

INVEST
IN THE INDUSTRY
FUTURE

2019

KazAgroFinance Annual Report



COMPANY PROFILE

KazAgroFinance Joint-Stock Company (KazAgroFinance, Company, KAF) provides assistance to agricultural producers by providing leasing services for the procurement of agricultural machinery and equipment.

The Company has been successfully operating for 20 years, contributing to the development of technical equipment in the agricultural sector of the country.

Competitive advantages, such as high competence in the industry, long-term experience in the market, a developed branch network, strong personnel, reliable credit ratings and access to attracting financial resources, allow maintaining a leading position in the leasing market and remaining a reliable partner for domestic farmers.



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TRENDS OF KEY INDICATORS

Financial indicators



ASSETS, BILLION KZT



FINANCIAL INDICATORS, BILLION KZT



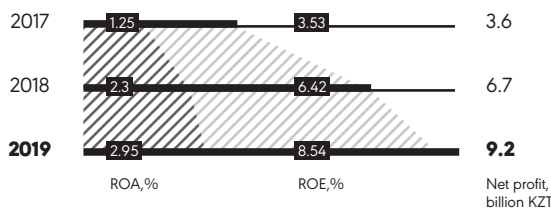
LOAN PORTFOLIO, BILLION KZT



VOLUME OF LEASING OF AGRICULTURAL MACHINERY AND EQUIPMENT, BILLION KZT



PROFITABILITY INDICATORS



AMOUNT OF INVESTMENT IN THE AIC DEVELOPMENT PER YEAR, BILLION KZT



Operating indicators



NUMBER OF MACHINERY AND EQUIPMENT LEASED, UNIT

2017		2,408
2018		3,426
2019		5,893

NUMBER OF CLIENTS IN THE PORTFOLIO AT THE END OF THE YEAR, P

2017		6,410
2018		6,967
2019		7,666

Non-financial indicators



CORPORATE GOVERNANCE RATING, %

2017		85.9
2018		89.7
2019		88.6

LEVEL OF SERVICE AVAILABILITY AND CLIENT SATISFACTION, %

2017		73.9
2018		77.9
2019		79.6

KEY EVENTS

From January 1 to December 31

a new financing program "Agriculture" was implemented at 9%, the financing programs "Harvest", "Own Feed" and "Reliable Farmer" were supplemented by a new source of financing at 9%.

On February 7

a second bond issue of 4.09 billion KZT under the second five-year bond program was released, placing the bonds in full within the registered volume at 12 billion KZT.

BB+

On January 28

Fitch Ratings Inc. changed the Company's rating forecast from "negative" to "stable" with confirmation of long-term rating at BB+ level.

On April 4

Fitch Ratings Inc. confirmed the company's long-term rating at the BB+ level with the forecast "stable".

On May 4

the Company was excluded from the list of privatized facilities by the Decree of the Government of the Republic of Kazakhstan.



On October 25



a branch in Nur-Sultan was established.

On November 21



changes were made to the Company's Development Strategy for 2017-2026.

On December 14



the Company's Annual Report for 2018 according to the results of the annual reports competition was ranked 3rd in the financial sector, as well as 12th among more than 100 participants in the competition.

On December 27



the Company registered the third issue of bonds under the second bond program in the amount of 20 billion KZT for 5 years, with a partial placement of 6.2 billion KZT. In April 2020, the bond issue was extended in full.

20th

On December 28



KazAgroFinance celebrated its 20th anniversary.



ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Partners and Colleagues!

The agro-industrial complex is one of essential sectors of the economy, which contributes to national security through the formation of the country's food security, facilitates sustainable development of Kazakhstan, and also greatly affects the improvement of living standards of the population.

Sustainable and stable development of the AIC sector depends on labor productivity. Meanwhile, access to state-of-the-art equipment is a crucial factor for productivity growth.

In the current realities, the most obvious and efficient way for agricultural workers in Kazakhstan to get qualitative equipment is lending through leasing of agricultural machinery. In view of the high demand, the government gives considerable support in the form of subsidies for leasing agricultural machinery and equipment.

At present, KazAgroFinance holds a leading position in the AIC leasing market and is a key financial institution which for 20 years has been providing machinery and equipment on lease on affordable and favorable terms. The company has demonstrated excellent results in all areas

of its business once again. At the year-end 2019, the indicators of return on assets and equity were implemented by more than 100%. This was due to the growth in incomes and reduction of expenses. The net income amounted to 9.2 billion KZT. As compared to the previous period, the volume of leasing in 2019 increased by 56.4%. The customer-focused standards that have been implemented by the Company since 2017 contributed to the positive dynamics of service availability level. Thus, according to an independent research, the overall satisfaction with the services of the Company in 2019 totaled 92%.

Improvements in the level of corporate governance are at the forefront of the effective performance of the Company and strengthening its reputation. The Company's corporate governance level in 2019 reached 89% against the target of 85%. An integrated and comprehensive evaluation of the work of the Board of Directors and its members proved its effectiveness and compliance with legal requirements and international practices. In view of the government policy focus on upgrading the technical equipment of the agricultural sector, a new Development Strategy for 2020-2029 was adopted by

Growth in the leasing portfolio volume

56.4%

the Company, which implementation will enable an increase in the volume of leasing of agricultural machinery and equipment, improvement in service delivery and enhancement of the Company's business efficiency.

The first focus area of the new Strategy is the promotion of competitive ability of the agro-industrial complex through technical and technological equipment. Apart from that, the work on annual increase of machinery leasing volume, as well as of export potential and labor productivity in the AIC sector will be continued.

The growth in performance efficiency of KazAgroFinance JSC is chosen as the second strategic area. As part of this area, the Company will work towards maintaining the level of profitability of its activities, including through enhanced efficiency of equity and asset management, improved quality of the loan portfolio, and upgraded system for monitoring of funded projects. Improvement of the corporate governance system and increase of transparency of the Company's activities, as well as the further evolvement of the risk management system and staff policy will be continued.

As the result, the Strategy implementation will allow to increase the volume of agricultural machinery and equipment leasing by 2029 by 1.6 times (from 75 to 120 bln KZT), labor productivity under funded investment projects - by 1.4 times (from 3.3 mln KZT to 4.5 mln KZT per employee), and the volume of products export under projects funded by the company - by 1.4 times (from 23.5 to 36 mln USD).

KazAgroFinance, by exploiting its existing competitive advantages and adopting new customer-centric approaches, will gain the loyalty of its current customers and attract new ones, while the operational efficiency will ensure sustainable long-term development. I am confident that due to the measures taken, the Company will be able to contribute significantly to the support of domestic agrarians and keep holding leading positions in the future.

YERBOL KUANYSHEVICH TASZHUREKOV



*Chairman of the Board of
Directors of KazAgroFinance JSC*

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD

**Dear
Readers!**

**Let me welcome you and present the
results of the activities of KazAgroFinance
JSC in 2019!**

2019 was the anniversary year for the Company, we are 20 years old! In retrospect, we can proudly say that KazAgroFinance is an efficient and sustainable financial institution, which activities are aimed at supporting and developing the agricultural sector. We have learned a lot over these years, and we have grown both as a team and from a professional point of view. The strengths of KazAgroFinance JSC are the company's specialization and deep knowledge of the agro-industrial sector.

In our work, we focus primarily on the needs of our customers. By the end of 2019, the Company's portfolio includes more than 7.600 clients, and 99% of them are representatives of small and medium-sized businesses. We are therefore constantly working to improve the quality of our services and to make them more accessible and profitable.

Leasing remains a simple and efficient way to update fixed assets, contributing to increased output and productivity.

9.2

billion KZT

net profit in 2019

In the past few years, we have seen a rapid increase in the popularity of leasing financing in agriculture. In 2019, KazAgroFinance leased 5,893 units of agricultural machinery, which is more than 70% higher than in 2018. The amount of leasing financing reached a new historical peak – 98.5 billion KZT. Since 2000, the Company has leased almost 49000 units of machinery and equipment for a total amount of 602 billion KZT.

Due to maintaining the long-term rating of Fitch Ratings Inc. at the level BB+ as the “stable” and as a result of effective market attraction, sufficient liquidity level is ensured, as well as proper fulfillment of obligations to creditors and loan portfolio growth by 13.4 %. At the same time, as a result of successful asset management, at the end of 2019, record indicators were achieved for net profit – 9.2 billion KZT, which is 36.9% higher than the result of 2018 and for return on assets, which was 2.95 %.

The built-up effective risk management system allows timely identification, reliable assessment and minimization of credit, currency, and price risks. Timely measures taken by the Company ensure growth of reliable clients, improving the quality of

the portfolio and reducing the share of distressed non-performing assets.

High results of the Company’s activities were achieved thanks to the trust of customers, as well as the professional and well-coordinated work of the entire team of KazAgroFinance JSC.

Taking into account that there is still a high demand for updating the machine and tractor fleet in the country, the Company will continue to focus on increasing the amount of leasing of agricultural machinery and equipment, improving its services and increasing its performance. Comprehensive work on the implementation of the goals and objectives will ensure further growth and successful development of the Company and effective implementation of the AIC state policy.

KANYSH TEMIRTAYEVICH IZBASTIN



***Chairman of the Management
Board of KazAgroFinance JSC***

DEVELOPMENT STRATEGY

On March 20, 2020, the Company's Board of Directors approved a new Development Strategy for KazAgroFinance JSC for 2020-2029.

In accordance with the new Development Strategy, the Company will concentrate its activity on the growth of technical equipment of the fleet and labor productivity in the agricultural sector by providing agro-industrial complex (AIC) entities with agricultural machinery and equipment through leasing that will be a key contribution to the implementation of the priority tasks of the State AIC Development Program for 2017-2021.

The second important strategic direction will be to ensure the effectiveness of the Company's activities in both financial management and corporate governance.

Strategic direction No. 1

Promotion of AIC competitiveness through technical and technological equipment

GOAL 1: INCREASE TECHNICAL EQUIPMENT AND EXPORT CAPACITY IN AGRICULTURE

Task 1. Increase investment in leasing of agricultural machinery and equipment.

Task 2. Assistance to the development of export capacity and labor productivity in the AIC sector.

GOAL 2: IMPROVEMENT AND DEVELOPMENT OF LEASING SERVICES

Task 1. Improving the quality and availability of leasing services.

Task 2. Development of the product line of KazAgroFinance JSC, including through the introduction of new areas of financing.

Task 3. Automation of the Company's business processes.

Strategic direction No. 2

Company Performance

GOAL 1: INCREASE THE COMPANY'S PROFITABILITY

Task 1. Improving the efficiency of equity and asset management.

Task 2. Improving the quality of the loan portfolio.

Task 3. Improving the system for monitoring funded projects.

GOAL 2: CORPORATE DEVELOPMENT OF KAZAGROFINANCE JSC IN ACCORDANCE WITH BEST PRACTICES

Task 1. Improving the corporate governance system and increasing the Company's transparency.

Task 2. Improving the risk management and internal control system.

Task 3. Increasing the capacity of human resources, developing a corporate culture focused on results.

Expected results from implementation of the new Strategy by 2029

Implementation of the new Strategy provides for formation of KazAgroFinance as an effective institution for support and development of the agro-industrial complex by providing leasing services. By 2029, KazAgroFinance:

- a stable break-even company with a strong position in the rating of Kazakhstani leasing companies;
- the leader in the leasing market in terms of the client service quality;
- a powerful financial instrument for development of the agro-industrial complex that maximizes the industry needs for high-quality and competitive leasing services.

Following the implementation of the Development Strategy, the following performance indicators of the Company will be achieved:

- the volume of leasing of agricultural machinery and equipment for a ten-year period will be at least 1,046 billion KZT;
- return on assets will be at least 1.65%, equity capital will be at least 5.01%;
- maintaining the level of formed reserves (provisions) for the loan portfolio at the level of no more than 12%;
- automation of all major financing processes;
- improvement of the corporate governance system in accordance with the best world practices.

Thus, the comprehensive implementation of the set goals and tasks will make it possible to continue strengthening the position as one of the leading and stable financial institutions for the Kazakhstan agro-industrial complex development.

The activity of the Company in 2019 has been directed to achieving the goals and tasks of the Development Strategy of KazAgroFinance JSC for 2017-2026, for which the key performance indicators have been fully implemented.

Detailed information about the work on the strategic directions is disclosed in the "Strategy Implementation" section.

1,046

billion KZT

leasing volume of agricultural equipment for 10 years

ABOUT COMPANY- NY

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MISSION

IS TO PROMOTE TECHNICAL EQUIPMENT OF THE AGRO-INDUSTRIAL COMPLEX OF THE REPUBLIC OF KAZAKHSTAN BY PROVIDING HIGH-QUALITY AND COMPETITIVE LEASING SERVICES.

VISION

KAZAGROFINANCE JSC IS A LEADER IN THE KAZAKHSTAN AIC LEASING MARKET, PROVIDING THE NEEDS OF THE INDUSTRY IN MODERN AND HIGH-TECH TECHNOLOGY.

THE PURPOSE IN THE INDUSTRY

IS TECHNOLOGICAL RENEWAL OF THE AGRO-INDUSTRIAL COMPLEX BY PROVIDING AGRICULTURAL PRODUCERS WITH AVAILABLE FINANCIAL RESOURCES FOR THE PROCUREMENT OF AGRICULTURAL MACHINERY AND EQUIPMENT ON A LEASING BASIS.



GEOGRAPHY OF ACTIVITY

15 branches in all regions of the country.
Cooperation with equipment suppliers from near and far abroad.

LICENSES

- License of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the financial market and financial organizations to conduct Bank loan operations in the national currency (received on March 31, 2006).
- ISO 9001-2015 Quality Management System Certification.



RATINGS

- On January 28, 2019, Fitch Ratings Inc. changed the outlook on the Company's ratings from "negative" to "stable", and the long-term issuer default rating (IDR) in foreign and national currencies was confirmed at "BB+". On April 4, 2019, Fitch Ratings confirmed the long-term IDR in foreign and national currencies at the level of "BB+", the "stable" outlook¹.
- The corporate governance rating, according to the methodology of diagnostics of corporate governance in the subsidiaries of KazAgro Holding JSC, was 88.6% in 2019.

¹ On April 2, 2020, Fitch Ratings confirmed long-term rating at BB+ level, forecast is «stable»

Corporate governance rating

88.6%

COMPANY BRIEF HISTORY

KazAgroFinance was registered on December 28, 1999 in accordance with the Decree of the Government of the Republic of Kazakhstan dated November 24, 1999 No. 1777 "On Certain Issues of Agriculture".

1999

approved the resolution of the Government of the Republic of Kazakhstan on establishment of the structure of KazAgroFinance JSC.

2004

leasing of special equipment and technological equipment.

2007

introduction of leasing of breeding animals.

2000

the first experience of leasing of foreign agricultural machinery.

2005

leasing of processing equipment.

2008

for the first time, the Company was assigned the Fitch international credit rating (BBB -).

2000–2003

creation of the first machine and tractor stations.

2006

KazAgroFinance enters the structure of the newly established KazAgro National Management Holding.

2009

- start of financing of major investment projects.
- development of assembly production.

2010

- the first study of the leasing market by Expert RA in Kazakhstan: KazAgroFinance is recognized as the leader in the Kazakhstan leasing market.
- introduction of leasing of reclamation equipment and leasing of secondary equipment.

2012

financing of equipment under the “Harvest” program.

2013

- launch of the “Express Leasing” and “Master Leasing” programs.
- KazAgroFinance became an official participant of the subsidy program.

2015

the first diagnostics of corporate governance of KazAgroFinance JSC was carried out and the Company was assigned the corporate governance level for the first time.

2016

- KazAgroFinance for the first time placed domestic market bonds among a wide range of investors in the amount of 8 billion KZT and with a 5-year maturity.
- start of the “Made in Belarus” program.
- KazAgroFinance was included in the list of entities offered for transfer to a competitive environment.

2017

the transaction of KazAgroFinance JSC for the issue and placement of 5-year tenge bonds was recognized as the winner of EMEA Finance in the category “Best local currency bond in Europe, the Middle East and Africa” (Best local currency bond in EMEA).

2018

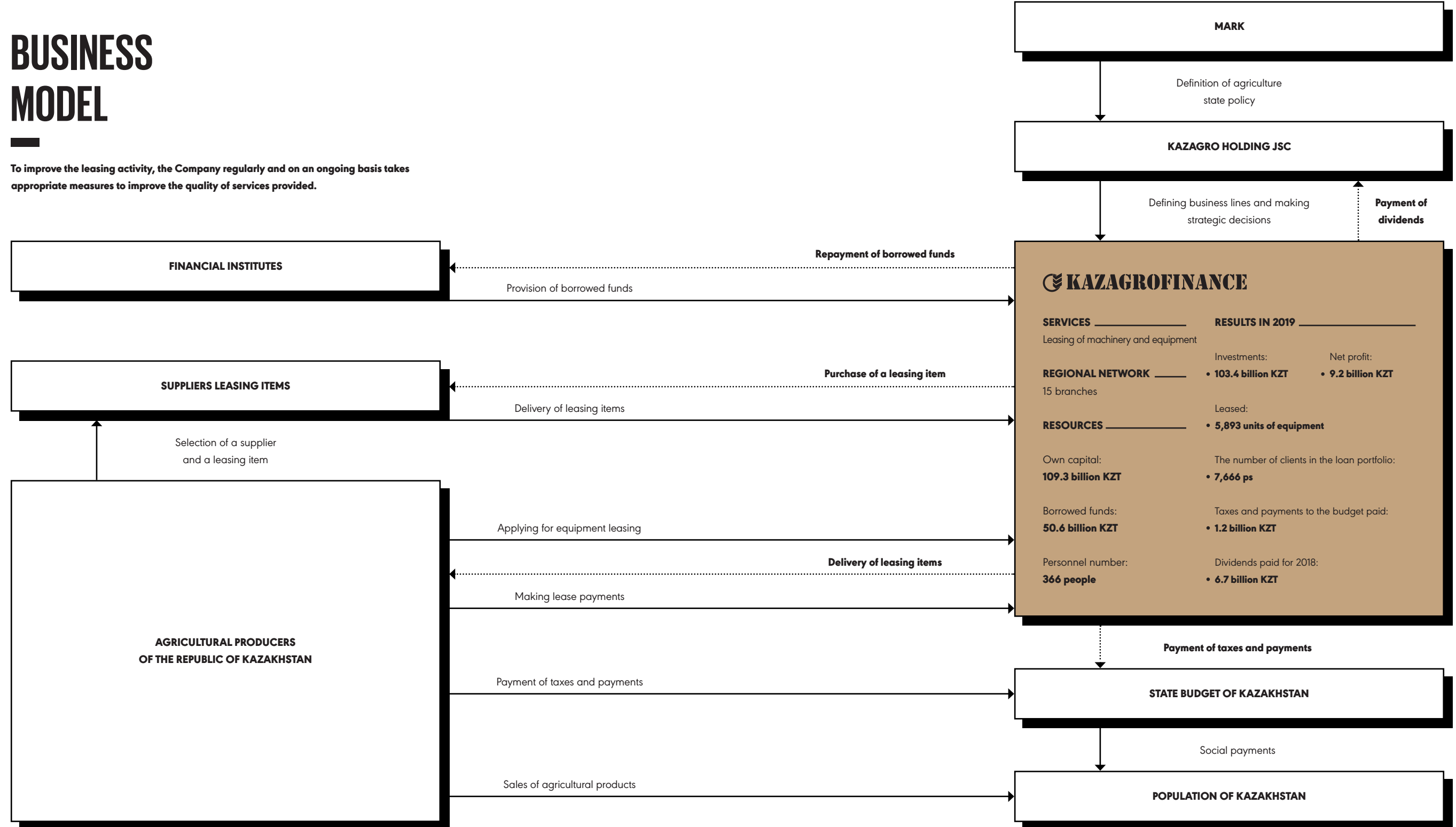
- the start of the implementation of the “Own Feed” and “Reliable farmer” programs.
- the KazAgroFinance JSC Annual Report for 2017 was recognized as the best in the financial sector based on the results of the VIII annual reports competition, and also took the 9th place among the reports of all participants of the competition.

2019

- exclusion of the Company from the list of facilities subject to privatization.
- establishment of a branch in Nur-Sultan.
- 20 years of the Company’s activity.

BUSINESS MODEL

To improve the leasing activity, the Company regularly and on an ongoing basis takes appropriate measures to improve the quality of services provided.



COMPETITIVE ADVANTAGES

- more than 20 years of experience in leasing;
- available financing conditions;
- customer-oriented service delivery standards;
- a recognizable brand and a positive reputation;
- high level of credit rating;
- wide branch network;
- successful experience in raising funds with the use of market instruments;
- high competence of the personnel;
- availability of a large database of leading suppliers and manufacturers of agricultural machinery;
- listing on the Kazakhstan stock exchange since 2008;
- high level of transparency;
- continuous work to improve the corporate governance, risk management and internal control system.

