b>12,554,739,888</b>

On behalf of the Management Board



Mammad Musayev

Chairman of the Management Board




Parviz Safarov

Chief accountant

03 May 2021

Baku, the Republic of Azerbaijan

03 May 2021

Baku, the Republic of Azerbaijan

The notes on pages 9-50 form an integral part of these consolidated financial statements.

**“AQRARKREDIT” CJSC NON-BANKING CREDIT ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

*(in Azerbaijani Manats)*

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Cash flows from operating activities:</b>			
Profit before income tax		1,212,442	745,488
<i>Adjustments for non-cash items:</i>			
Provision for impairment losses on interest bearing assets		(11,703,535)	23,632,379
Provision for impairment losses on other assets		(90,535)	(44,796)
Depreciation and amortization		197,522	172,433
Foreign exchange translation loss		(1,496,274)	913,538
Loss from write-off of investments		-	23,958
Loss from disposal of property and equipment		-	33,768
Change in interest accruals, net		(21,034)	(634,586)
<b>Cash inflow from operating activities before changes in operating assets and liabilities</b>		<b>(11,901,414)</b>	<b>24,842,182</b>
<b>Changes in working capital</b>			
<i>(Increase)/decrease in operating assets:</i>			
Term deposits placed in banks		(15,278,250)	(1,935,050)
Loans to customers		16,388,861	(20,886,054)
Decrease/increase in non-current assets held for sale		132,862	(255,020)
Increase in other assets		(8,344,825)	(20,562,962)
<i>Increase / (decrease) in operating liabilities:</i>			
Increase in customer accounts		106,868	617,052
Increase/(decrease) in other liabilities		7,743,607	(24,757,236)
Income tax expense		-	(446,079)
<b>Net cash outflow from operating activities</b>		<b>(11,152,291)</b>	<b>(43,383,167)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, equipment and intangible assets		(107,715)	(244,041)
<b>Net cash outflow to investing activities</b>		<b>(107,715)</b>	<b>(244,041)</b>



**“AQRARKREDIT” CJSC NON-BANKING CREDIT ORGANIZATION**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

*(in Azerbaijani Manats)*

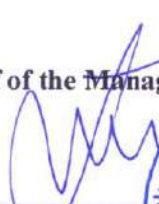
	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Cash flows from financing activities</b>			
Dividends paid on ordinary shares		(170,000)	(160,000)
Increase in due to financial institutions		3,528,437	6,613,548
<b>Net cash inflow from financing activities</b>		<b>3,358,437</b>	<b>6,453,548</b>
Effect of changes in foreign exchange rate on cash and cash equivalents		-	-
<b>Net decrease in cash and cash equivalents</b>		<b>(7,901,569)</b>	<b>(37,173,660)</b>
Cash and cash equivalents, beginning of year	10	141,428,831	178,602,491
Cash and cash equivalents, end of year	10	133,527,262	141,428,831

**Non-cash transactions**

Principal non-cash transactions for the year ended 31 December 2020 represents transfer of property in the amount of AZN 220,870,532 to “Azerbaijan Industrial Corporation” OJSC which were received in exchange of problematic assets of IBAR (For the year ended 31 December 2019 represent purchase of problematic assets from IBAR for the management purposes in exchange of debt securities issued by the Group in the amount of AZN 552,190,372).

For the year ended 31 December 2020, main non-cash transactions represent reduction of liabilities in the amount of AZN 117,303,862 as a result of settlement of promissory notes with dividend receivables from International Bank (2019: AZN 157,651,984).

On behalf of the Management Board:

  
Mammad Musayev

Chairman of the Management Board



  
Parviz Safarov

Chief accountant

03 May 2021

Baku, the Republic of Azerbaijan

03 May 2021

Baku, the Republic of Azerbaijan

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