15

branches

wide branch network

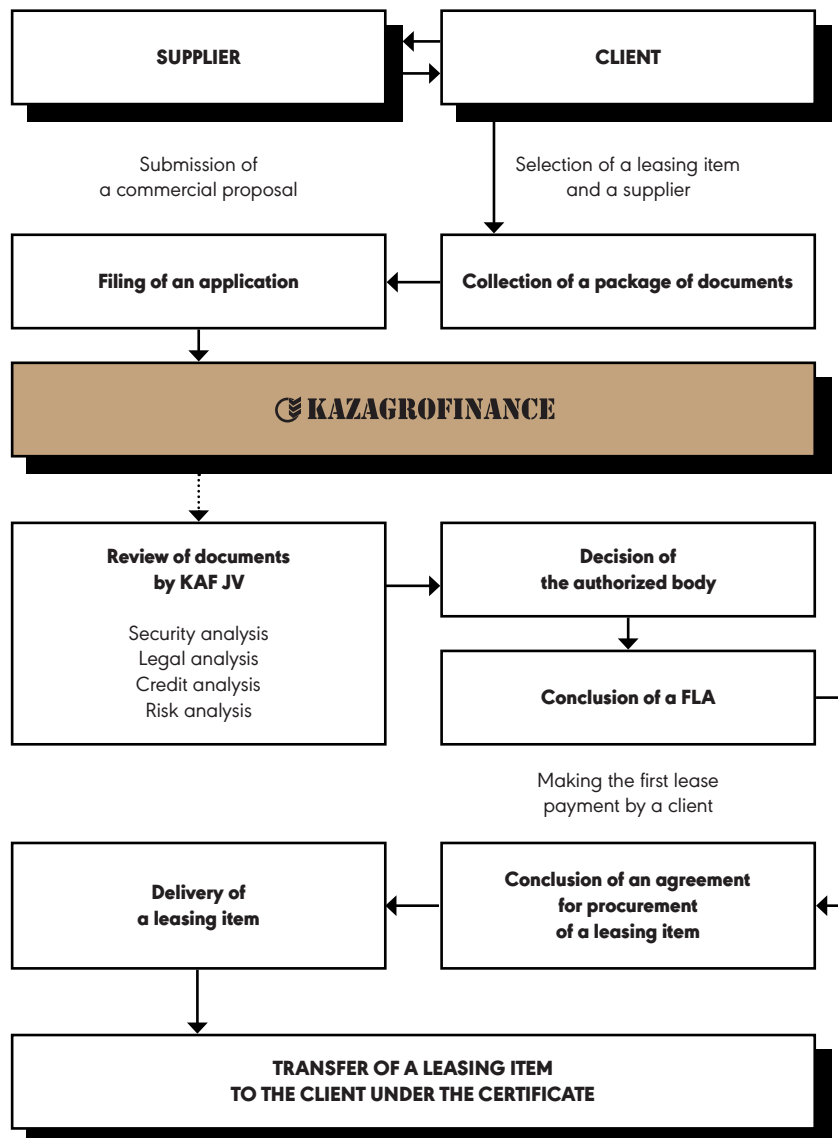


LEASING GRANTING PROCESS

The process of granting leasing begins precisely with the client's choice of the leasing object and the supplier. After receiving a commercial proposal from the supplier, the client contacts the KAF.

The Credit Manager provides advice on available financing programs, as well as provides the client with a list of obligatory documents required for submitting an application. After the client has provided a complete package of documents by the Company's structural units, the client's project is evaluated. Based on the results of the conclusions and examinations, the Company's authorized body (the Credit Committee) makes a decision on the financing of the project. The total period for consideration of the project is from 5 to 12 business days, excluding revision.

If the Credit Committee approves the project, a financial leasing agreement is concluded, the client makes the first lease payment, and then a contract for procurement of a leasing item is signed with the supplier. After delivery, the leasing item is transferred to the lessee.



DIRECTION OF ACTIVITY

The Company implements a wide range of balanced product lines of financing programmes, which meet the interests and needs of various categories of agricultural producers and allows procuring equipment on favorable terms.

The Company has the following programs:

financing of leasing projects:

- agricultural equipment that does not require installation,
- vehicles for the transportation of biological assets, agricultural and fish products, freight cars,
- special equipment for land reclamation and agricultural works;

replenishment of the current assets in the framework of previously funded projects;

special leasing programs:

- "Made in Kazakhstan",
- "Reliable Farmer",
- "Own Feed",
- "Made in Belarus",
- "Express Leasing",
- "Master Leasing";

financial leasing of equipment – equipment (requiring or not requiring installation) of domestic and foreign production.



Funded Areas

STANDARD LEASING CONDITIONS

	Term	Advance payment	Rate
Agricultural machinery	up to 10 years	at least 15%	7% per annum (incl. subsidies) and 9% per annum
Vehicles for the transportation of biological assets, agricultural and fish products, freight cars	up to 7 years	at least 15%	7% per annum (incl. subsidies)
Special equipment for land reclamation and agricultural works	up to 7 years	at least 20%	7% per annum (incl. subsidies)
Lending to replenish working capital	credit line for up to 3 years, tranche for up to 1 year	not required	12% per annum (incl. subsidies)

SPECIAL FINANCING PROGRAMS

	Term	Advance payment	Rate
"Made in Belarus" machinery and equipment manufactured in the Republic of Belarus	up to 5 years	at least 20%	1% per annum (incl. subsidies)
"Express Leasing" No income verification	up to 10 years	at least 25%	7% per annum (incl. subsidies) and 9% per annum
"Master Leasing" Leasing line for 1 year	up to 10 years	10-25%	7% per annum (incl. subsidies) and 9% per annum
"Made in Kazakhstan" Agricultural machinery and vehicles produced/assembled in the Republic of Kazakhstan	up to 10 years	at least 15%	6% (NF RK)
"Reliable Farmer" Leasing without advance payment	up to 10 years	not required	7% per annum (incl. subsidies) and 9% per annum
"Own Feed" Feed production equipment	up to 10 years	at least 10%	7% per annum (incl. subsidies) and 9% per annum

The interest rate is subsidized by the state in the amount of 10% (final rate for borrowers is 7% per annum).

The advance payment is subsidized by the state in the amount of up to 25% of the investment.

In 2019, "Agrotechnics" and "Harvest" special programs were also successfully implemented and completed. In 2020, a new special program "Made in Kazakhstan" was introduced to support the development of domestic mechanical engineering.

SUBSIDIZING PROCESSES

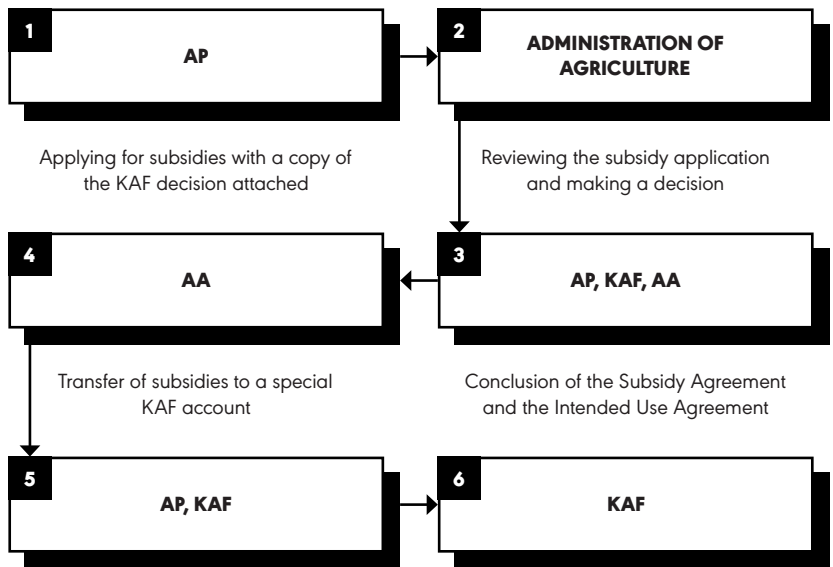
Subsidizing of part of the expenses incurred by the agro-industrial entity in case of investments

KazAgroFinance participates in the subsidy programme for reimbursement of part of the expenses incurred by the agricultural entity in case of investments.

Through this type of subsidizing, the Kazakhstan agricultural producers may grant an advance through the investment subsidies for procurement of equipment on lease. The possibility of receiving investment subsidies significantly eases the financial burden on clients and increases the availability of equipment.

The application can be submitted either in electronic format via the Qoldau digital platform, or in paper form.

INVESTMENT SUBSIDIES IN ADVANCE



Conclusion of a Financial Leasing Agreement

THE AMOUNT OF INVESTMENT SUBSIDIES IS UP TO 25% OF THE COST OF EQUIPMENT

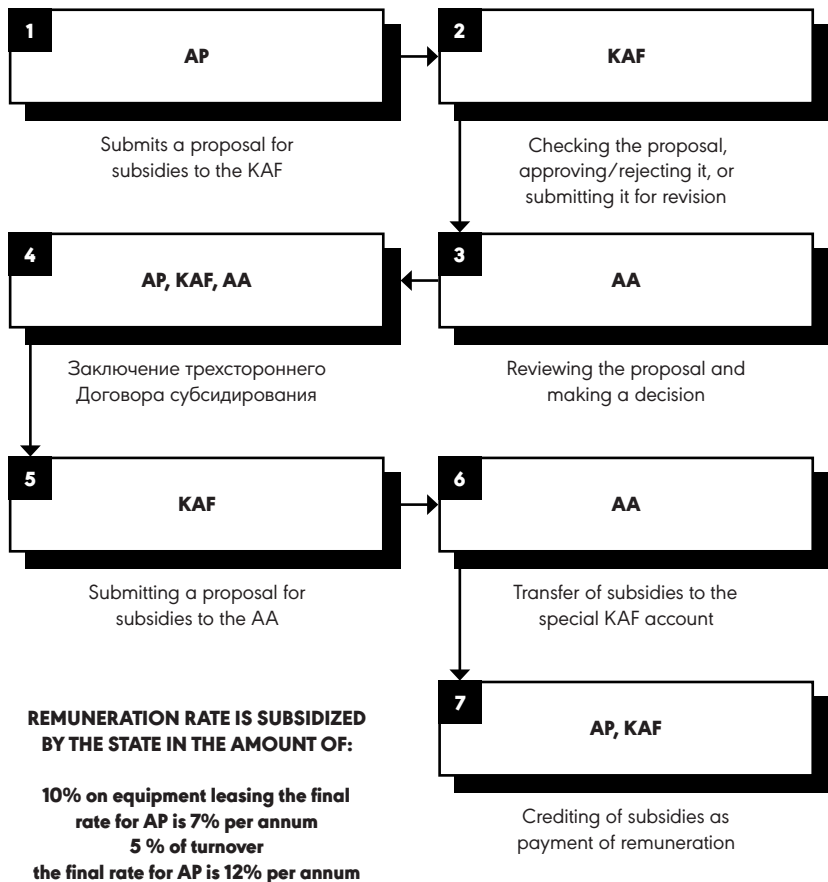
Investment subsidies are used as an advance on equipment leasing

- delivery and transfer of a leasing item;
- advance payment of investment subsidies;
- sending a notification to the AA with attaching an Acceptance Certificate for the leasing item and an additional agreement on the final cost

Subsidizing the Remuneration Rate

KazAgroFinance participates in the program of subsidizing the remuneration rate on loans, as well as leasing of technological equipment and agricultural machinery. The program is aimed at increasing the availability of financial services for agribusiness entities. Subsidizing the remuneration rate allows agricultural producers to save by subsidizing the rate of 10% per annum.

SUBSIDIZING THE REMUNERATION RATE



BUSINESS PROCESS OPTIMIZATION

In order to improve credit and leasing activities, the Company regularly takes appropriate measures to improve the quality of services provided.

In 2019, the mandatory list of documents for obtaining financing has been optimized. Thus, the list of documents provided has been reduced to 6 items. Optimization has been achieved by ensuring that information is uploaded from state information portals. In addition, the time frame for reviewing projects by expert units has been reduced from 18 to 12 business days.

Last year, the product line conditions for the Company's clients were updated and improved.

KazAgroFinance JSC has a financing program «Express Leasing» that allows making a decision on the client's request in the shortest possible time and provides for the procurement of equipment:

- without proof of income;
- without providing a business plan;
- without financial statements;
- without providing collateral;
- without the payment of additional fees.

There is also a financing program «Master Leasing», which provides for the opening of a line for the client for a year, in which the client gets the opportunity to procure equipment on lease on the basis of a written application only without re-collecting and reviewing documents.

KazAgroFinance will continue to work on optimizing business processes and developing its product line in the interests of customers. This year, it is planned to introduce the ability to accept online applications for financing, as well as automate business processes for reviewing projects, including through integration with government databases.



WORK WITH SUPPLIERS

A leasing item and a supplier of the leasing item are selected by the client independently in accordance with the law of the Republic of Kazakhstan «On Financial Leasing».

To make it easier for clients to find the right suppliers, the the Company's corporate website www.kaf.kz has a database of suppliers of agricultural machinery and equipment with which the Company has cooperated.

Suppliers shall be checked thoroughly for negative information, compliance with legal requirements, and the fair value of the leasing item.

The Company's requirements for suppliers of leasing items are the same for all and are posted on the Company's website, which simplifies the process of interaction with the Company for suppliers.

The main requirements for suppliers include the following:

- have a professional qualification and experience in the market of the leasing item supplied by them for at least 6 months;
- not to have any outstanding (overdue in accordance with the terms of the lease procurement agreement) obligations to the Company;
- have certificates and licenses necessary for the supply of the leasing item;
- perform warranty and post-warranty service;
- not to be included in the register of unfair participants in public procurement;
- not to have a status of an unreliable Supplier.

After entering into a lease procurement and equipment delivery agreement with the supplier, the Company accepts this leasing item, pays it to the supplier and then transfers it to the lessee. Logistics of the leasing item, customs clearance and other actions related to delivery are performed by the Company's employees, making the leasing process as simplified and accessible as possible for lessees.

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MACRO-ECONOMIC INDICATORS

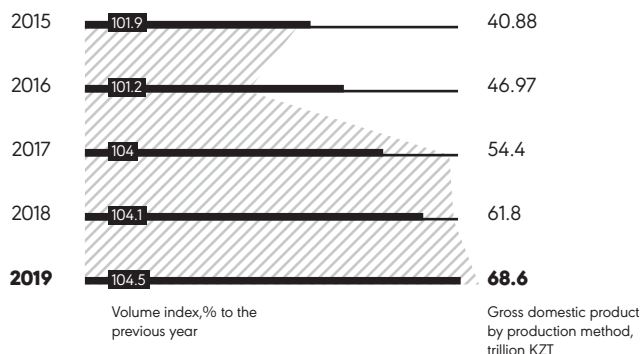
The volume of gross domestic product for 2019 (according to preliminary data of the Committee on Statistics of the MNE of the Republic of Kazakhstan²) amounted to **68,956 billion KZT** and increased in real terms by **4.5%** compared to the corresponding period of the previous year.

Inflation in 2019 was 5.4% compared to 5.3% a year earlier. In 2019, prices for goods and services increased by 5%, for food products – by 9.6%, for non-food – by 5.7%, for paid services for the population – by 0.7%.

According to the National Bank of the Republic of Kazakhstan, the official exchange rate of the US dollar at the end of 2019 was 382.75 KZT per dollar.

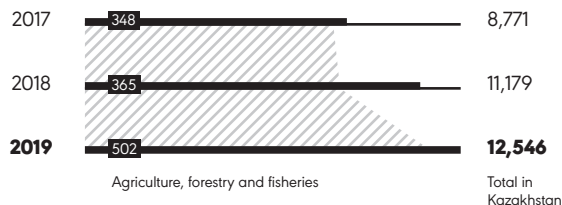
Investments in fixed assets, according to the Committee on Statistics of the MNE of the Republic of Kazakhstan, increased by 8.5% in 2019 (17.2% in 2018) and amounted to 12,546 billion KZT. At the same time, investments in agriculture increased by 41.1% compared to the previous year and amounted to 501.6 billion KZT.

GDP DYNAMICS



The main grain-growing regions – North Kazakhstan, Kostanay and Akmola regions – directed 213.8 billion KZT to the industry, which accounted for 42.7% of the total investment in agriculture, forestry and fisheries.

INVESTMENTS IN FIXED ASSETS, BILLION KZT



² www.stat.gov.kz / Official statistics / By industries / National Accounts Statistics

More than 89% of investments in fixed assets in agriculture, forestry and fisheries were directed to growing seasonal crops (60.6%) and livestock (28.9%).

**VOLUME OF INVESTMENTS IN AGRICULTURE BY SECTORS,
BILLION KZT**

2018	_____	93.9	
2019	=====	155.7	Growing seasonal crops
2018	_____	152.6	
2019	=====	102.9	Growing perennial crops
2018	_____	143.1	
2019	=====	119.3	Livestock farming
2018	_____	69.7	
2019	=====	158.8	Mixed farming

501.6

billion KZT



investments in agriculture in 2019

AIC SECTOR ANALYSIS

The agro-industrial complex is the largest intersectoral complex that unites several economy branches aimed at the production and processing of agricultural raw materials and obtaining products from them that are brought to the final consumer. This is a set of branches of the country's economy, including agriculture and industries, closely related to agricultural production, which transport, store, process agricultural products, supply them to consumers, provide agriculture with machinery, chemicals and fertilizers, and serve agricultural production.

Agriculture is one of the key branches of the Kazakhstan economy. The level of development of the agricultural sector has always been and continues to be a determining factor of economic and socio-political stability of Kazakhstan's society.

To boost the rural economy over the past ten years, the Government of the Republic of Kazakhstan has adopted state and industry programs for the development and support of AIC and rural areas. For 2017-2021, the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan, approved by the Decree of the Government of the Republic of Kazakhstan dated July 12, 2018 No. 423, is being implemented and aimed at supporting and developing the agricultural sector.

As part of the implementation of the President's Address to the People of Kazakhstan dated January 10, 2018 «New Development Opportunities in the Fourth Industrial Revolution», the task is to increase labor productivity to 3.7 million KZT per person employed in agriculture by 2021 in the agro-industrial complex and export of processed agricultural products to 2,400 million USD in 2021.

These goals will be achieved, among other things, by increasing the level of technical equipment and intensifying production in the agro-industrial complex.

According to the Committee on Statistics of the MNE of the Republic of Kazakhstan, the gross output of agricultural products (services) in 2019 amounted to 5,151.2 billion KZT, which is 0.1% less than in the previous year.

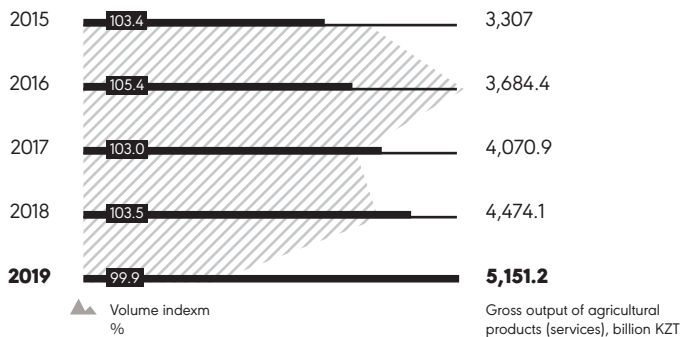
Crop production in comparison with 2018 was less by 3.6%, which is due to a decrease in the volume of growing cereals and legumes by 15.8% and oilseeds by 5.5%.

The gross livestock production increased by 4% compared to 2018, due to an increase in the production of other cattle and buffaloes by 6.2%, dairy cattle – by 2.8%, poultry – by 7.8%, horses – by 4.2%.

The largest share in the total gross output of agricultural products (services) was in Almaty (16.4%), Turkestan (11.9%), North Kazakhstan (11.9%) and East Kazakhstan (11.5%) regions.

In general, according to the results of the harvest in 2019, 17.4 million tons of grain was harvested, which is 2.9 million tons, or 14.3%, less than the level of 2018. At the same time, 11.5 million tons of wheat were harvested (2.5 million tons, or 17.9%, less than in 2018), oil plants – 2.6 million tons (110 thousand tons, or 4, 1%, less), vegetables – 4.4 million tons (273 thousand tons, or 6.7%, more), potatoes – 3.9 million tons (105 thousand tons, or 2.7%, more).

DYNAMICS OF AGRICULTURAL OUTPUT

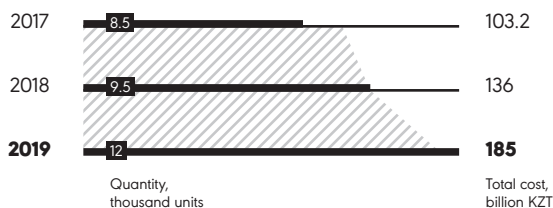


Analysis of Agricultural Machinery Fleet

In accordance with the State AIC Development Program for 2017-2021, one of the priority goals is to provide the industry with modern agricultural equipment.

In 2019, agricultural producers of the Republic procured 12.0 thousand units of equipment for 185 billion KZT, which is 25% more in quantitative terms and 30% more in monetary terms than in 2018.

DYNAMICS OF AP EQUIPMENT PROCUREMENT



PROCUREMENT OF EQUIPMENT BY REGIONS*

		Units of equipment			Total, billion KZT
2018		1,609	Akmola		29.0
2019		1,904	region		38.6
2018		487	Aktobe		3.7
2019		629	region		6.2
2018		567	Almaty		6.6
2019		760	region		9.1
2018		54	Atyrau		0.23
2019		105	region		0.484
2018		867	East Kazakhstan		8.7
2019		1,259	region		17.6
2018		467	Zhambyl		4.2
2019		611	region		5.7
2018		603	West Kazakhstan		4.9
2019		1,245	region		7.6
2018		798	Karaganda		8.4
2019		886	region		10.5
2018		1,204	Kostanay		24.1
2019		1,311	region		25.1
2018		206	Kyzylorda		5.6
2019		124	region		4.4
2018		591	Pavlodar		8.1
2019		770	region		16.9
2018		0	Mangistau		0.0
2019		7	region		0.220
2018		1,561	North Kazakhstan		29.0
2019		1,896	region		37.2
2018		450	Turkestan		4.3
2019		519	region		5.4

* according to the Ministry of Agriculture of the Republic of Kazakhstan

MAIN TYPES OF AGRICULTURAL MACHINERY OWNED BY THE AGRICULTURAL ORGANIZATIONS IN KAZAKHSTAN AS OF THE END OF 2019, UNITS.*

Type of machinery	2015	2016	2017	2018	2019
Tractors	152,031	152,616	148,301	147,344	145,224
Harvesters	42,089	41,494	40,044	38,502	37,385
Balers	7,537	7,298	7,311	7,014	7,601
Field mowers	23,998	22,401	22,720	22,438	22,980
Cutters	15,580	14,985	15,039	14,869	14,817
Spraying machines	5,397	5,401	5,350	5,300	5,383
Sowing systems	3,701	4,097	3,915	3,900	4,060

Kazakhstan's structure of agricultural machinery today is represented by both global and local manufacturers. Global producers include: Rostselmash (Russia), Gomselmash, Minsk Tractor Works, Bobruiskagropromash (Belarus), John Deere, Case IH, New Holland (USA), CLAAS (Germany), etc. They are distinguished by the format of presence in the structure of agricultural machinery. Russian and Belarusian producers set up the assembly complexes with product localization. As for Western companies, they do not localize products and present them only through exclusive distributors.

Major domestic producers are joint ventures with foreign partners, such as: SemAZ LLP, AgromashHolding KZ JSC, Kazrost Engineering Ltd, Don Mar LLP, Agrotechnmash LLP, Kazakhstan Agro-Innovation Corporation LLP and DAFA Firm LLP.

The rate of renewal for the main types of agricultural machinery (except for sowing systems) at the required technological level of renewal of 10-12.5% per year is about 0.5-3% for different types of equipment. The standard operating life differs from the actual life of agricultural machinery. Due to the lack of current assets and the possibility of timely updating by farmers, equipment

is used longer than the established norms for 3-10 years.

Technical equipment of agricultural producers remains an important problem for the development of the agro-industrial complex. Old technology and obsolete fleet of agricultural machinery interfere with the growth of labor productivity and increase production. The use of worn-out equipment leads to increased costs of fuel and spare parts, product losses and quality reduction, downtime due to malfunctions and other negative consequences. At the same time, the development of technical equipment and the introduction of global developments require significant financial investment.

The analysis of the structure, equipment leased through KazAgroFinance shows that the demand for equipment is formed based on the size of the business of agricultural producers (acreage), the type of business (livestock and crop production) and the necessary production indicators of a particular equipment.

Larger clients with large acreage prefer to procure equipment produced in foreign countries with high capacity indicators. Medium-sized and small agricultural producers, as well as livestock

farms, procure equipment produced in Kazakhstan and the CIS countries, which is inferior in production indicators to equipment from abroad.

* according to the Ministry of Agriculture of the Republic of Kazakhstan

**DEMAND FOR AGRICULTURAL EQUIPMENT
DEPENDING ON A TYPE OF BUSINESS**

Small and medium-sized farms



5,000 ha

crop area

**FOCUS ON
DOMESTIC MARKET**

sales market

600 ha

production rate per season

Demand for **small and medium-sized equipment**

Main suppliers:

Producers from Kazakhstan and CIS countries

Large farms



5,000 ha

crop area

EXPORT ORIENTATION

sales market

2,000 ha

production rate per season

Demand for **high-capacity equipment**

Main suppliers:

Producers from far-abroad countries

Stock-farmers



1,000 ha

crop area, pastures

**TO PROVIDE OWN
FODDER BASE**

sales market

Maintenance equipment for livestock farm

Demand for **low-power equipment and aggregates**

Main suppliers:

Producers from Kazakhstan, Belarus

LEASING MARKET ANALYSIS

Taking into account the problems with the sufficiency of funds for agricultural producers to independently procure the necessary volume of equipment, as well as their low credit capacity compounded by high credit rates in the country, measures are needed to further develop mechanisms for financing the renewal of agricultural machinery, and leasing is an effective tool to solve this problem. In order to increase the rate of renewal of agricultural machinery and equipment, the Company implements new product programs focused on consumer demand, as well as improving the existing financing conditions.

In world practice, leasing is actively used for renewal of fixed assets and is an effective financial tool used by businesses. Kazakhstan's leasing market is still featured by a small number of participants and is at the stage of development.

Leasing activities in Kazakhstan are governed by the law of the Republic of Kazakhstan dated July 5, 2000 No. 78-II «On Financial Leasing», the Civil Code of the Republic of Kazakhstan (Special part) and the Code of the Republic of Kazakhstan «On Taxes and other Mandatory Payments to the Budget».

According to the study of enterprises engaged in leasing activities, conducted by the Committee on Statistics of MNE of RoK, in 2019 the total value of the financial leasing agreements amounted to 331,4 billion KZT and increased by 1.9 times compared to 2018. The most attractive

industries were transport and warehousing – 35.2% of the total value of financial leasing agreements, agriculture, forestry and fisheries – 34.7%.

At the same time, the Company is the main lessor in the field of agricultural machinery. In 2019, the volume of leasing transactions in the agro-industrial sector amounted to 115 billion KZT, of which KazAgroFinance accounts for 98.5 billion KZT, which is 85.7% of the total volume of leasing in the agro-industrial complex in Kazakhstan.

State programs to support the economy through leasing financing are currently the main driver of the market. Private leasing companies often lack funding to increase the volume of operations. The market development is also hindered by the relatively low awareness of business about the opportunities and advantages of leasing financing.

TOTAL COST OF FINANCIAL LEASING AGREEMENTS, BILLION KZT



Source: Committee on Statistics of the MNE of the Republic of Kazakhstan

³ <https://www.stat.gov.kz/official/industry/20/statistic/5>

85.7%

leasing transactions account for KazAgroFinance JSC

In agriculture, leasing is the most popular and helps to ensure the renewal of fixed assets. Commercial banks are usually reluctant to lend to the industry, considering it high-risk and with an inconvenient long production cycle for the lender.

The key benefits of leasing financing from KazAgroFinance JSC for farmers:

- more flexible terms and leasing financing schemes. When registering a leasing, an additional collateral is not required, since the leasing item itself acts as a collateral;
- leasing companies that specialize in leasing agricultural machinery and equipment adjust their conditions to the specifics of agribusiness. The Company provides a flexible repayment schedule for the principal debt, taking into account the seasonality of spring field and harvesting operations, the principal debt is paid once a year after harvest. Leasing financing terms are long, which is convenient for clients, since their projects often involve long-term payback. In addition, the Company's advantages

are the absence of collateral, a grace period, and a low advance payment rate. However, an important and main factor is the wide regional coverage (15 branches), which cannot be provided by any leasing company in Kazakhstan;

- the advantage of choosing a leasing financing scheme is the tax advantages⁴.

According to the data, at the beginning of 2020, the minimum financing rate offered in the leasing market was 7%, the maximum – 19%, advance collateral was from 10% to 30%, the minimum leasing term is 3 years, the maximum – 10 years.

Currently, the target program for agricultural machinery and equipment is valid only for the following leasing market players: KazAgroFinance JSC, DBK-Leasing JSC, Leasing Group JSC, National Leasing Company JSC, Al Sakr Finance JSC, Kazakhstan Ijara Company JSC, TechnoLeasing LLP and ForteLeasing JSC. Kazakhstan Ijara Company JSC («KIC Leasing») develops a special program

for leasing agricultural machinery and equipment. Other leasing companies finance this type of product under the special Machinery and Equipment program.

Important factors of demand for the services of KazAgroFinance JSC are a high degree of client confidence, the stable brand and high recognition of the Company among potential clients.

⁴ Article 197 of the Code «On Taxes and Other Obligatory Payments to the Budget» (Tax Code)

PEST ANALYSIS

To assess macro-environment factors, a PEST analysis of key political, economic, social, and technological factors that may directly or indirectly affect the Company's operations is provided.

The analysis shows that state support, availability of raw materials, introduction of new technologies and increasing the level of technological efficiency are all strategic factors that have a positive impact on the development of the Company's activities and the industry as a whole.



	OPPORTUNITIES	THREATS
POLITICAL FACTORS	<p>Targeted policy of the state on agriculture development. The state program for agriculture development is aimed at maximum coverage of agricultural producers with state support and the development of rural entrepreneurship.</p> <p>Kazakhstan’s participation in the Eurasian Economic Union. Domestic agricultural producers have the opportunity to enter the united market of the member countries of the Eurasian Economic Union.</p>	<p>Dependence on public policy. Broad government regulation creates a dependent mood among domestic agricultural producers.</p> <p>Possible application of certain types of sanctions by the United States and other countries. The close interaction of Kazakhstan with the Russian Federation creates a threat of spreading certain types of anti-Russian sanctions on Kazakhstan.</p> <p>Amendments to the tax legislation of the Republic of Kazakhstan regarding the exclusion of tax benefits provided for leasing.</p>
ECONOMIC FACTORS	<p>Annual GDP growth. The annual growth of the Kazakh economy creates a favorable background for increasing production in agriculture.</p> <p>Sufficient provision of the industry with the agricultural lands, a stable raw material base.</p> <p>State subsidies for the industry. In accordance with the Rules of subsidies for reimbursement of the expenses incurred by an agro-industrial entity, with investments, the state subsidizes investments and part of the remuneration of agricultural producers.</p> <p>Investor-friendly business climate. Investments in agriculture amounted to 501.6 billion KZT in 2019 and increased by 37.4% over the year.</p>	<p>Instability of external and internal prices for equipment, fertilizers, feed, veterinary drugs and energy resources, which affect the success of farmers’ activities.</p> <p>High level of risks in the agricultural sector. Weather conditions, product quality, reduced global and domestic product prices, limited sales markets, and complex logistics of export routes.</p> <p>Economic consequences of the quarantine, expressed in the reduction of clients’ ability to pay due to the introduction of the state of emergency in the country in early 2020 and related restrictive measures.</p> <p>The introduction of a utilization fee for agricultural machinery may lead to an increase in the cost of equipment and a decrease in the purchasing power of agricultural producers for more powerful equipment.</p>

	OPPORTUNITIES	THREATS
SOCIO-DEMOGRAPHIC	<p>The main trends in the consumption of agricultural products by the population, related to the promotion of healthy nutrition, the popularization of organic products among the population, as well as a significant proportion of the population in rural areas.</p> <p>The constant nature of the demand for agricultural products in the context of an increasing population creates prerequisites for maintaining a long-term growth trend in the agricultural sector with an emphasis on the production and sale of organic agricultural products.</p> <p>High level of education. This factor is important for providing the organization with highly qualified specialists. In Kazakhstan, there are state agrarian universities that annually train specialists to work at agricultural enterprises in various fields.</p> <p>The state's emphasis on the development of rural entrepreneurship. The state provides a program for mass training of rural entrepreneurs in new farming skills. In addition, the program «Auy – Yel Besigi» provides a measure to ensure the availability of credit to small businesses in rural areas.</p>	<p>Low level of income. The average monthly salary of agricultural workers shows weak growth dynamics from year to year.</p> <p>Outflow of the rural population. According to the Committee on Statistics, there has been a negative balance in rural migration within the country in recent years.</p> <p>Seasonality. In different seasons, different amounts of labor are required to perform agricultural work. As a result, there is an uneven demand for labor. 1.4 million people are employed during the season, and about 1.2 million people are employed during the rest of the season.</p>
TECHNOLOGICAL	<p>State incentives for the introduction of new technologies and innovations. The state promotes the introduction of digitalization of agricultural technologies and innovative technologies in the agro-industrial complex, automation of technological processes, as well as scientific research.</p> <p>Increasing the technological level of domestic agricultural production may lead to an increase in the demand of agricultural producers.</p>	<p>State of the material and technical base. More than half of agricultural machinery and equipment is used outside the depreciation period. According to the Ministry of Agriculture of the Republic of Kazakhstan, today the service life of many tractors and combine harvesters owned by the agricultural producers exceeds 10 years.</p> <p>Technological backwardness of domestic agricultural machinery and dependence on foreign technologies. The lack of modern technologies adapted to the climate and geographical conditions of Kazakhstan for domestic producers.</p>

SWOT ANALYSIS

This SWOT analysis reflects the strengths and weaknesses, as well as existing opportunities and threats to the Company's operations.

The strengths include extensive experience in leasing and lending in the agricultural sector, high competence and qualified personnel, an effective risk management system, and a high level of corporate governance. Weaknesses are the lack of budget funding, insufficient level of automation of the leasing process.

The results of the SWOT analysis show that the Company has mainly strengths that provide opportunities for vigorous activity and holding leadership positions in leasing activities.

However, the concentration of the loan portfolio in one industry requires the Company to constantly monitor risks and demonstrate flexibility in terms of providing financing conditions.



STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. Extensive experience in leasing and lending in the agro-industrial complex. 2. High competence in providing leasing services and qualified personnel. 3. Wide branch network throughout the country. 4. Established partnerships with domestic and international producers of agricultural machinery and equipment. 5. High level of corporate governance of the Company. 6. The Company has an effective comprehensive risk management system. 7. Recognizable brand for agricultural producers. 8. Positive dynamics of the number of clients. 9. A diversified portfolio of funding sources and significant experience in loan raising in the domestic and international markets. 	<ol style="list-style-type: none"> 1. Concentration of the loan portfolio in one sector of the economy. 2. High interest rate on leasing products due to lack of budget funding. 3. Insufficient level of automation of the leasing process.
OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. Increasing the level of state support for the agricultural sector, including for renewal of the machine and tractor fleet. 2. Unsatisfied demand for renewal of agricultural machinery and equipment, respectively, the possibility of increasing investment. 3. The presence of a significant number of agricultural producers that are not covered by the Company's services. 4. Strengthening the brand of KazAgroFinance JSC, which is positioned as the best partner for agribusiness entities in renewal of agricultural machinery and equipment. 5. Improving business processes for reviewing clients applications, including switching to online servicing of equipment leasing applications. 	<ol style="list-style-type: none"> 1. Insufficient funds allocated for state subsidies for investment and/or interest rates on credit products in the agricultural sector. 2. The emergence of a second quasi-public sector entity in the agricultural equipment leasing market, which creates incorrect competition. 3. Risk of reduction of planned indicators for repayment of leasing payments by clients and decrease in demand for equipment due to the introduction of the state of emergency.

STRATEGY IMPLEMENTATION

In 2019, KazAgroFinance implemented the Development Strategy for 2017-2026, which defined 10 tasks within 3 strategic directions and 3 goals, as well as achieving results on 8 key performance indicators.

In accordance with the Rules of strategic planning and monitoring, KazAgroFinance JSC has developed an operational action plan for 2019 to ensure the achievement of goals and control over the effective implementation of the Development Strategy.

STRATEGIC DIRECTION 1 INCREASING INVESTMENT ATTRACTIVENESS

Goal: to increase the long-term shareholder value of the Company by increasing the profitability of operations while maintaining an acceptable level of risk.

KPI	2018	2019		2020	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
ROA, %	2.31	1.65	2.95	at least 1.53	at least 1.65
ROE, %	6.43	4.62	8.54	at least 4.65	at least 5.01
NPL level, %*	15.55	16.3	13.13	-	-
Execution of the Principal Debt Repayment Plan for projects previously funded by the National Fund of the Republic of Kazakhstan, %	-	75.0	77.4	15**	97

* According to the Company's new Development Strategy for 2020-2029, the «NPL Level» efficiency is excluded.

** In 2020, the method of calculating this indicator has been changed.

TASK 1. IMPROVING THE QUALITY OF THE LOAN PORTFOLIO

As of January 1, 2020, the loan portfolio at historical cost amounted to 271.9 billion KZT, which is higher than the same indicator in 2018 (239.7 billion KZT) by 32.2 billion KZT.

NPL level

Last year, work was carried out to collect overdue debts and rehabilitate projects (provision of restructuring, prolongation, conclusion of mediation, etc.). Leasing and collateral items were placed on the balance sheet and collateral assets were sold. Investors were searched for the subsequent implementation of problematic projects.

Also, in order to improve the quality of the loan portfolio, internal documents were updated, the process of checking and confirming the intended use of the loan was strengthened, the processes of administering projects in connection with their automation were described, the conditions for the sale of leasing items and collateral property accepted on the balance sheet of the Company in connection with the termination of financial leasing agreements were simplified.

The Company monitored the loaners' payment discipline on a monthly basis. As of January 1, 2020, the execution of the Principal Debt Repayment Plan amounted to 121%. Of the planned 44.495 billion KZT, 53.713 billion KZT was returned.

Execution of the Principal Debt Repayment Plan for projects previously funded by the National Fund of the Republic of Kazakhstan

The actual repayment of the principal debt for projects previously funded by the National Fund of the Republic of Kazakhstan was 77.4%, while the plan was 75.0%. Execution at the level of 103.2%.

TASK 2. INCREASING THE EFFICIENCY OF USING EQUITY AND ASSETS

In 2019, the Company exceeded the return on assets and equity indicators, which was achieved due to revenue growth and cost reduction. Net income at the end of 2019 was formed in a larger amount than planned, and amounted to 9.2 billion KZT. As a result, the ROA indicator was formed at the level of 2.95 with a plan of 1.65 (178.8%). ROE – 8.54 with a plan of 4.62 (184.8%).

Liquidity management

The company adheres to a conservative policy of placing temporarily free liquidity. To minimize the risk of loss of liquidity, the Company places the money in low-risk financial instruments such as current accounts and short-term deposits in banks with credit rating not lower than BB (according to the international rating agencies), and short-term public securities of RoK.

Risk management

In 2019, the Company improved its corporate risk management system.

In February 2019, the Board of Directors approved a plan of corrective and preventive actions based on the results of the Effectiveness Assessment of the Corporate Risk Management System (CRMS). The plan's activities have been fully implemented. Changes were made to the risk management structure, the approach to assessing operational risks was changed, the procedure for calculating risk appetite and tolerance levels was updated, and the procedure for forming and approving risk matrices and control procedures was improved.

TASK 3. EFFECTIVE LOAN RAISING FROM BANKS AND OTHER INSTITUTIONAL INVESTORS

KazAgroFinance attracts market funding in a form of loans from banks, trade and export financing under the coverage of ECA of different countries, as well as through the issue of debt securities. The Company follows a policy of diversifying its funding sources and investor base. The Company has a broad base of investors and has been actively cooperating with both Kazakhstan and foreign major financial institutions, as well as with international financial organizations for many years. Throughout its operation, the Company has an impeccable credit history and a high business reputation with creditors and investors.

In conditions of high volatility of the capital market against the background of devaluation expectations of the national currency, the Company had to abandon external financing in foreign currency and concentrate on the domestic market; so at the end of 2019, the share of liabilities in tenge is 98.2% of all the Company's liabilities, which excludes the negative impact of currency risks on the Company.

The Company has set a number of requirements for indicators of financial stability indices, which are fully met. In 2019, the Company attracted 50.6 billion KZT and extended agreements for 19.5 billion KZT, which made it possible to provide financing for the increased demand for leasing of agricultural equipment.

The third issue of bonds was registered under the second bond program in the amount of 20 billion KZT for 5 years, with a partial placement of 6.2 billion KZT in 2019. The issue was extended in full in April 2020.

As part of attracting funding for 2020, the Company continues to work to attract funding from STBs and Islamic banks, as well as to attract funds from the National Fund of the Republic of Kazakhstan.

STRATEGIC DIRECTION 2 IMPROVEMENT AND DEVELOPMENT OF LEASING SERVICES

Goal: to increase the loyalty of existing clients and attract new ones with an increase in the total number of clients by 1.5 times by 2026.

KPI	2018	2019		2020	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
Number of existing service users, units*	6,967	7,214	7,666	-	-
Volume of leasing of agricultural machinery and equipment, billion KZT	63.0	62.0	98.5	75	120
Level of service availability and client satisfaction, %*	77.9	74.3	79.6	-	-

* According to the Company's new Development Strategy for 2020-2029, the strategic KPIs «Number of existing service users» and «Level of service availability and client satisfaction» are excluded.

As of January 1, 2020, the number of clients in the loan portfolio is 7,666 with a planned value of 7,214, which is 699 higher than last year (6,967).

The disbursement of equipment leasing funds for 2019 amounted to 98.5 billion KZT, or 158.9% of the annual plan (the plan is 62 billion KZT). This indicator is exceeded due to the receipt of more applications for equipment financing, which is due to the availability of subsidies for equipment and programs with preferential financing conditions (low rate, no advance, etc.).

TASK 1. INCREASING THE AVAILABILITY OF SERVICES FOR CLIENTS

In order to increase the availability of services for clients, the Company carried out works to ensure competitive financing conditions that meet the capabilities of farmers.

In the leasing market today the Company offers the most acceptable terms of financing:

- long leasing term (the maximum term of financing is 10 years, which is 2.6 years higher than the average term in the leasing market);
- flexible conditions for clients under standard financing conditions and various product programs («Master leasing» – opening a line for a client for a year, in which he gets the opportunity to procure equipment on lease without re-collecting and reviewing documents, «Reliable farmer» – leasing without an advance, «Own feed» – leasing equipment for feed production with a reduced advance, «Express leasing» –

leasing without confirmation of income with a minimum period of consideration of the application);

- availability of a grace period (clients are given the opportunity to pay remuneration and principal debt at the end of a year from the date of conclusion of the contract);
- the absence of the need to provide collateral is one of the main advantages of the Company's leasing products.

The most popular among agribusiness entities are financial services Companies with standard terms of financing from non-budgetary sources, as well as special programs «Master leasing», «Agrotechnics» and «Express leasing».

The Company also participates in a subsidy program to reimburse part of the expenses incurred by the agro-industrial entity for investments and a program to subsidize the remuneration rate.

By the end of 2019, the Company's special accounts received investment subsidies totaling 9.5 billion KZT under 1,041 contracts. In terms of subsidizing the remuneration rate through the Qoldau system.kz, 3,217 contracts were approved for the total amount of the principal debt of 84.8 billion KZT.

In 2019, work was carried out to sign an additional agreement to the contract, under which the Government of the Republic of Belarus compensates for part of the leasing payments under financial leasing agreements (the interest rate is subsidized up to 6%). In this regard, since October 18, 2019, applications for the special financing program «Made in Belarus» have been

resumed. The advantage of the program is a possibility for the client to receive financing at 1% per annum, which is formed taking into account the subsidy of 10% from the Republic of Kazakhstan and 6% from the Republic of Belarus.

Image strengthening

In 2019, to strengthen the positive image of the Company, a wide information campaign was conducted in mass media and social networks, including the placement of posts, videos, and articles. In addition, the Company participated in a number of specialized agricultural exhibitions and forums.

TASK 2. IMPROVING THE QUALITY OF LEASING SERVICES

The Company continued to improve its business processes.

The mandatory list of documents provided by agribusiness entities for obtaining financial services of the Company has been reduced. The time frame for reviewing projects for financing has also been optimized – the period has been reduced from 18 to 12 business days. In order to increase client loyalty, measures have been implemented to build feedback by mandatory providing the client with a Reminder of Requests.

To improve the quality of leasing services, the compliance with the terms of consideration of applications from loaners is monitored monthly.

Level of service availability and client satisfaction

In order to assess the satisfaction of the Company’s clients/non-clients, an independent organization conducts an annual survey. According to the results of an independent study, the overall level of satisfaction with the Company’s services was 92.1%.

Availability of financial services (100%) is assessed by three criteria: terms of financing, reporting on the terms of consideration of applications, evaluating the opinion of clients about the Company through a survey.

In total, the level of availability of financial services and client satisfaction of the Company for 2019 amounted to 79.6% with a plan of 74.3% (execution – 107.2%).

TASK 3. EXPANSION AND DEVELOPMENT OF THE PRODUCT LINE OF KAZAGROFINANCE JSC

The current product line of the Company is balanced and meets the interests of various categories of agricultural producers.

From January 1 to December 27, 2019, a new financing program «Agrotechnics» for leasing agricultural machinery at 9% per annum for the client was introduced and fully implemented. The program is aimed at increasing the availability of high-quality financial leasing services of the Company at a reduced remuneration rate for agribusiness entities that have a need for agricultural machinery.

Since May 27, 2019, the source has been supplemented under special financing programs «Reliable farmer», «Own feed», «Harvest» at 9% per annum for the client. Also, financing for equipment leasing for modernization within the previously financed investment areas has been resumed.

In order to ensure the availability of procuring agricultural machinery at a lower and fixed interest rate, changes were approved on December 27, 2019, according to which the standard terms of financing for financial leasing of agricultural machinery were supplemented with a source of financing at 9% per annum.

The Company has been working on the development of an Islamic leasing program in 2019. In 2020, an authorization document on the product’s compliance with the principles of Islamic Finance (fatwa) was received. Currently, measures are implemented to approve internal documents by the Company’s authorized body, which regulate the Islamic financing process.

**STRATEGIC DIRECTION 3.
CORPORATE DEVELOPMENT**

Goal: improvement of corporate management system of KazAgroFinance JSC.

KPI	2018	2019		2020	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
Corporate governance level*	89.7	85.0	88.6	-	-

* According to the Company's new Development Strategy for 2020-2029, the efficiency will be calculated by an independent expert once every three years.

TASK 1. COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

As part of improving the corporate governance system, the Board of Directors of KazAgroFinance JSC annually reviews a report on compliance with the principles of the Company's Corporate Governance Code. According to the adopted report in 2019, 5 fundamental principles of the 6 were fully observed, and 1 principle was partially observed.

The Company diagnosed the corporate governance level for 2019; the corporate governance level of the Company was 88.6%, with a plan of 85% (104.2%).

TASK 2. IMPROVING THE EFFICIENCY OF THE BOARD OF DIRECTORS AND IMPROVING THE INSTITUTION OF INDEPENDENT DIRECTORS

In accordance with the Action Plan to Improve the Company's Corporate Governance for 2019-2021, a comprehensive and overall assessment of the performance of the Board of Directors and its members was conducted, including in terms of the necessary qualifications of directors.

As part of the performance assessment of the Board of Directors, internal documents regulating the activities of the Board of Directors were reviewed, and the frequency and form of meetings of the Board of Directors were analyzed. Members of the Board of Directors and the Corporate Secretary were interviewed.

Based on the results of the assessment, the activities of the Board of Directors and its committees were found to be effective

and in compliance with legal requirements and internal documents of the Company.

The professionalism of the members of the Board of Directors is rated at a high level, their qualifications correspond to the goals and tasks set, and their impeccable business reputation contributes to the fruitful solution of such tasks.

Independent Directors were also trained on the following topics: «Operation Performance Management» and «Business Performance Management».

TASK 3. DEVELOPMENT OF THE INSTITUTION OF SUCCESSION PLANNING FOR SENIOR EMPLOYEES AND A PRODUCTIVE ASSESSMENT SYSTEM FOR THE COMPANY'S MANAGEMENT BOARD AND ITS EMPLOYEES

In 2019, internal documents regulating the procedure for remuneration and assessment of the Company's management and employees were updated.

In addition, maps of key performance indicators of the Chairman and members of the Company's Management Board for 2019 were approved.

Last year, a transition was made to a new assessment system by introducing job grading, which resulted in the appointment of senior employees, including those of middle managers, among the Company's employees.

TASK 4. INCREASING TRANSPARENCY OF ACTIVITIES

In order to comply with the principle of transparency, the Company promptly places the information to be published on the relevant Internet resources. In addition, the Company monitors the relevance of information posted on the corporate website of KazAgroFinance JSC, and its updating.

The Company's annual report for 2018 was approved and posted on the corporate website and on the Internet resource of the Kazakhstan stock exchange. The Company's annual report for 2018 was awarded the 3rd place in the category «Best annual report in the financial sector» in the framework of the annual competition of annual reports of the QRA Rating Agency.



OPERATING RESULTS

MAIN ACHIEVEMENTS OF KAZAGROFINANCE JSC IN 2019



103.4 billion KZT was invested in the development of the agro-industrial complex




5,893 units of agricultural machinery and equipment were leased for the amount of **98.5 billion KZT**.




2,231 clients were financed



4,384 contracts for agricultural financing were signed



Invested in agribusiness from 2000 to 2019 **798.1 billion KZT**



The client satisfaction index for the Company's services was **92.1%**



In 2019, the Company received the largest net income in the history of the Company, amounting to **9.2 billion KZT**

Over the past 6 years, investments aimed at introducing new and modernizing existing investment projects in the agro-industrial complex have been made at the expense of the Company's own and attracted funds.



NUMBER OF SERVICED CLIENTS AND CONCLUDED FINANCING AGREEMENTS



The dynamics show the annual growth of the clients served by the Company and the concluded financing agreements.

— number of clients, p.
 — number of contracts, pcs.

INVESTMENT DYNAMICS, BILLION KZT



469

projects

— put into operation in 2007-2019

**REGIONAL STRUCTURE OF THE PROJECTS
COMMISSIONED IN 2007-2019, BY DIRECTIONS**

Regional structure by directions	Almaty	Nur-Sultan	Akmola region	Aktobe region	Almaty region	Atyrau region	East Kazakhstan region	Zhambyl region	West Kazakhstan region	Karaganda region	Kostanay region	Kyzylorda region	Pavlodar region	North Kazakhstan region	Turkistan region	Total
Alternative Energy Sources / Solar Power Station	–	–	–	1	–	–	–	–	–	–	–	–	–	–	–	1
Grain Storages	2	–	17	–	–	–	–	–	–	–	2	1	1	10	1	34
Fodder production	–	–	8	4	–	1	5	4	2	–	3	–	5	3	1	36
Commercial dairy farm	3	–	3	2	2	–	8	2	1	–	5	1	7	4	2	40
Meat processing complex	–	–	1	1	–	–	1	–	1	–	–	1	1	–	–	6
Vegetable stores	2	3	4	1	3	3	3	1	1	3	4	–	10	3	5	46
Feedlots	3	–	1	–	2	–	–	1	–	1	–	2	1	–	3	14
Processing	–	3	5	3	6	3	4	2	2	6	6	7	3	2	6	58
Poultry farms	–	–	3	–	3	1	2	1	–	1	4	–	–	1	2	18
Sow farms	1	–	11	3	10	–	14	6	10	7	11	–	7	18	3	101
Fish farming complex	–	–	–	–	–	1	2	2	–	1	–	–	–	–	–	6
Gardens	3	–	–	–	–	–	–	3	–	–	–	–	–	–	8	14
Assembly factory	–	–	–	–	–	–	1	–	1	1	–	–	–	–	1	4
Irrigation systems	4	–	4	1	4	13	1	10	3	5	–	–	9	4	7	65
Green houses	2	1	1	3	4	–	–	2	–	2	–	–	–	–	10	25
Killing department	–	–	–	–	–	–	–	–	–	–	–	1	–	–	–	1
Total	20	7	58	19	34	22	41	34	21	27	35	13	44	45	49	469

In 2019, the Company commissioned 6 investment projects, including:

- 3 enterprises for processing agricultural products with a production capacity of 4.5 tons per year;
- 1 enterprise using an irrigation system with a production capacity of 576 tons per year;
- 1 grain storage for 15,000 tons;
- 1 dairy farm with production capacity of 2.5 tons per year.

The total cost of the projects amounted to 1.9 billion KZT, including the amount of financing of KazAgroFinance amounted to 1.6 billion KZT. In total, 469 projects with a total cost of 263.3 billion KZT were commissioned during the period 2007-2019, including the amount of financing of KazAgroFinance amounted to 189.8 billion KZT.

LEASING OF AGRICULTURAL MACHINERY PROVIDED TO KAZAGROFINANCE

Machinery name	2017		2018		2019		Total 2000–2019	
	Pcs.	Amount	Pcs.	Amount	Pcs.	Amount	Pcs.	Amount
Seeding machinery	31	509	72	1,736	143	7,336	1,399	52,865
Tractors	788	9,432	1,032	15,592	1,713	30,859	14,428	122,098
Combine harvesters	283	16,869	495	28,268	540	32,856	10,839	250,157
Seeders	124	1,703	133	2,626	416	4,386	2,595	15,750
Other machinery	1,150	7,830	1,550	12,762	3,073	23,017	19,027	102,431
Equipment	24	3,807	144	1,987	8	58	604	58,897
Total	2,400	40,176	3,426	62,972	5,893	98,513	48,892	602,198

In total, KazAgroFinance JSC has financed the procurement of about 48.9 thousand units of agricultural machinery and equipment for a total amount of 602.2 billion KZT. The leased equipment handles 10 million hectares of cultivated lands.

In 2019, the KAF financed 5.9 thousand units of equipment for 98.5 billion KZT (the growth in comparison with 2018 for the main types of equipment was 72% in quantitative terms, 56% in monetary terms). According to the data analysis of the





Ministry of Agriculture, the share of main types of equipment (combines, tractors, sowing systems) leased by the Company is 49% of the total volume of equipment procured by agricultural producers throughout Kazakhstan.

LEASING STRUCTURE UNDER THE SPECIAL PROGRAMS

Program	Number of contracts	Number of equipment	Cost of equipment, million KZT	Share %
Agrotechnics	751	851	8,063.5	8.2%
Master leasing	493	850	24,752.4	25.1%
Own feed	456	531	2,429.9	2.5%
Express leasing	383	541	7,860.3	8.0%
Other	2,277	3,120	55,406.7	56.2%
Total:	4,360	5,893	98,512.8	100.0%

Special programs «Agrotechnics», «Master Leasing», «Express Leasing» and «Own Feed» are most in demand in 2019.

NUMBER OF CLIENTS BY BUSINESS SIZE, P

2017	—	88	—	—
		6,502		
2018	—	89	—	—
		6,878		
2019	—	85	—	large
		7,581		small/medium

The main share of clients in the Company's portfolio is small and medium-sized businesses.

STRUCTURE OF CLIENTS IN THE PORTFOLIO
BY REGION IN 2019, P



Almaty, East Kazakhstan, West Kazakhstan and Turkestan regions in the regional Company's client map have about a thousand clients.



FINANCIAL RESULTS

KEY BALANCE SHEET INDICATORS, MILLION KZT

	2019	2018
Assets		
Cash and cash equivalents	20,581	44,798
Funds in credit organizations	8,451	
Investment securities	11,179	
Loans to clients	36,930	43,004
Finance lease receivables	226,615	186,617
Property held for finance lease	7,705	10,740
Fixed assets	464	996
Other assets	13,811	12,779
Total assets	325,736	298,934
Liabilities		
Debt to the Sole Shareholder	54,136	67,232
Credit institution funds	75,934	41,808
Debt securities issued	65,385	64,596
Other liabilities	21,022	18,948
Total liabilities	216,477	192,584
Equity	109,259	106,350
ROA	2.95	2.31
ROE	8.54	6.43
Book value of one common share (in KZT)	1.311,95	1.277,14



KazAgroFinance continues to demonstrate positive financial indicators reflecting successful operations in the agricultural sector, financial stability and consistent development of the Company.

KEY INDICATORS OF THE INCOME STATEMENT, BILLION KZT

	2019	2018	2019, in % to 2018
Total income	33.3	27.59	120.7%
Including:			
Income in a form of remuneration	32.47	26.15	124.2%
Total expenses	24.56	21.16	116.1%
Including:			
Remuneration expenses	16.69	13.61	122.6%
Expenses on creation of provisions	1.21	2.82	42.9%
CIT	-0.47	-0.30	156.7%
Net income	9.21	6.73	136.8%

KEY FACTORS OF FINANCIAL STABILITY:

1. High level of capitalization.

The share of equity in the balance sheet structure is 34% of the Company's assets, which is a result of support from the Sole Shareholder, the Company's profitable activities and high ability to absorb various financial risks.

2. Profitability.

The Company received a net profit for 2019 in the amount of 9.21 billion KZT, which is 36.9% more than in 2018. Return on equity increased by 33% to 8.54.

3. Acceptable level of liquidity.

The Company maintains a sufficient level of liquid funds to ensure stable growth of the loan portfolio and proper fulfillment of obligations to creditors. As of January 1, 2020, the share of liquid assets in assets was 12.0%.

4. High credit rating.

On April 2, 2020, Fitch Ratings confirmed its long-term rating at BB+, with a «stable» outlook. The Agency's confirmation of KazAgroFinance's high ratings reflects the Company's significant role in the development of the country's agricultural sector.

5. Effective financial risk management.

The Company has built an effective risk management system that allows timely identification, reliable assessment and minimization of credit, currency, price and liquidity risks.

6. Compliance with prudential regulations.

Throughout its history, the Company has not violated the prudential standards established by the National Bank of the Republic of Kazakhstan. There are significant reserves for all coefficients.

DEVELOPMENT PROSPECTS

2019 was marked by a major event for KazAgroFinance JSC – in May of last year, the Government of the Republic of Kazakhstan issued a Decree that excluded The Company from the list of entities subject to privatization. This once again confirms that the Company occupies an important place in the implementation of state policy in the agricultural sector.

98.5

thousand units of equipment

leased in 2019

By the end of 2019, the planned goals and tasks were achieved for all 8 key performance indicators of the Development Strategy of KazAgroFinance JSC for 2017-2026.

The Company’s activities in 2020 will be aimed at implementing the goals and tasks approved by the new Development Strategy of KazAgroFinance JSC for 2020-2029.

In accordance with the State AIC Development Program for 2017-2021, one of the priority goals is to provide the industry with modern agricultural equipment. Leasing remains the main tool for renewal of the machine and tractor fleet; accordingly, there is a high consumer demand for leasing services for agricultural machinery and equipment.

KazAgroFinance currently occupies a leading position in the leasing market and, despite the lack of budget funding, continues to provide financing to agribusiness entities on more favorable terms in comparison with other companies. As the dynamics showed, for the period from 2016 to 2018, the Company annually procured from 3.1 thousand to 3.4 thousand units of agricultural machinery, which is about 40% of the total number of agricultural machinery procured annually in the country. In 2019, a record number of equipment was leased – 5,893 units (an increase of more than 72% compared to 2018) in the amount of 98.5 billion KZT, which is about 53% of the total amount

of funds allocated for the procurement of equipment in the republic in the reporting year.

Given that the country has high need for financing the renewal of the machine and tractor fleet, as well as a relatively low level of risk in this area, the Company has taken a benchmark to increase the volume of leasing of agricultural machinery and equipment, improve the provision of its services and increase the efficiency of the Company.

Using existing competitive advantages, a stable brand, as well as introducing new client-oriented approaches, KazAgroFinance will be able to increase the loyalty of existing clients and attract new ones, as well as provide a valuable contribution to the support of domestic farmers.

Concentration of the Company’s resources on investments in fixed assets by providing agricultural enterprises with agricultural machinery and equipment through leasing will ensure the growth of the technical provision of the fleet and labor productivity in the agricultural sector, which will be the key contribution of KazAgroFinance JSC to the implementation of one of the priorities of the State AIC Development Program for 2017-2021.

Thanks to financial stability and effective fundraising, the Company will continue to increase the volume of investments annually for the procurement of high-

performance modern machinery and equipment for agricultural producers.

In order to ensure an annual increase in the volume of investments in equipment leasing, systematic work will be carried out to attract the necessary funds from various sources of financing.

In addition, the Company in the framework of the implementation of the goals of the State AIC Development Program for 2019-2021 to increase labour productivity in the agricultural sector and exports of processed agricultural products has introduced a system of mutual obligations for agricultural producers to increase productivity and exports with the participation in the public subsidy program.

Continuous improvement of the quality of services provided is one of the important conditions for the Company's sustainable development. KazAgroFinance JSC will continue to work on the implementation of a client-oriented policy, under which the front office employees will be trained on a regular basis to improve the quality of client service, and the quality of consultations and services will be monitored. The main goal of implementing client-oriented standards is to exceed the expectations of their clients and help them achieve success in agribusiness.

During improving client-oriented standards, the Company will apply international practices in providing credit services, as

well as modern methods of receiving feedback from clients on quality assessment.

In addition, client satisfaction will be assessed annually through client surveys. Recommendations and comments will be taken into account when further improving the service delivery process.

In the medium term, the Company will fully switch to an electronic system for accepting and tracking applications. This system will allow clients to submit online applications for financing, which will increase the availability of the Company's services to clients and will allow tracking the status of an application from registration to making a decision on it.

Improving and developing leasing services with a focus on consumer demand will increase the satisfaction of existing clients and attract new ones, as well as provide a valuable contribution of the Company to support domestic farmers.

Implementation of measures to improve the Company's activity through improving the quality of the loan portfolio, increasing the efficiency of using equity and assets will ensure profitability and investment attractiveness.

The development of corporate governance will have a significant impact on improving the efficiency of operations, as well as on decision-making by the Company's management bodies in the course of

implementing the planned strategic goals and tasks.

Transparency of activities and corporate governance in accordance with the best international practices will increase the credibility of the external and internal target audience, which will ultimately affect the profitability, share price and image of the Company.

The implementation of an effective HR policy will allow the Company to retain and attract highly qualified personnel who can make a significant contribution to the development and growth of efficiency, as well as get the maximum possible return on investment in human resources.

Together, these measures will allow the Company to maintain its position in the agricultural leasing market and increase the number of existing clients in the portfolio.

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CORPORATE GOVERNANCE



Continuous improvement of corporate governance and decision-making system is an important strategic direction of the Company's development, ensuring its effectiveness and efficiency.

The Company continues to carry out planned work to improve the level of corporate governance by bringing the management system to international standards of best corporate governance practices.

The Company's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence.

COMPONENTS OF THE CORPORATE GOVERNANCE SYSTEM:

1. FAIRNESS

the Company protects the rights of the Sole Shareholder and takes effective measures in case of violations of its rights.

2. ACCOUNTABILITY

the Company ensures that the Company's executive body is accountable to the Board of Directors and the Board of Directors is accountable to the Sole Shareholder.

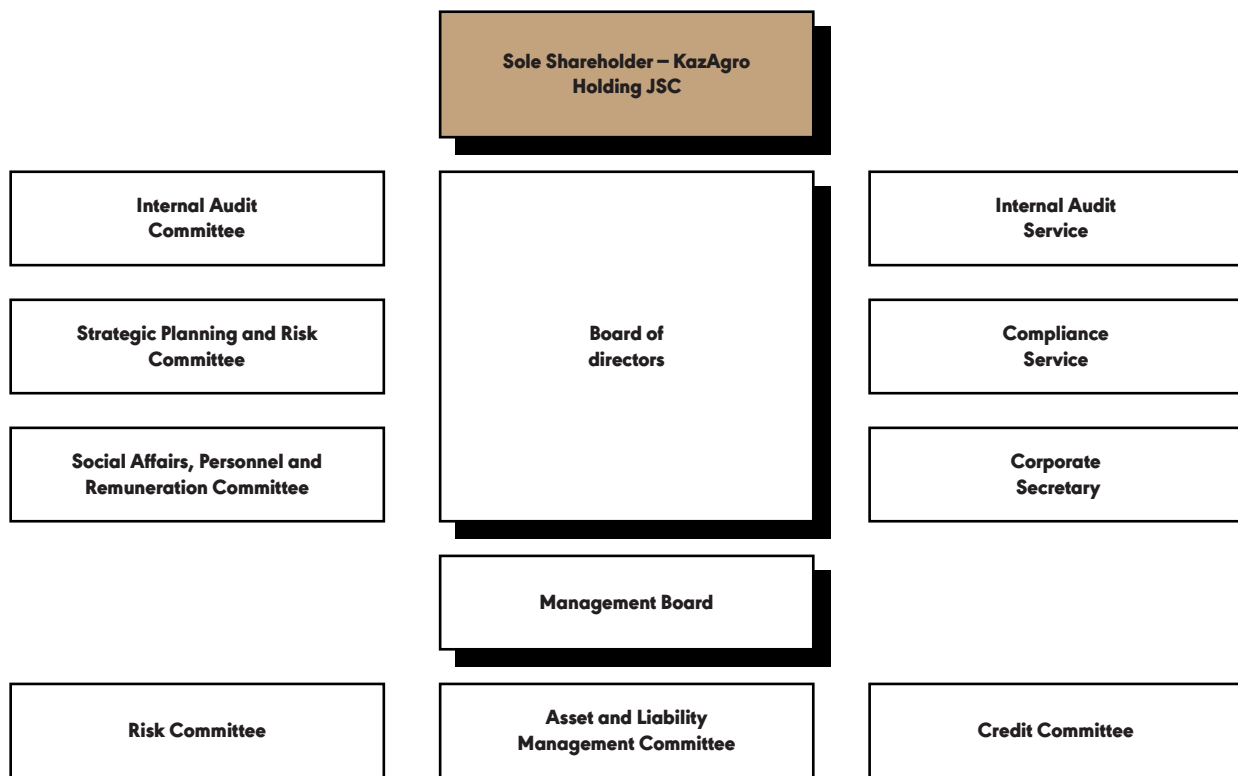
3. RESPONSIBILITY

the Company ensures recognition of the legal rights of the Sole Shareholder, encourages cooperation between the Company and the Sole Shareholder in matters of financial well-being and sustainability of the Company.

4. TRANSPARENCY

the Company ensures timely and reliable disclosure of information on all significant issues that may affect the decisions of stakeholders.

MANAGEMENT ORGANIZATIONAL STRUCTURE



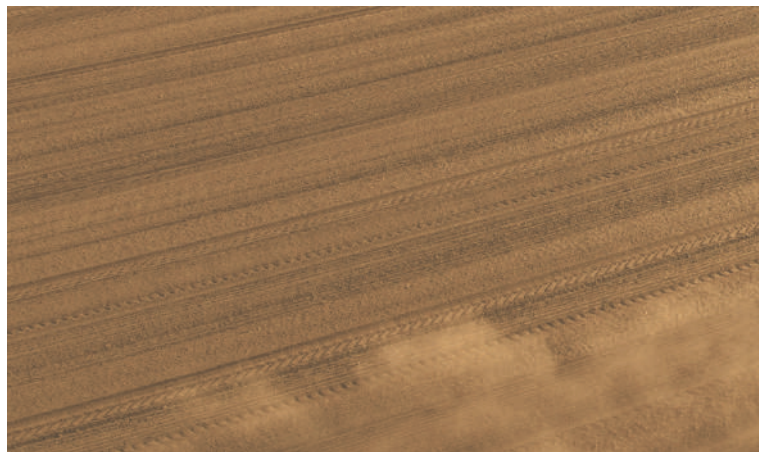
CORPORATE GOVERNANCE RATING

At the end of 2019, the Company diagnosed of the corporate governance level, which results were confirmed by the Sole Shareholder.

The corporate governance was diagnosed in three components: the corporate governance structure, corporate governance processes and corporate governance transparency. Each of the components contains a set of sub-

components and criteria that comply with the legislation of the Republic of Kazakhstan, internal documents of the Company and recommendations of world practice in the field of corporate governance.

ACCORDING TO THE RESULTS OF THE ANALYSIS, THE CORPORATE GOVERNANCE LEVEL WAS RATED AS «AVERAGE» AND AMOUNTED TO 88.6%.



REPORT ON COMPLIANCE WITH THE CG CODE

The Company is guided by the Corporate Governance Code, which provides for respect for the rights and interests of all stakeholders for the successful operation of the Company, including the growth of its value, maintaining financial stability and profitability.

Corporate Governance Code provides for the observation of the 6 fundamental principles: the principle of protection of rights and interests of the Sole Shareholder, the principle of effective Company management by the Board of Directors and the Management Board, the principle of Company's independent

activities, the principle of transparency and objectivity of information disclosure about the Company's activities, the principle of legality and ethics, the principle of responsibility to stakeholders. According to the results of the analysis for 2019, 5 principles are fully observed, and 1 principle is partially observed.



<p>Principle of protection of rights and interests of the sole shareholder</p>	<p>Corporate governance of kazagrofinance jsc ensures protection and respect for the rights and legitimate interests of the sole shareholder and contributes to the effective operation of the company, including achieving the company's strategic goals and maintaining financial stability.</p>	<p>Observed</p>	<p>The rights, duties and competence of the sole shareholder are determined by the legislation of the republic of kazakhstan and the company's charter. Interaction with the sole shareholder is carried out in accordance with the company's charter, which stipulates the duties, competence of the sole shareholder and the procedure for providing information on activities affecting the interests of the sole shareholder, and the corporate governance code. The regulation on the company's dividend policy regulates the sole shareholder rights associated with participation in the management of the company, including the rights to receive dividends and participate in the distribution of net income.</p>
<p>Principle of effective company management by the board of directors and the management board</p>	<p>The activities of the board of directors are based on the principles of maximum compliance with and implementation of the interests of the sole shareholder and the company, reasonableness, efficiency, activity, integrity, honesty, accuracy and responsibility within its competence.</p>	<p>Observed</p>	<p>In accordance with the regulations on the company's board of directors, the activities of the board of directors are based on the principles of professionalism, reasonableness and prudence, honesty and objectivity, and the principles of protecting the rights of the sole shareholder. In 2019, the company's board of directors held 14 meetings, including 11 in person and 3 in absentia, where issues were considered and decisions were made on key areas of the company's activities. In 2019, kazagro holding jsc conducted an assessment of corporate governance in kazagrofinance jsc for 2018.</p>
<p>Principle of effective company management by the management board</p>	<p>The management board manages the current activities of the company in order to solve problems and implement the company's development strategy.</p>	<p>Observed</p>	<p>The company's management board manages current activities and is responsible for implementing the strategy, development plan and decisions made by the board of directors and the sole shareholder. The regulations on the company's management board clearly define the rights and responsibilities of the management board. During 2019, 36 meetings of the management board were held in person, meetings were held on a regular basis – every decade of the month. In 2019, all strategic performance indicators of the company were met in full.</p>

Principle of company's independent activity	The company carries out its activities independently.	Partially observed	<p>In accordance with the company's charter, the management board exercises effective and actual control over the company's activities and is not subject to interference by the sole shareholder and the state in its operational activities. The company independently plans its work throughout the year, defines internal procedures and documents, makes decisions on project financing, as well as on other operational issues.</p> <p>However, during the year, the influence of the sole shareholder on the company's independent activity was observed, expressed in a moratorium on the spending the company's budget regarding the acquisition of intangible assets, fixed assets and also for training the company's employees.</p>
Principle of transparency and objectivity of information disclosure about the company's activities	In order to ensure that the sole shareholder makes well-founded decisions, as well as to bring information about the company's activities to the attention of stakeholders, the company ensures timely disclosure to the sole shareholder and stakeholders of reliable information about the company, including its financial position, economic indicators, results of its activities, ownership and management structure.	Observed	<p>In order to comply with information disclosure standards, the company is guided by the legislation of the republic of kazakhstan on market of securities, joint-stock companies, listing rules, a resolution of the national bank of the republic of kazakhstan, as well as other documents on transparency of information disclosure.</p> <p>The company informs the stakeholders of information about corporate events through the internet resources of the kazakhstan stock exchange, the financial reporting depository, the corporate internet resource and the portal of the kazagro holding.</p> <p>For 2019, information about 85 corporate events was posted on the internet resource of the kazakhstan stock exchange, and 42 on the website of the financial reporting depository. During the specified period of time, the company was not brought to administrative responsibility for violation of the terms for providing information specified by legislation. All tabs on the company's corporate internet resources are regularly updated in 2019, depending on changes in legislation and internal documents regulating the company's credit and other activities. There were no violations of information placement on corporate internet resources.</p> <p>By the decision of the sole shareholder of the company – the management board of kazagro holding jsc dated august 7, 2019 no. 34, the company's annual report for 2018 was approved. The structure of the annual report was compiled in accordance with the company's information policy and listing rules approved by the decision of the exchange board of kazakhstan stock exchange jsc. The annual report presents a balanced picture of the company's activities, including conclusions based on the results of the reporting period and further actions resulting from them.</p>

<p>Principle of legality and ethics</p>	<p>The company operates in strict accordance with the legislation of the republic of kazakhstan, generally accepted principles of business ethics, the company's charter, the corporate governance code and its contractual obligations.</p>	<p>Observed</p>	<p>The company operates in accordance with the legislation of the republic of kazakhstan, the charter, the corporate governance code and other internal documents. The company carries out constant and systematic activities to monitor changes in legislation and timely update internal documents and standard contracts of the company. The company also has a compliance risk management process in place. The company has a code of corporate ethics that applies to all employees and officials of the company. The company ensures that all company employees and officials are familiar with the code of corporate ethics, and also takes measures to regularly update and verify their knowledge of the code's provisions.</p>
<p>Principle of responsibility to stakeholders</p>	<p>The company recognizes and respects the rights of all stakeholders and strives to cooperate with them in order to develop itself and ensure financial stability. The stakeholders should be able to receive compensation for violations of their rights in cases provided for by the legislation of the republic of kazakhstan. If a stakeholder participates in the corporate governance process, the stakeholder should have access to material, sufficient and reliable information on a timely and regular basis. The stakeholders should be able to freely report to the board of directors violations of legislation or internal documents of the company by the management board, and their rights should not be infringed in case of such a report.</p>	<p>Observed</p>	<p>The company is guided by the corporate governance code, which provides for respect for the rights and interests of all stakeholders for the successful operation of the company, including the growth of its value, maintaining financial stability and profitability. The company's internet resource is the key and most accessible source of information for the majority of stakeholders. In this regard, it contains the maximum possible public information, it is well structured, easy to navigate and accessible to all stakeholders. The company's internet resource contains all the necessary and necessary information so that stakeholder can have an idea about the company as a whole.</p>

INFORMATION ABOUT SECURITIES AND COMPOSITION OF THE PARTICIPANTS

The Sole Shareholder of KazAgroFinance JSC is KazAgro National Management Holding JSC.

KazAgro Holding JSC is designed to promote sustainable economic growth of the agro-industrial complex of the Republic of Kazakhstan in order to implement state policy and achieve strategic goals in the agro-industrial complex.

The main strategic directions of development of KazAgro Holding are:

- participation in the implementation of stabilization functions in the agricultural sector;
- promotion of competitiveness in the agricultural sector;
- attracting investment and ensuring the availability of finance in the agro-industrial complex;
- transformation of KazAgro Holding to ensure financial stability and increase the efficiency of the credit process.

Interaction with the Sole Shareholder is carried out in accordance with the Company's Charter, which stipulates the duties, competence of the Sole Shareholder and the procedure for providing information on Company's activities affecting its interests, and the Corporate Governance Code.

The number of authorized common shares of the Company as of December 31, 2019 is 82,837,204; of the outstanding common shares – 82,837,204.

The regulation on the Company's dividend policy regulates the Sole Shareholder rights associated with participation in the management of KazAgroFinance JSC, including the rights to receive dividends and participate in the distribution of net income. In June 2019, based on the results of work for 2018, the Company paid dividends to the Sole Shareholder in the amount of 6,728,372,191.80 KZT.

KEY DECISIONS OF THE SOLE SHAREHOLDER IN 2019

- Amendments to the Company's Charter.
- Approval of the annual financial statements.
- Approval of the annual report of KazAgroFinance JSC.
- Election and early termination of powers of members of the Board of Directors.
- Determination of an audit organization that audits the financial statements of KazAgroFinance JSC for 2019.



BOARD OF DIRECTORS

The Board of Directors is a management body that provides operating control of the Company's activities, with the exception of issues referred by legislation and/or the Company's Charter to the exclusive competence of the Sole Shareholder and the competence of the Management Board.

The Board of Directors performs its functions in accordance with the Company's Charter and pays special attention to the following issues:

- determining the Company's development strategy (directions and results);
- setting and monitoring the Development Plan KPI;
- organization and supervision of the effective functioning of risk management, internal control and corporate governance systems;
- approving and monitoring the effective implementation of key strategic projects within the competence of the Board of Directors;
- election, remuneration, succession planning and supervision of the Management Board;
- compliance with the Company's Corporate Governance Code and internal business ethics documents.

The composition of the Board of Directors is balanced, including the qualifications of its members, their experience, knowledge and business qualities, and enjoys the confidence of the Sole Shareholder.

Members of the Board of Directors have an impeccable business reputation, knowledge, skills and experience in agriculture, economics and business management, as well as law.

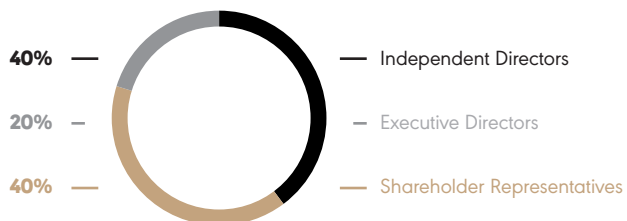
As of December 31, 2019, the Board of Directors consisted of 5 members, of which 2 members of the Board of Directors were independent Directors. The powers of the represented Board of Directors will expire on June 26, 2021.

COMPOSITION OF THE BOARD OF DIRECTORS AS OF 31 DECEMBER 2019

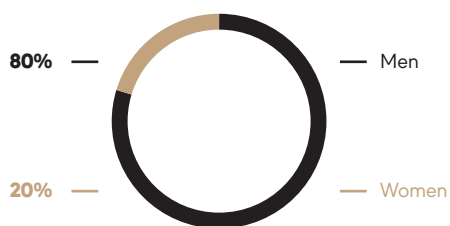
Date and number of the decision

Yerbol Kuanyshevich Taszhurekov	Managing Director of KazAgro Holding JSC – Chairman of the Board of Directors, Representative of the Sole Shareholder	appointed to the Board of Directors by the Sole Shareholder's decision No. 35 dated August 9, 2019
Kanysh Temirtayevich Izbastin	Chairman of the Management Board – Member of the Board of Directors	appointed to the Board of Directors by the Sole Shareholder decisions dated September 10, 2015 No. 59, June 26, 2018 No. 41
Aigul Kenesbekovna Dzhuanyshbayeva	Representative of the Sole Shareholder – Member of the Board of Directors	appointed to the Board of Directors by the Sole Shareholder's decision No. 49 dated October 30, 2019
Ruslan Sagadatovich Orazbayev	Independent Director – Member of the Board of Directors	appointed to the Board of Directors by the Sole Shareholder's decision No. 17 dated May 8, 2019
Serzhan Nurakhanovich Madiyev	Independent Director – Member of the Board of Directors	appointed to the Board of Directors by the Sole Shareholder's decision No. 50 dated November 1, 2019

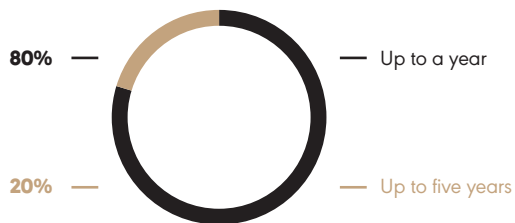
BOARD OF DIRECTORS STRUCTURE BY CATEGORY, %



GENDER STRUCTURE OF THE BOARD OF DIRECTORS, PEOPLE



TERM OF WORK ON THE BOARD OF DIRECTORS OF THE COMPANY, PEOPLE



AGE STRUCTURE OF THE BOARD OF DIRECTORS, PEOPLE



CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS FOR 2019

1. In connection with the early termination of the powers as members of the Board of Directors Zh. A. Munzhasarov, A. K. Uteulov by the Sole Shareholder decision dated May 8, 2019, the following members of the Board of Directors were elected:

Daniyar Bimuratovich Zhumashov – Chairman of the Board of Directors;

Ruslan Sagadatovich Orazbayev – Independent Director.
2. In connection with the early termination of the powers as members of the Board of Directors D. B. Zhumashov, N. Sh. Karnakova by the Sole Shareholder decision dated August 9, 2019, the following members of the Board of Directors were elected:

Yerbol Kuanyshevich Taszhurekov – Chairman of the Board of Directors;

Kanat Serikovich Karaulov – Representative of the Sole Shareholder – Member of the Board of Directors.
3. In connection with the early termination of his powers as a member of the Board of Directors K. S. Karaulov by the Sole Shareholder decision dated October 30, 2019, the following member of the Board of Directors was elected:

Aigul Kenesbekovna Dzhuanysbayeva – Representative of the Sole Shareholder – Member of the Board of Directors.
4. In connection with the early termination of his powers as a member of the Board of Directors Ye. B. Orynbayev by the Sole Shareholder decision dated November 01, 2019, the following member of the Board of Directors was elected:

Serzhan Nurakhanovich Madiyev – Independent Director.

COMPOSITION OF THE BOARD OF DIRECTORS



YERBOL KUANYSHEVICH TASZHUREKOV

***Representative of the Sole
Shareholder — Chairman of the Board
of Directors***

Ownership of shares of KazAgroFinance
JSC – does not own

Ownership of shares of suppliers and
competitors of the Company – does not
own

Born on June 25, 1979

Citizenship is the Republic of Kazakhstan

Election to the Board of Directors – August 9, 2019

Part-time work and membership in the Boards of Directors of other organizations
currently – Chairman of the Board of Directors of Agrarian Credit Corporation
JSC

EDUCATION:

- Graduated from Taraz State University named after M. Kh. Dulati, with a specialization in «Finance and Credit»,
- State International Kazakh-Turkish University named after Akhmet Yassawi, with a specialization in «Legal Studies»
- Academy of Public Administration under the President of the Republic of Kazakhstan with a Master's Degree in Public and Local Administration and the National School of Administration of France with a Master's Degree in Public Policy (Bolashak Program).

WORK EXPERIENCE:

- He started his career in 1998.
- Worked in senior and managerial positions in the Ministry of Regional Development of the Republic of Kazakhstan, the Ministry of National Economy of the Republic of Kazakhstan, the Ministry for Investments and Development of the Republic of Kazakhstan.
- Prior to his appointment, he worked as Deputy Akim of the Turkestan region.
- From April 26, 2019 to the present – Managing Director – Member of the Management Board of KazAgro Holding JSC.



KANYSH TEMIRTAYEVICH IZBASTIN

Chairman of the Management Board

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on April 20, 1981

Citizenship is the Republic of Kazakhstan

Election to the Board of Directors – September 10, 2015, June 26, 2018

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- Moscow State Institute of International Relations of Russia MFA,
- Central Asian University.

WORK EXPERIENCE:

- From January to April 2007 – Managing Director of DBK-Leasing JSC.
- From April 2007 to April 2008 – Deputy Chairman of the Management Board of DBK-Leasing JSC.
- From April 2008 to May 2012 – Chairman of the Management Board of DBK-Leasing JSC.
- From May to November 2012 – Chairman of the Management Board of KazExportGarant Export Credit Insurance Corporation JSC.
- From January 2013 to September 2015 – Managing Director of Sovereign Wealth Fund Samruk-Kazyna JSC.
- From September 3, 2015 to the present – Chairman of the Management Board of KazAgroFinance.



AIGUL KENESBEKOVNA DZHUANYSHBAYEVA

***Representative of the Sole
Shareholder — Member of the Board of
Directors***

Ownership of shares of KazAgroFinance
JSC – does not own

Ownership of shares of suppliers and
competitors of the Company – does not
own

Born on December 4, 1985

Citizenship is the Republic of Kazakhstan

Election to the Board of Directors – October 30, 2019

Part-time work and membership in the Boards of Directors of other organizations
currently – Member of the Board of Directors of Fund of Financial Support for
Agriculture JSC

EDUCATION:

- 2008 – Kazakh Humanitarian Law University, qualification «Bachelor in Finance».
- 2010 – University of International Business, qualification «Master in Accounting and Audit».
- 2018 – CIMA diploma in Business Performance Management.
- 2018 – DiplFR – Diploma in International Financial Reporting.

WORK EXPERIENCE:

- From 2013 to 2014 – Head of the Department of Economics and Accounting of Transport Holding of Almaty City LLP.
- From 2016 to 2017 – Economist of Energy Solution Center LLP.
- From 2017 to 2018 – Chief Manager of the Department of Planning and Economic Analysis of Samruk-Energo JSC.
- From 2018 to 2019 – Director of the Investment Analysis Department / Head of the Investment Analysis Service / Director of the Project Monitoring Department of the Housing Construction Guarantee Fund JSC.
- From April to August 2019 – Director of the Asset Monitoring Department / Director of the Project Monitoring Department of KazAgro Holding JSC.
- From August 2019 to the present – Managing Director – Member of the Management Board of KazAgro Holding JSC.



RUSLAN SAGDATOVICH ORAZBAYEV

*Independent Director — Member of
the Board of Directors*

Ownership of shares of KazAgroFinance
JSC — does not own

Ownership of shares of suppliers and
competitors of the Company — does not
own

Born on April 7, 1983

Citizenship is the Republic of Kazakhstan

Election to the Board of Directors — May 16, 2019

Part-time work and membership in the Boards of Directors of other organizations currently — Independent Director, Member of the Board of Directors of Financial Center JSC

EDUCATION:

- 2004 — Akmola Agricultural University named after Saken Seifullin, with specialization in «Finance and Credit».
- 2007 — Eurasian Humanitarian Institute, with specialization in «Legal Studies».

WORK EXPERIENCE:

- April 2015 — January 2017 — Regional Managing Director, Director of the Nur-Sultan Branch of Astana Bank JSC.
- November 2016 — January 2017 — Adviser to the Chairman of the Board of Directors of Astana Bank JSC.
- January — March 2017 — Deputy General Director of the Law Company «NEXUM» LLP.
- January 2017-January 2018 — Executive Director of Standard Insurance Company JSC.
- April — October 2017 — Vice-President of Astana Bank JSC, Nur-Sultan.
- October 2017 — October 2018 — Managing Director of Astana Bank JSC, Nur-Sultan.
- From December 6, 2018 to the present — Director of the Pawn Shop «Lombard «AVTOCASH» LLP.



SERZHAN NURAKHANOVICH MADIYEV

Independent Director — Member of the Board of Directors

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on January 23, 1983

Citizenship is the Republic of Kazakhstan

Election to the Board of Directors – November 1, 2019

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- 2002 – University of Wisconsin, with specialization in banking.
- 2005 – Gumilyov ENU, with specialization in «international Economics».
- 2007 – Warwick Business School, with specialization in «Finance».
- 2013 – CFA Institute, with specialization in «Finance».

WORK EXPERIENCE:

- Leading specialist of the Treasury of KazAgroFinance JSC, Manager of the Structural Finance Department of Development Bank of Kazakhstan JSC, Director of the Financial and Economic Department of RFCA JSC, Director of the Financial Consulting and Investment Analysis Department of RFCA JSC, Managing Director of ETS Commodity Exchange JSC, Deputy Chairman of the Management Board of ETS Commodity Exchange JSC, Director of the Corporate Finance Department of Baiterek NMH JSC, Managing Director of Baiterek NMH JSC.
- From July 2016 to 2017 – Chairman of the Management Board of Institute of Economic Research JSC.
- From 2018 to the present – Deputy General Director for Financial Affairs of Documentolog LLP.

ACTIVITIES OF THE BOARD OF DIRECTORS

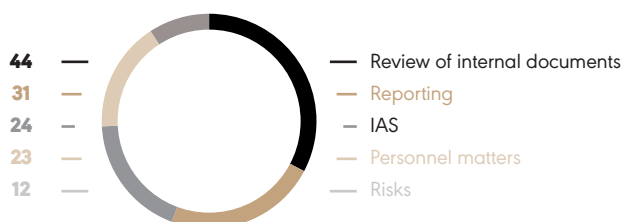
The activities of the Board of Directors are based on the principles of professionalism, reasonableness and prudence, honesty and objectivity, and the principle of protecting the rights of the Sole Shareholder.

In 2019, 14 meetings of the Board of Directors were held, including 11 in person and 3 in absentia. 134 issues were considered.

The main decisions made are related to the following issues:

- approval of the Report on the implementation of the Development Strategy and Development Plan for 2018;
- evaluating the work of the Board of Directors, reviewing the results of its work, and discussing measures to improve the effectiveness of the Board of Directors;
- review of the Report on the activities of the Company's Internal Audit Service for 2018;
- review of the Report on the results of evaluating the effectiveness of the corporate risk management system;
- approving the Risk Register and Risk Map for 2020;

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2019



- review of the Report on compliance with the Corporate Governance Code and information on implementation of issues related to transparency and efficiency of information disclosure processes;
- consideration of the Report on stakeholder transactions;
- approval of internal documents on strategic planning, information transparency, credit policy, and Company financing conditions.

**INFORMATION ON PARTICIPATION OF MEMBERS OF THE BOARD OF DIRECTORS
IN MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES**

Full Name	Meetings of the Board of Directors	Meetings of the Strategic Planning and Risk Committee	Meetings of the Internal Audit Committee	Meetings of the Social Affairs, Personnel and Remuneration Committee
Zh. A. Munzhasarov	2/2			
N. Sh. Karnakova	7/7			
K.T. Izbastin	13/14			
D.B. Zhumashov	5/5		Not involved	
Ye.K. Taszhurekov	7/7			
K. S. Karaulov	2/2			
A. K. Dzhuanysbayeva	5/5			
Ye.B. Orynbayev	10/10	8/8	6/6	8/8
A.K. Uteulov	2/2	2/2	1/1	2/2
R.S. Orazbayev	12/12	8/8	5/5	8/8
S.N. Madiyev	4/4	2/2	1/1	3/3

In 2019, there is a 100% participation of members of the Board of Directors in meetings of the Board of Directors, including absentee voting (except for 1 case of absence for a valid reason).

COMMITTEES OF THE BOARD OF DIRECTORS



Internal Audit Committee of the Board of Directors

The functions of the Internal Audit Committee of the Board of Directors include preliminary review and provision of recommendations to the Board of Directors on financial reporting, external audit, internal audit, compliance with legislation, reporting and performance evaluation, and others.

COMPOSITION OF THE INTERNAL AUDIT COMMITTEE

- **the Chairman of the Committee – Serzhan Nurakhanovich Madiyev;**
- **member of the Committee – Ruslan Sagadatovich Orazbayev.**

In total, the Internal Audit Committee held 7 meetings in 2019 and considered 34 issues.

The following main issues were considered at the meetings of the Committee:

- Review of the Report on the IT audit results of KazAgroFinance JSC;
- Review of the Report on the results of evaluating the effectiveness of the corporate risk management system;
- Preliminary approval of the annual financial statements for 2018;
- Review of the Report on the activities of the Company's Internal Audit Service for 2018;

- Evaluating the effectiveness of the Internal Audit Service and its employees in 2018;
- Approval of the redrafted Regulations on remuneration of employees of the Internal Audit Service;
- Approval of the Annual Audit Plan of the Internal Audit Service for 2019 redrafted;
- Approval of the Accounting Policy redrafted;
- Determination of the amount of payment for services of the audit organization performing audit of the annual financial statements for 2019.

Strategic Planning and Risk Committee of the Board of Directors

The functions of the Strategic Planning and Risk Committee of the Board of Directors include preliminary review and provision of recommendations to the Board of Directors on strategic planning, investment and innovation, internal control and risk management, reporting, performance evaluation, and others.

COMPOSITION OF THE STRATEGIC PLANNING AND RISK COMMITTEE:

- **Chairman of the Committee – Ruslan Sagadatovich Orazbayev;**
- **Member of the Committee – Serzhan Nurakhanovich Madiyev.**

Experts from among the employees of KazAgro Holding JSC:

- Dina Bakhtiyarovna Orazymbetova, Director of the Strategic Analysis and Innovation Center;
- Aigul Dzhambaybayevna Bekenova, Chief Manager of the Department of Budget Planning and Summary Analysis;
- Marlen Yusupovich Zhakezhanov, Director of Risk Management Department;
- Alpamys Amirzhanovich Omarov, Director of the Department of Monitoring of Agricultural Development Programs;



- Asemgul Agbayevna Kairdenov, Director of Project Monitoring;
- Marat Nurashovich Kobaydarov, General Manager of the Department Support of BoD subsidiaries.

In 2019, the Strategic Planning and Risk Committee held 10 meetings and considered 71 issues in total.

The following main issues were considered at the meetings of the Committee:

- Approval of reports on implementation of the Development Plan;
- Review of the Report on compliance with the Corporate Governance Code and information on implementation of issues related to transparency and efficiency of information disclosure processes;
- Information on implementation of issues related to transparency and efficiency of information disclosure processes;
- Approval of the Regulations on the Compliance Service.
- Approval of the Anti-Corruption Policy redrafted.
- Approval of the Compliance Policy.
- Approval of Anti-Corruption Standards.
- Approval of the Violation Notification Policy.
- Approval of the Report on implementation of the Development Strategy for 2018;
- Approval of the Report on status of accepted risks;
- Making changes and additions to the General Terms of financing;
- Approval of the Internal Control System Policy redrafted;
- Review of the results of the Board of Directors' performance assessment, identifying factors that reduce performance, and discussing measures to improve the effectiveness of its activities;
- Approval of the Tax Accounting Policy redrafted;
- Amendments and additions in the Development Strategy of KazAgroFinance JSC for 2017-2026;
- Approval of the budget for 2020;
- Approval of the Risk Register and Risk Map for 2020;
- Approval of the Action Plan of the Board of Directors for 2020.

Social Affairs, Personnel and Remuneration Committee of the Board of Directors

The functions of the Social Affairs, Personnel and Remuneration Committee of the Board of Directors include preliminary review and provision of recommendations to the Board of Directors on qualification requirements, candidate evaluation, succession planning, performance evaluation, remuneration system, and others.

COMPOSITION OF THE SOCIAL AFFAIRS, PERSONNEL AND REMUNERATION COMMITTEE:

- **Chairman of the Committee – Ruslan Sagadatovich Orazbayev;**
- **Member of the Committee – Serzhan Nurakhanovich Madiyev.**

Experts from among the employees of KazAgro Holding JSC:

- Aydyn Kopzhasarovich Daribayev – Chief Manager of Department of Human Resources;
- Marat Nurashovich Kobaydarov, General Manager of the Department Support of BoD subsidiaries.

In 2019, the Social Affairs, Personnel and Remuneration Committee held 11 meetings and considered 41 issues in total.

The following main issues were considered at the meetings of the Committee:

- Approval of the Regulations on terms of remuneration, bonuses and welfare protection of the Chairman and members of the Management Board, employees of the Compliance Service, the Internal Audit Service and the Corporate Secretary;
- Approval of the Organisational Structure redrafted;
- Approval of the personnel number;
- Approval of maps of key performance indicators of the Chairman and members of the Management Board for 2019.

SELECTION AND APPOINTMENT

The number of members of the Board of Directors is determined by the Sole Shareholder. The search and selection of candidates can be performed by both the Company and the Sole Shareholder independently.

The procedure for searching, selecting and electing candidates includes the following steps:

- determining the need for the selection of Directors;
- searching for candidates who meet the qualification requirements;
- preliminary assessment of candidates for compliance with qualification requirements;
- consideration and election of candidates by the Sole Shareholder.

While selecting Independent Directors, the Company follows the Regulations on the Board of Directors that determines a procedure of search and selection of candidates on a competitive basis to the position of Independent Director and conducting pre-qualification of candidates by the Personnel and Remuneration Committee.

INDEPEN- DENCE

The Company's Board of Directors consists of two Independent Directors who meet the following requirements:

- correspond to the status of an Independent Director in accordance with clause 20 of article 1 of the Law of the Republic of Kazakhstan «On Joint-Stock Companies»;
- publicly declared their status as an Independent Director before being elected to the Board of Directors;
- have a higher education and a Master's Degree/ additional education in the field of management;
- have relevant work experience;
- have practical experience in implementing best practices of corporate governance and improving the Company's performance, which will make a significant contribution to the Company's development in the future;
- have special skills in certain areas related to the functional responsibilities of an Independent Director, membership in committees of the Board of Directors, sufficiently developed communication skills, and governed by the principles of transparency, objectivity, constructiveness and professionalism;
- have general information about key issues specific to the organization, similar in scope and nature of operations with the Company;
- able to comprehensively analyze and objectively evaluate the information provided and develop an independent position on the issue based on the principles of legality, fairness and equal treatment of all shareholders. Express their own opinion and adhere to it, even if it differs from the majority opinion;
- have an impeccable reputation / positive achievements in the business and / or industry environment, adhere to high ethical standards;
- have sufficient time to participate in the work of the Board of Directors not only during the meetings of the Board of Directors, but also for proper study of materials for meetings of the Board of Directors;
- are not members of more than 4 Boards of Directors of other companies.

An individual cannot be a candidate for Independent Director, who:

1. previously held a position of the Chairman of the Board of Directors, the first head (Chairman of the Management Board), Deputy Head, Chief Accountant of another legal entity for a period not more than 1 year before the decision on compulsory liquidation, or compulsory repurchase of shares, or conservation of another legal entity declared bankrupt in accordance with the established procedure. The specified requirement is applied within 5 years after the date of the decision on compulsory liquidation, or compulsory repurchase of shares, or conservation of another legal entity declared bankrupt in accordance with the established procedure;
2. has a criminal record that has not been cancelled or withdrawn in accordance with the procedure established by the law of the Republic of Kazakhstan;
3. is related to any relationship with the Company, in addition to serving on the Board of Directors, with shareholders who own shares, members of the Management Board;
4. is an official or employee of a competing organization.



TRAINING AND PROFESSIONAL DEVELOPMENT OF THE BOARD OF DIRECTORS MEMBERS

In accordance with the Regulations on the Board of Directors, members of the Board of Directors are required to improve their qualifications on the competence of the Board of Directors and related issues by participating in external and internal training programs, seminars and trainings, forums, etc.

The Board of Directors by a majority of votes decides on the training of members of the Board of Directors as a whole or its individual members at the expense of the Company on the basis of the needs identified in the professional development of the members of the Board of Directors according to the results of the annual evaluation of the Board of Directors, members of the Board of Directors and its committees by establishing an annual training plan for members of the Board of Directors or at the request of individual members of the Board of Directors of the Company.

In 2019, two Independent Directors, Ye. B. Orynbayev and R. S. Orazbayev, were trained in the courses P1 «Operation Performance Management» and P2 «Business Performance Management».

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

The performance of the Board of Directors is assessed in accordance with the Regulations on the Board of Directors in order to obtain a comprehensive analysis of the main areas of responsibility of the Board of Directors.

The assessment allows analyzing and identifying the strengths and weaknesses of the Board of Directors and its committees and making adjustments to the work of the Board of Directors. In addition, the assessment makes it possible to determine the effectiveness of remuneration and the need for training and professional development of members of the Board of Directors.

The assessment can be carried out on its own, as well as with the involvement of consultants, professional associations and organizations that assign corporate governance ratings.

The key principles for performance assessment of the Company's Board of Directors are:

1. regularity (regular assessment);
2. complexity (assessment of the Board of Directors and its committees, the Chairman of the Board of Directors, the Corporate Secretary and each individual Director);
3. continuous improvement (improvement, increase in value and contribution from the work of the Board of Directors);
4. feasibility (reflecting the real situation as it is perceived by the Director);
5. confidentiality (results are provided only in summary form).

The Company's Board of Directors made a decision dated May 27, 2019 to assess the work of the KazAgroFinance Board of Directors by its own employees of the Corporate Development Department and the Corporate Secretary by questioning,

interviewing members of the Board of Directors, members of the Management Board, Corporate Secretary and employees of the Internal Audit Service. Based on the results of the assessment, the activities of the Board of Directors and its committees were found to be effective and in compliance with legal requirements and internal documents of the Company. The quantitative composition of the Board of Directors corresponds to the scale, complexity and specifics of the Company's activities, and the number of Directors is sufficient to ensure the functioning of committees under the Board of Directors.

The professionalism of the members of the Board of Directors is rated at a high level, their qualifications correspond to the goals and tasks set, and their impeccable business reputation contributes to the fruitful solution of such tasks.

The assessment results were reviewed at the meeting of the Board of Directors and taken into account.

CONFLICT OF INTEREST MANAGEMENT

The Company strives to improve the efficiency of decisions made by the Company's bodies by ensuring a fair, objective and independent decision-making process in the interests of the Company and its stakeholders.

KazAgroFinance is guided by the Rules for resolving corporate conflicts and conflicts of interest in the Company, which regulate an order and procedures for resolving conflicts in the Company, as well as the actions of bodies, officials and employees of the Company in these matters.

In relation to corporate conflicts and conflicts of interest, the Company adheres to the principle of preventing their occurrence and managing them in case of their occurrence.

In order to prevent conflicts, officials and employees of the Company are required, including:

- comply with the legislation of the Republic of Kazakhstan, the Company's Charter and internal documents;
- disclose information about the Company's activities as required by the legislation of the Republic of Kazakhstan;
- participate in identifying risks and shortcomings of the Company's internal control system;

- promote compliance with the principles of professional ethics, etc.

To resolve corporate conflicts, Company officials and employees must promptly inform the Corporate Secretary of the existence (occurrence) of a conflict by submitting an application.

The Corporate Secretary sends the received application to the Board of Directors or the Management Board of the Company in accordance with its competence.

The Board of Directors settles corporate conflicts on issues within its competence in accordance with the legislation of the Republic of Kazakhstan, the Company's Charter and internal documents.

In case of corporate conflicts, participants seek ways to resolve them through negotiations in order to ensure effective protection of both the rights of the Sole Shareholder and the business reputation of the Company.

If necessary, an agreement on the settlement of the corporate conflict may be signed between the Company and a participant in the conflict, including the Sole Shareholder.

The response must be sent to the requesting participant of the corporate conflict no later than 30 days from the date of registration of the application.

In 2019, the Company did not record any cases of conflicts of interest when making decisions.

INFORMING ABOUT THE PROBLEMS

A procedure for informing the Board of Directors about critical issues is carried out in accordance with the Regulations on the Board of Directors and the Company's Charter by providing financial and non-financial statements. During the reporting year, all issues requiring attention were considered during the current meetings.



REMUNERATION OF THE BOARD OF DIRECTORS MEMBERS

The remuneration of Independent Directors is fixed on a quarterly basis and is paid for each participation in a meeting of the Board of Directors.

Additional remuneration is also provided for Independent Directors for participation in the meeting of the Board of Directors Committee. The amount of remuneration is determined by the decision of the Sole Shareholder. Remuneration is paid to Independent Directors of the Company's Board of Directors net of taxes in accordance with the tax legislation of the Republic of Kazakhstan, regulatory legal acts and other documents.

Remuneration is not paid if the Independent Director participates in less than half of all meetings of the Company's Board of Directors, held in person or in absentia during the reporting period (quarter).

Remuneration to members of the Board of Directors of KazAgroFinance JSC (Independent Directors) consisting of 2 persons in 2019 includes the following positions:

	2019
Accrued remuneration (in thousand KZT)	5,580
Taxes and social security contributions (thousand KZT)	532
Total remuneration (in thousand KZT)	6,112

EXECUTIVE BODY

Composition of Management Board (as of December 31, 2019)



KANYSH TEMIRTAYEVICH IZBASTIN

Chairman of the Management Board

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on April 20, 1981

Citizenship is the Republic of Kazakhstan

Election to the Management Board – September 10, 2015, June 26, 2018

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- Moscow State Institute of International Relations of Russia MFA.
- Central Asian University.

WORK EXPERIENCE:

- From January 2007 to April 2007 – Managing Director of DBK-Leasing JSC.
- From April 2007 to April 2008 – Deputy Chairman of the Management Board of DBK-Leasing JSC.
- From April 2008 to May 2012 – Chairman of the Management Board of DBK-Leasing JSC.
- From May 2012 to November 2012 – Chairman of the Management Board of KazExportGarant Export Credit Insurance Corporation JSC.
- From January 2013 to September 2015 – Managing Director of Sovereign Wealth Fund Samruk-Kazyna JSC.



NAZGUL SHOLPANKULOVNA KARNAKOVA

*Managing Director, Member of the
Management Board*

Functions performed:

coordination of activities of KazAgroFinance JSC in the field of financial and economic issues, borrowing, accounting and reporting issues, project administration issues

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on December 27, 1978

Citizenship is the Republic of Kazakhstan

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- Taraz State University named after M. Kh. Dulati, with specialization in «Economics and Management in Construction Enterprises», Economic Manager

WORK EXPERIENCE:

- From December 2008 to April 2012 – Deputy Chairman of the Management Board of Fund of Financial Support for Agriculture JSC.
- From April 2012 to July 2014 – Financial Director of INGI&IT of Kazakh-British Technical University JSC.
- From July 2014 to March 2018 – Director of the Financial and Economic Department of Kazakh-British Technical University JSC.
- From April 2018 to April 2019 – Director of the Budget Planning Department of KazAgro Holding JSC.
- From April 2019 to May 2019 – Managing Director for Finance, member of the Management Board of KazAgro Holding JSC.
- From April 2019 to May 2019 – Managing Director for Finance of KazAgro Holding JSC.
- From May 2019 to August 2019 – Managing Director – member of the Management Board of KazAgro Holding JSC.
- From August 2019 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



BAKHTIYAR SULTANBEKOVICH OSPANOV

*Managing Director, Member of the
Management Board*

Functions performed:

coordination of activities of KazAgroFinance JSC on legal issues and issues of collateral and leasing

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on December 27, 1979

Citizenship is the Republic of Kazakhstan

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- L. N. Gumilyov Eurasian National University.
- Eurasian Humanitarian Institute.

WORK EXPERIENCE:

- From July 2001 to March 2010 – Lawyer / Senior Lawyer / Head of the Legal Department of Bank Center Credit JSC.
- From April 2010 to January 2012 – Director of the Legal Support Department of DBK-Leasing JSC.
- From February 2012 to September 2012 – Deputy Chairman of the Management Board of Credit Systems LLP.
- From November 2012 to December 2013 – Head of the Problem Loans Management Department of Bank Center Credit JSC.
- From January 2014 to December 2015 – Executive Director of a private company.
- From January 2016 to December 2018 – Executive Director of KazAgroFinance JSC.
- From December 2018 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



ALMAT BURKUTBAYEVICH ASHIRBEKOV

*Managing Director, Member of the
Management Board*

Functions performed:

direct coordination of the activities of KazAgroFinance JSC on issues of problem projects, asset expertise

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on September 10, 1986

Citizenship is the Republic of Kazakhstan

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- 2008 – L. N. Gumilyov Eurasian National University, with specialization in «Finance», qualification «Bachelor in Finance».

WORK EXPERIENCE:

- From September 2008 to August 2012 – KazAgroFinance JSC. During his career, he held various positions: specialist, leading specialist, chief specialist of the Small and Medium-Sized Business Lending Department, chief specialist of the Corporate Business Department.
- From September 2012 to February 2015 – Chief Manager of the Department of Investment Projects and Credit Methodology of KazAgro Holding JSC.
- From February 2015 to July 2019 – KazAgroFinance JSC. During his career, he held various positions: head of the Corporate Business Department, head of the Rehabilitation and Problem Projects Unit, Director of the Project Monitoring Department, and Director of the Rehabilitation and Problem Projects Department.
- From July 2019 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



NURBOL AUBAKIROVICH BAYZIROV

*Managing Director, Member of the
Management Board⁵*

Functions performed:

coordination of activities of KazAgroFinance JSC in terms of credit and leasing activities, as well as branches of the Company

Ownership of shares of KazAgroFinance JSC – does not own

Ownership of shares of suppliers and competitors of the Company – does not own

Born on June 1, 1971

Citizenship is the Republic of Kazakhstan

Part-time work and membership in the Boards of Directors of other organizations currently – no

EDUCATION:

- 1992 – Alma-Ata Institute of Architecture and Construction, with specialization in «industrial and Civil Construction», qualification «Civil Engineer».
- 1997 – Institute of Market of the Kazakh State Management Academy (Alma-Ata), with specialization in «Finance and Credit», qualification «Banking Economist».
- 2003 – Kostanay State University named after Akhmet Baitursynov, with specialization in «Legal Studies», qualification «Lawyer».
- 2018 – Association of Independent Directors (Moscow), with specialization in «Independent Director».

WORK EXPERIENCE:

- From 2008 to 2009 – Regional Director of Eurasian Bank JSC, Astana.
- From 2009 to 2018 – Managing Director / Director of the Branch of Alfa-Bank JSC SB, Astana.
- From April 2019 to July 2019 – Director of the branch of KazAgroFinance JSC in Kostanay region.
- From July 2019 to December 18, 2019 – Managing Director – Member of the Management Board of KazAgroFinance JSC.

⁵ Resigned from the Management Board in accordance with the decision of the Board of Directors dated December 18, 2019 No. 13.

Work of the Management Board

The Management Board manages current activities and is responsible for implementing the Development Strategy, Development Plan and decisions made by the Board of Directors and the Sole Shareholder.

The activities of the Management Board are regulated by the Regulations on the Company's Management Board.

During 2019, 36 meetings of the Management Board were held in person, all meetings were held on a regular basis – every decade of the month. There is a high attendance of meetings by members of the Management Board, except in cases of absence for a valid reason.

The main goal of the Management Board is the effective implementation of the Development Strategy and Development Plan of KazAgroFinance JSC.

The main principles of the Management Board:

- transparency and openness;
- responsibility and accountability;
- objective distribution of responsibilities;
- proper approval and confirmation of operations;
- complexity and consistency;
- continuous development and improvement;
- flexibility;
- timely identification and response to any significant control deficiencies and weaknesses;
- priority of the Management Board's areas of activity;
- manufacturability;
- employee competence;

PRESENCE OF MEMBERS OF THE MANAGEMENT BOARD AT ITS MEETINGS

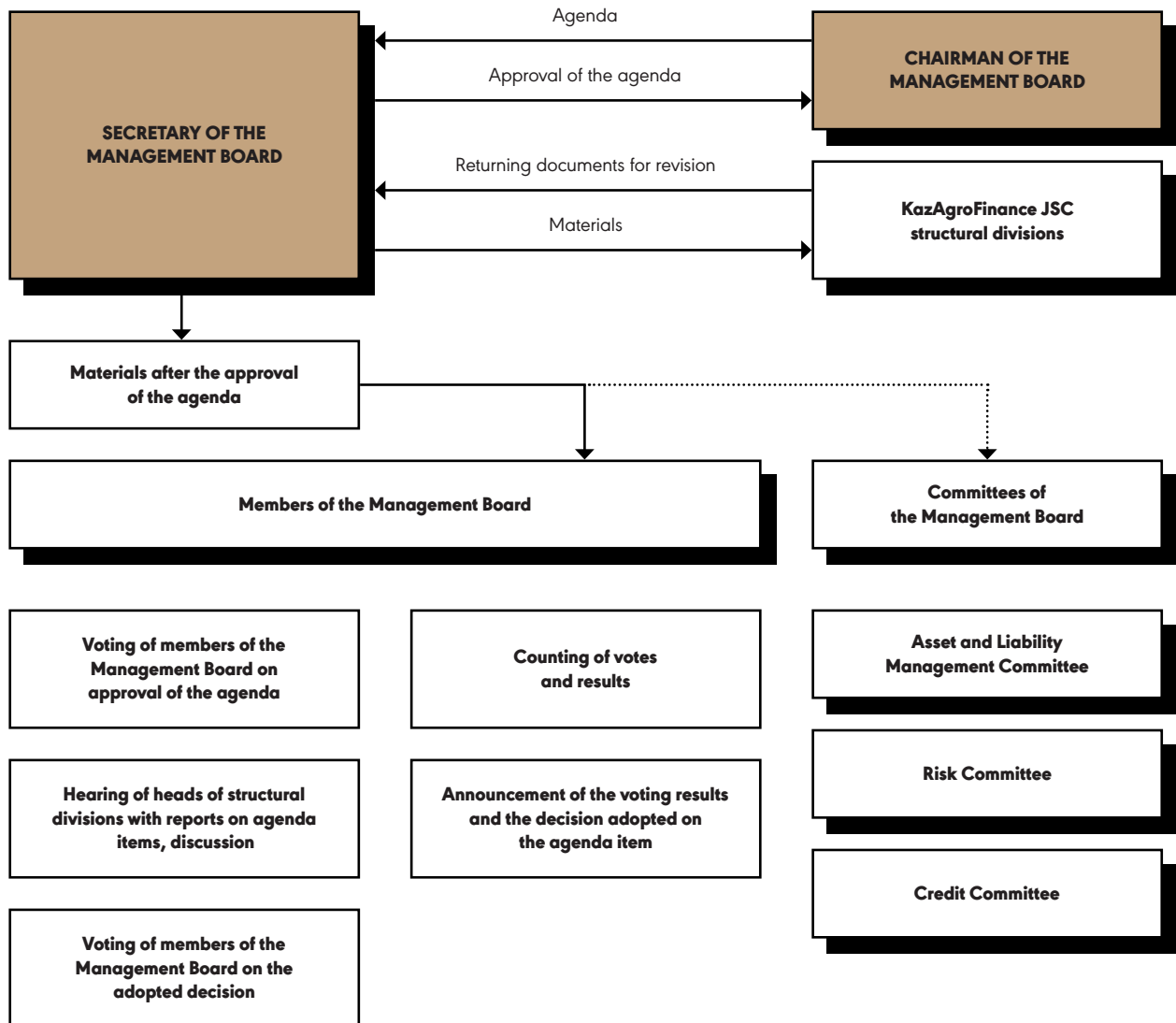
Full Name	Quantity
K.T. Izbastin	30/36
B.S. Ospanov	34/36
A.G. Seytkasimova*	23/23
A. Zh. Taubayev*	20/23
M. K. Sergaleyeev*	21/23
N. Sh. Karnakova	12/12
A. B. Ashirbekov	13/13
N.A. Bayzirov**	6/6

* * Resigned in accordance with decision of the Board of Directors dated July 30, 2019 No. 7.

** Resigned in accordance with the decision of the Board of Directors dated December 18, 2019 No. 13.

- documented procedures;
- accuracy and completeness of information.

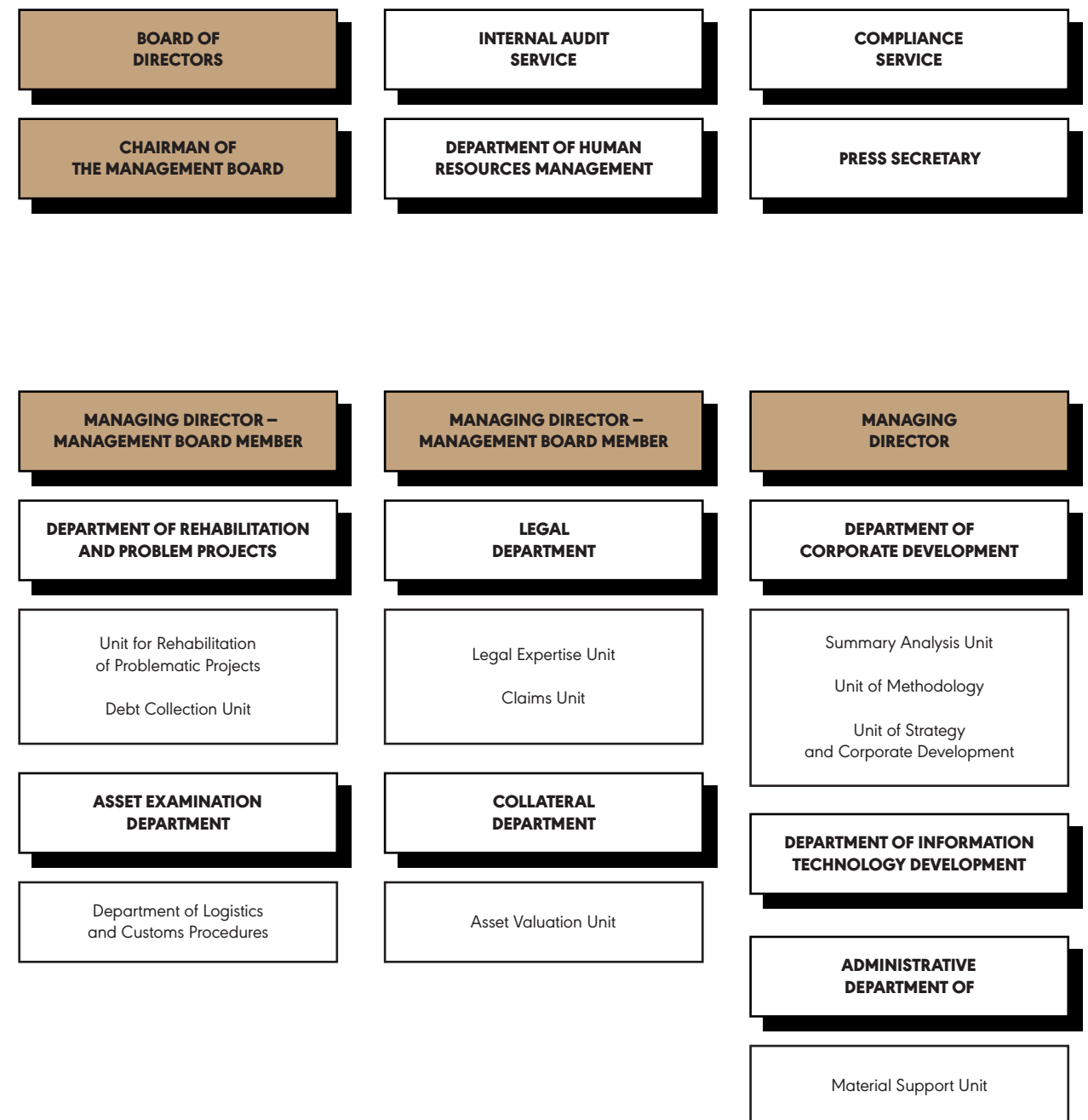
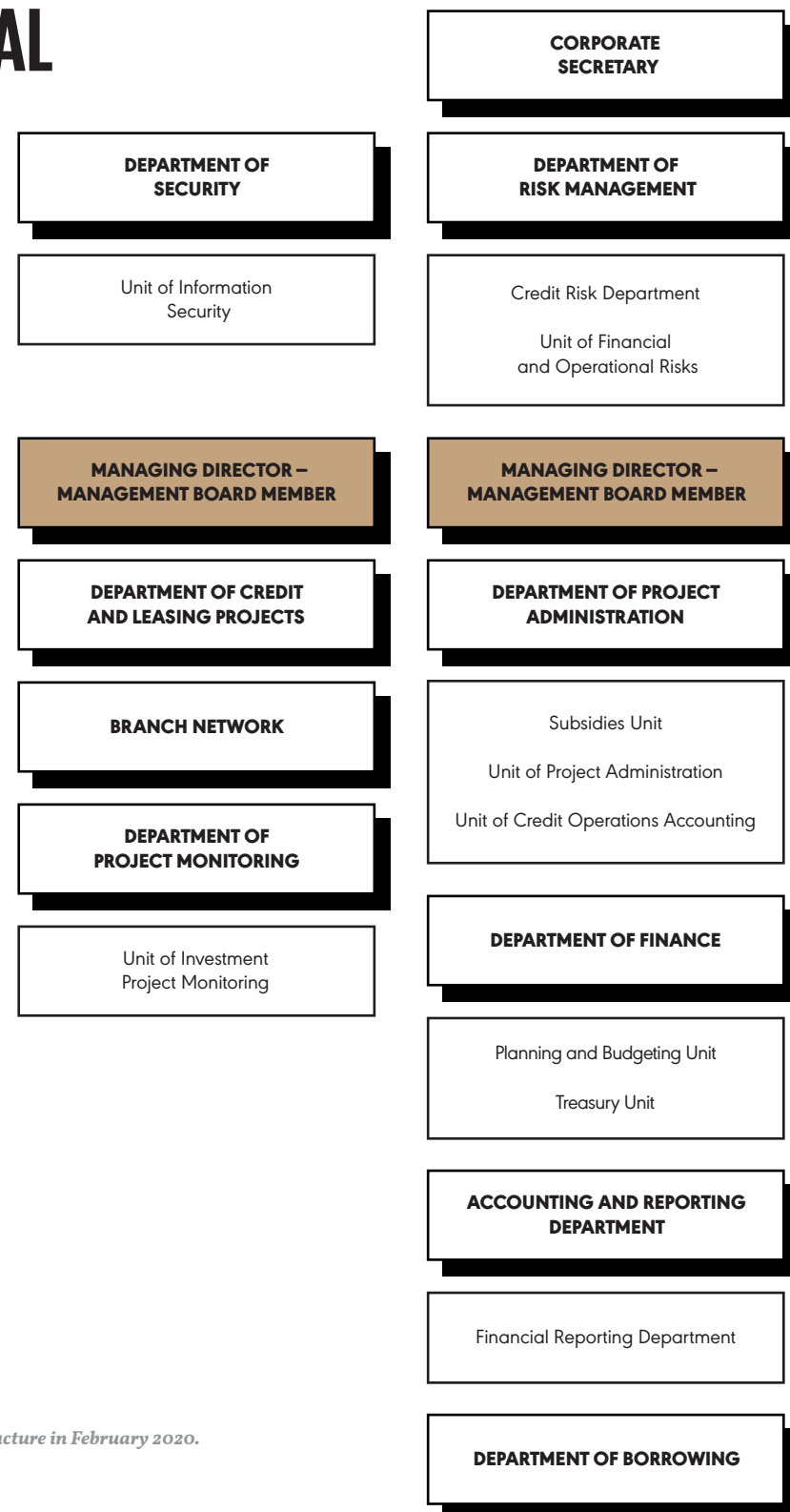
INTERACTION WITH THE MANAGEMENT BOARD



ORGANIZATIONAL STRUCTURE*

Approved by the Board of Directors decision No. 9 dated September 6, 2019

Personnel number of KazAgroFinance JSC is 366.



* Changes were made to the organizational structure in February 2020.

REPORT ON STAKEHOLDER TRANSACTIONS FOR 2019

No.	Name of a counterparty	Sign of interest	Content of a transaction
1.	KazAgro NMH JSC	Sole shareholder	On July 23, 2019, additional agreement No. 1 to the loan agreement No. 86 dated July 24, 2018 was signed
2.	Agrarian Credit Corporation JSC	Affiliate	On November 28, 2019, additional agreement No. 1 to the Framework Agreement No. 1564-CA-at dated December 27, 2018 on opening a credit line was signed
3.	Agrarian Credit Corporation JSC	Affiliate	On November 28, 2019, a Framework Agreement was signed on opening a credit line No. 1595-CA-AB



REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

The policy and amount of executive remuneration are regulated by the Regulations on the terms of remuneration, bonuses and welfare protection of the Chairman and members of the Management Board.

Remuneration according to work results for the reporting year by the decision of the Board of Directors, subject to the availability of net consolidated profit for the year, after approval in the prescribed manner of results of financial and economic activities on the basis of the audited financial statements of the Company for the year, depending on the achievement of strategic and individual efficiency and results of their assessment.

In the reporting year, there were no cases of disciplinary penalties imposed on members of the Management Board.

The amount of remuneration in a form of salaries and bonuses to members of the Management Board for 2019 amounted to 114,858 thousand KZT, including taxes and social security contributions – 9,668 thousand KZT.

SHARE CAPITAL STRUCTURE

At the end of last year, the Company had 82,837,204 outstanding ordinary shares with a par value of 1,000 KZT. As at 31 December 2019, the Company has no redeemed shares or shares held by its subsidiaries.

During the reporting period, there was no placement of shares, including initial placement.

There were no changes in the composition of shareholders holding shares in the amount of 5 percent or more of the number of outstanding shares.

Number of authorized common shares:	82,837,204 shares
Number of outstanding common shares:	82,837,204 shares
Par value of one common share:	1,000 KZT
Placement price per share:	1,000 KZT
Payment method for the issuer's shares:	the issuer's shares were paid for in cash
Amount of funds raised from the placement of the issuer's shares:	82,837,204,000 KZT

DIVIDENDS

The dividend policy principles are defined by the Regulations on Dividend Policy.

The Dividend Policy is based on the following principles:

1. strict compliance with the rights of the Sole Shareholder, stipulated by the legislation of the Republic of Kazakhstan, the Charter of KazAgroFinance JSC, its internal documents and best corporate governance practices;
2. balance of interests of KazAgroFinance JSC and the Sole Shareholder in determining the amount of dividend payments;
3. taking into account the interests of the Sole Shareholder and maximizing its assets;
4. compliance with the restrictions established by the legislation of the Republic of Kazakhstan and the Charter of KazAgroFinance JSC when making a decision to pay dividends;
5. development of medium-and long-term dividend policy in accordance with the basic principles and approaches to the formation of the dividend policy of KazAgroFinance JSC;
6. ensuring motivation of the Management Board of KazAgroFinance JSC to achieve the planned net income and dividends.

PAID DIVIDENDS

Name	UoM	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
Net income (loss)*	thousand KZT	3,228,629	3,572,220	6,728,372
Dividends declared during the year	thousand KZT	1,614,314	3,572,220	6,728,372
Dividends paid during the year	thousand KZT	1,614,314	3,572,220	6,728,372
Earnings per share **	KZT	19.49	43.12	81.22
Book value of the share ***	KZT	1,196.94	1,234.41	1,277.14

* Net income of the year in which dividends were paid.

** Profit of the year in which the dividend was paid.

*** Book value of the year in which dividends were paid.

6,728.4

mln tenge

dividends paid



COMBATING CORRUPTION

The Company's management and employees adhere to the fundamental principles of openness and transparency in their work. The Company strives to ensure maximum transparency. First of all, this work is designed to prevent illegal actions, as well as timely detect and prevent corruption.

The Company and its branches have established an internal control system to prevent the Company and its employees from engaging in operations related to the legalization (laundering) of proceeds from crime or the financing of terrorism. Thus, the Company has introduced a compliance system that provides control over compliance with the legislation of the Republic of Kazakhstan, internal and external rules and procedures, basic moral and ethical principles of business and corporate governance.

In 2019, in order to ensure economic and information security, combat corruption, and ensure compliance with anti-corruption legislation, a number of events were held in the Company's areas of activity.

As required by the legislation of the Republic of Kazakhstan and the Company's Charter, as part of the formation of legal, administrative and organizational measures aimed at reducing corruption risks, increasing public confidence in the Company's activities, the Anti-Corruption Policy of KazAgroFinance JSC was approved on December 27, 2019, which reflects the Company's commitment to high ethical standards of behavior for improving corporate culture, forming an anti-corruption culture, following the best practices of corporate governance and

maintaining the Company's business reputation at the proper level.

The following internal documents have also been developed and approved:

- Anti-Corruption Standards of the Company;
- Anti-Corruption Action Plan for 2019-2020;
- Instructions for KazAgroFinance JSC Anti-Corruption Hotline Management.

Lectures on anti-corruption are held quarterly on a planned basis in the Company's structural divisions and branches. In 2019, 100% of the Company's employees were familiar with internal documents on anti-corruption issues (the Company's Anti-Corruption Policy, Anti-Corruption standards, etc.), as well as with anti-corruption measures and responsibility for non-compliance with the requirements of anti-corruption legislation and the Company's Anti-Corruption Policy.

Feedback with the population, loaners and lessees is arranged by placing information about the Compliance Service, hotline and mailboxes «For citizens' requests» in the Central Office and branches of the Company. A mechanism has been created for immediate notification of employees and other persons about the facts of bribery and measures to prevent them.

Using feedback, it is possible to inform management of known facts of improper behavior of employees of the Company, which may harm the interests or damage the reputation of the Company. These facts can be reported by hotline phones or sent to the email specified on the Company's website, which will allow responding and taking countermeasures effectively.

In order to reduce risks and protect the Company's interests, criminal records of managers and founders of enterprises that have applied for project financing are regularly checked. The Company's clients and suppliers of leasing items are checked for negative information about them, the stability of their activities, and the legality of constituent and financial documents.

In addition, an Order was issued «On Additional Measures to Combat Corruption in KazAgroFinance JSC», which defines the procedure for the heads of structural divisions and branches of the Company in case of news of a corruption offense committed by employees of structural divisions and branches of the Company, including when they are detained for committing a corruption offense.

As part of ensuring information security, measures were taken to control local resources and communication channels,

analyze transmitted data, archive transmitted data, configure the protection of personal data of Company employees, monitor information security incidents, and create reports on user activity on Internet resources. In this area, a report is submitted to the Management Board and Board of Directors of KazAgroFinance JSC once every six months.

Thus, the Company takes measures aimed at reducing corruption risks and increasing public confidence in the activities of KazAgroFinance JSC. In 2019, the Company did not reveal any facts of corruption.



CODE OF CONDUCT

KazAgroFinance is guided by the Code of Conduct, according to which each employee of the Company is not only a professional in their field, but also part of a unified corporate culture.

The Code was developed in accordance with the legislation of the Republic of Kazakhstan, taking into account recognized international standards of business conduct, on the basis of the Charter, the Corporate Governance Code and other internal documents. It reflects the Company's vision and understanding of business ethics and corporate values.

THE CODE OF CONDUCT APPLIES TO ALL EMPLOYEES OF THE COMPANY, REGARDLESS OF THEIR POSITION.

Main goals:

- defining and securing the Company's corporate values;
- regulation of the principles of conduct, rules and norms of business ethics, its further promotion among employees;
- uniform understanding and implementation of business ethics standards by all employees of the Company, regardless of their position, in order to achieve high quality professional activities and fulfill the Company's mission.

BASIC VALUES

Corporate spirit

Respect for the values and human dignity

Commitment

Responsibility

Patriotism

Discipline

Professionalism

When performing their official duties, the Company's employees are guided by the following corporate ethical principles, which apply to all employees of the Company:

- 1. legality** – strict compliance with international law, the legislation of the Republic of Kazakhstan, the provisions of the Code and other internal documents of the Company;
- 2. honesty** – the Company follows the principle of strict compliance with the moral principles of social society, ethical norms and rules, as well as business practices, timely fulfills its obligations and values the team and its reputation;
- 3. subordination or reasonableness and fairness** – relations between employees of the Company are based on the direct subordination of one employee to another in the course of performing their official duties, taking into account vertical subordination. All employees of the Company, regardless of their position, should be guided by the principles of reasonableness and fairness in their actions;
- 4. objectivity** – the principle establishes for all employees of the Company, without exception, the ability to perform their functions and perform their official duties without any pressure from the outside, infringement of their rights and interests, as well as an objective and

fair attitude to themselves from the management;

- 5. integrity** – fair relationships, truthfulness and honesty in all professional and business relationships;
- 6. respect** – showing due attention to the Sole Shareholder, Management, partners and colleagues, the rights and legitimate interests of citizens;
- 7. collaboration and performance** – combining efforts to solve strategic and everyday tasks, working in a cohesive team to achieve goals;
- 8. confidentiality** – responsible attitude to confidential information of the Company and its partners, taking measures to protect it and prevent unauthorized distribution.

The activity of KazAgroFinance JSC is based on mutual obligations between the Company and employees, management and subordinates, employees to each other. Careful compliance with mutual obligations is a necessary condition for constructive work.

The Company builds relationships with its employees on the principles of long-term cooperation and mutual respect.

Relationships with partners are based on the principles of honesty and mutual

respect, the priority of negotiations before litigation.

Employees of the Company do not provide hidden preferences and advantages to business partners.

In its relations with the mass media, the Company is guided by legal requirements and does not allow disseminating the false or distorted information.

In case of conflicts, they are resolved in accordance with the norms established by the Company's internal documents and the legislation of the Republic of Kazakhstan.



INTERNAL CONTROL SYSTEM

The internal control system (ICS) is a set of organizational policies, procedures, norms of behavior and actions, methods and mechanisms of internal control determined by the Management Board and the Board of Directors of the Company to ensure effective internal control over financial and economic activities and aimed at achieving the Company's goals and minimizing risks in the implementation of activities.

Based on the general analysis of the internal audit system in 2018, the Internal Audit Service assigned an "average" rating to the Company's ICS performance. In this regard, in order to increase the efficiency of the company's ICS, a Plan for improving the company's ICS for 2019-2021 has been developed.

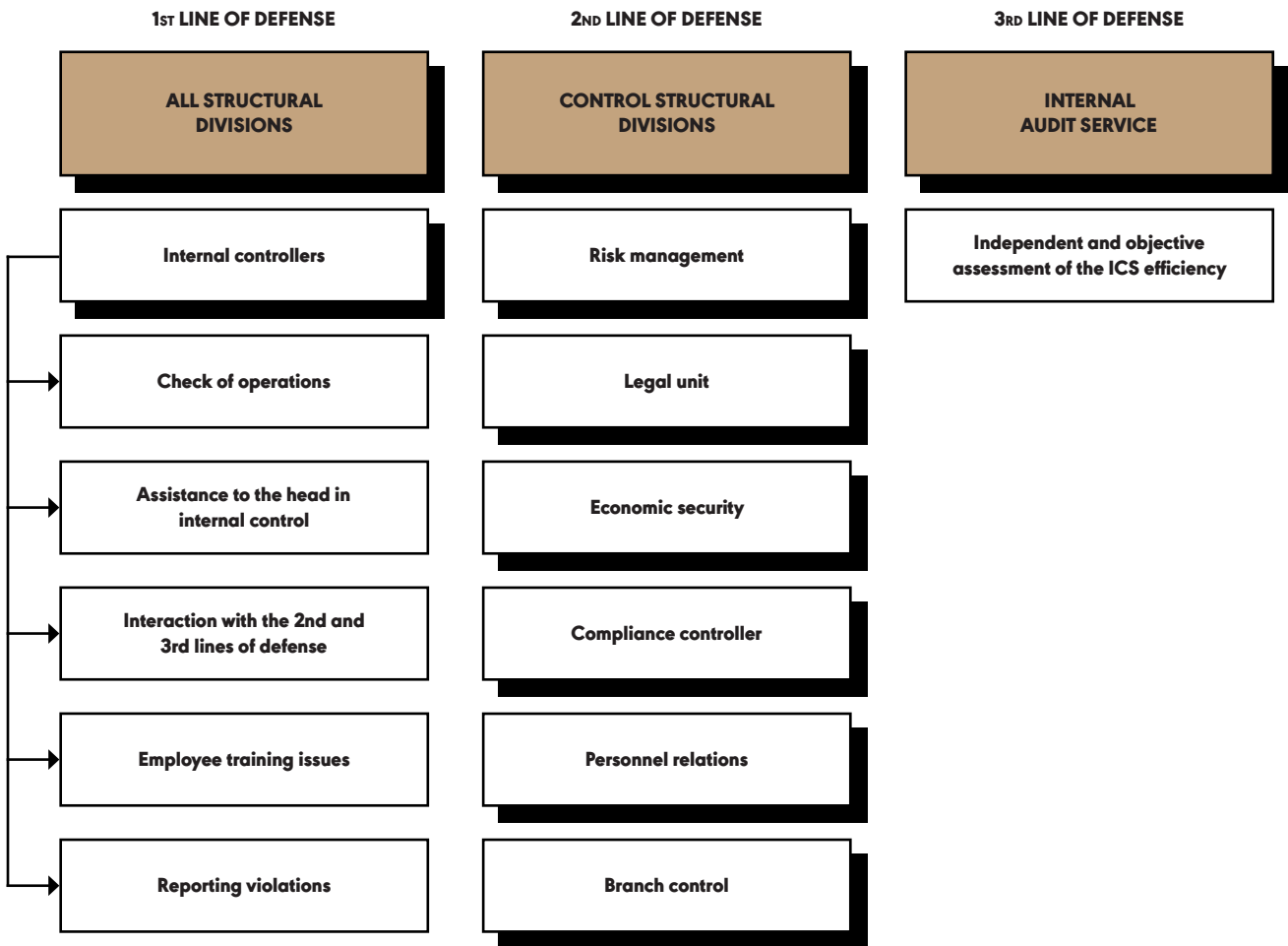
In 2019, the new version of internal documents was approved that defines a procedure for effective functioning of the internal control system in the Company, as well as the competence and responsibility of internal control subjects to perform procedures and assess the Company's internal control system.

The competence of participants in the internal control system is differentiated depending on their role in the development, approval, application and assessment of the effectiveness of the internal control system.

Ensuring the functioning of the internal control system is the responsibility of all business process owners, but primarily the responsibility is borne by the managers and employees of the Company's structural division responsible for the internal control system, who are delegated the corresponding responsibilities for maintaining effective internal control on a daily basis.

The Company's internal control system is an integral part of the corporate governance system, covering all levels of management, all internal processes and operations of the Company.

**INTERNAL
CONTROL
SYSTEM**



INTERNAL AUDIT SERVICE

The activities of the Internal Audit Service (IAS) are carried out in accordance with the Regulations on Internal Audit Service and the Internal Audit Rules, based on the application of the Code of Ethics, quality standards and standards of internal auditors established by the International Institute of internal auditors.

The IAS's mission is to assist the Board of Directors and the Management Board in fulfilling their responsibilities to achieve the Company's strategic goals. The IAS's purpose is to provide the Board of Directors with independent and objective guarantees and advice aimed at improving the Company's risk management, internal control and corporate governance systems.

Annual risk-based audit plans are reviewed and approved by the Company's Board of Directors. During 2019, the IAS completed 10 audit tasks. The inspections covered 11 structural divisions of the Company's central office and 3 branches (audit of credit and leasing activities, work with problem debts, and others).

According to the results of the IAS inspections, appropriate recommendations were issued. The IAS monitors the implementation of recommendations and reports on the progress of activities to the Internal Audit Committee and the Board of Directors.

The head of the IAS regularly reports to the Internal Audit Committee and the Board of Directors on the results of the internal audit. The Internal Audit Committee discusses the effectiveness of internal audits with the head of the IAS.

The Company has a program to ensure and improve the quality of IAS, in accordance with which, during 2019, ongoing and periodic reviews (assessments) of IAS activities were conducted for their compliance with the Regulations on Internal Audit Service, professional standards, the Code of Professional Ethics, as well as the effectiveness and efficiency of internal audit in terms of meeting the needs of various groups of key persons of the Company.

Internal auditors carry out continuous professional development on an ongoing basis. In 2019, IAS specialists were trained under the CIMA P1 program "Operations Performance Management", a program on countering the legalization (laundering) of proceeds from crime and the financing of terrorism.

The Company's internal documents provide for an assessment of the IAS activity, including internal and external assessment of its activities. Internal assessment of the IAS activities and its employees is carried out on a quarterly and annual basis.

External assessment (independent assessment) of the Internal Audit Service is performed at least once every five years by an independent external expert or in the form of a self-assessment with independent external confirmation. Thus, in the fourth quarter of 2019, Crowe Audit KZ LLP conducted an external independent assessment of the quality of IAS activities, which found that the activities of the Internal Audit Service generally comply with the international professional standards of internal audit.

EXTERNAL AUDIT

On December 27, 2019, an agreement was signed with Ernst & Young LLP to provide audit services for financial statements for 2019.

AUDITOR'S REMUNERATION, THOUSAND KZT

Services	2017	2018	2019
Annual audit	23,389	25,227	30,240
Semi-annual review	9,797	10,612	12,736
Employee training services	421	1,555	899
Share of non-audit services in total remuneration (in %)	1.25	4.16	2.05
Total	33,607	37,394	43,875

With regard to the appointment and rotation of an external auditor and key personnel of an audit organization, in the approval of audit services that are not related to the audit of financial statements, the Company follows the External Audit Policy approved by the Board of Directors on December 9, 2016 and published on the Company's corporate website www.kaf.kz.

RISK MANA- GEMENT

Risk management system
Risk Analysis

==== 116
==== 121

RISK MANAGEMENT SYSTEM

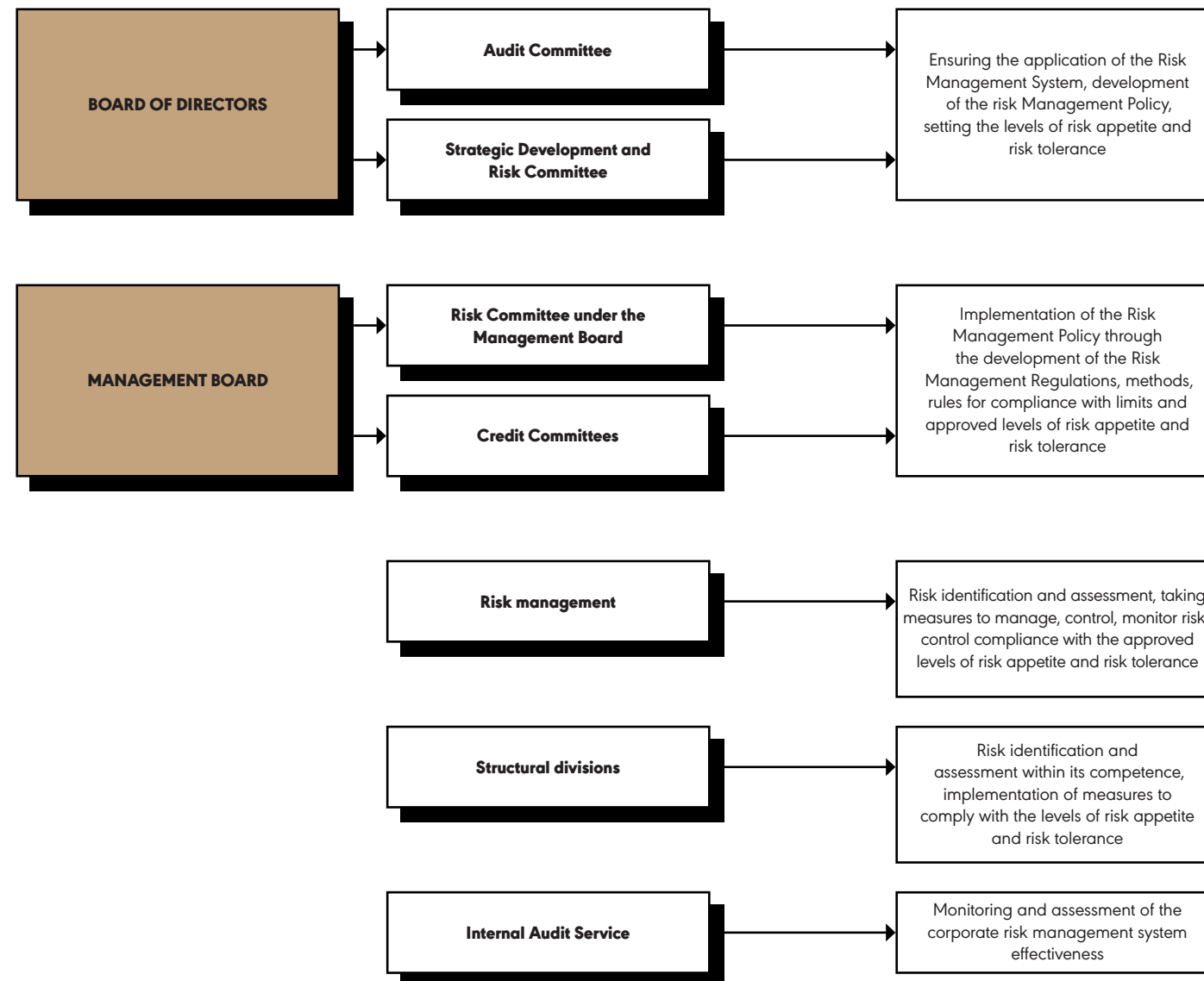
KazAgroFinance JSC has a formalized, detailed risk management system that is designed to ensure clear identification, effective management and constant monitoring of risks and is aimed at ensuring the stability of operations by limiting the impact of negative factors on the Company's operations.

Risk management in KazAgroFinance JSC is a constant, continuous process and is carried out at all levels with the involvement of collegial bodies, authorized bodies, structural divisions and employees of the Company.

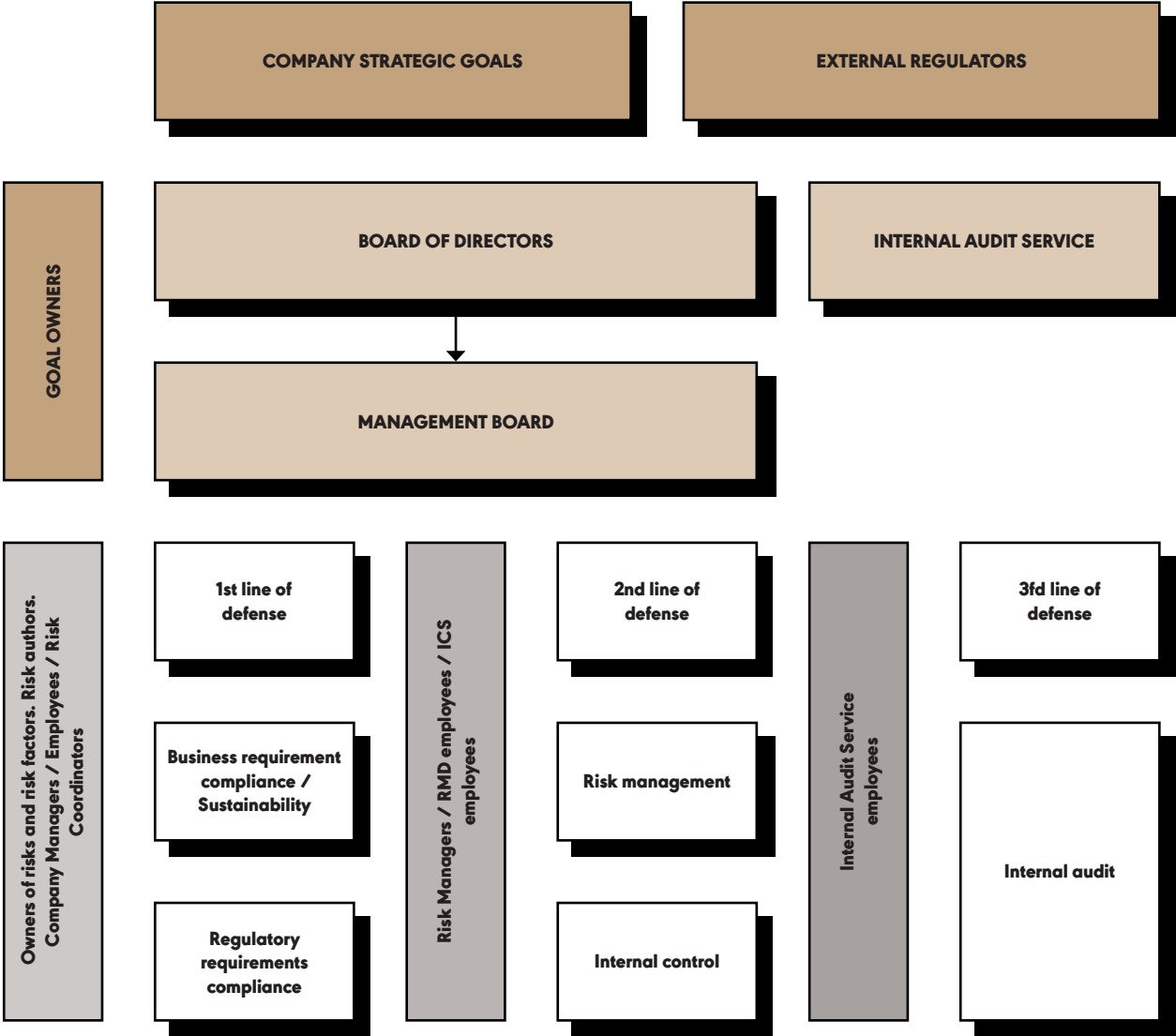
The main principles of the risk management system are:

- creating and protecting the equity value;
- systematic, structured and timely manners;
- awareness;
- working with uncertainty;
- adaptedness;
- transparency and complexity;
- response and iteration;
- continuous improvement.

MAIN ELEMENTS OF THE ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT



Three lines of defense have been introduced to enable the development of the corporate risk management system.



The first line of defense is represented by the level of operational management and risk management. Represented by the heads of structural divisions and branches, risk coordinators: the main responsibility is to identify risks, participate in risk assessment, and minimize risks. Heads of structural divisions and branches are owners of risk factors.

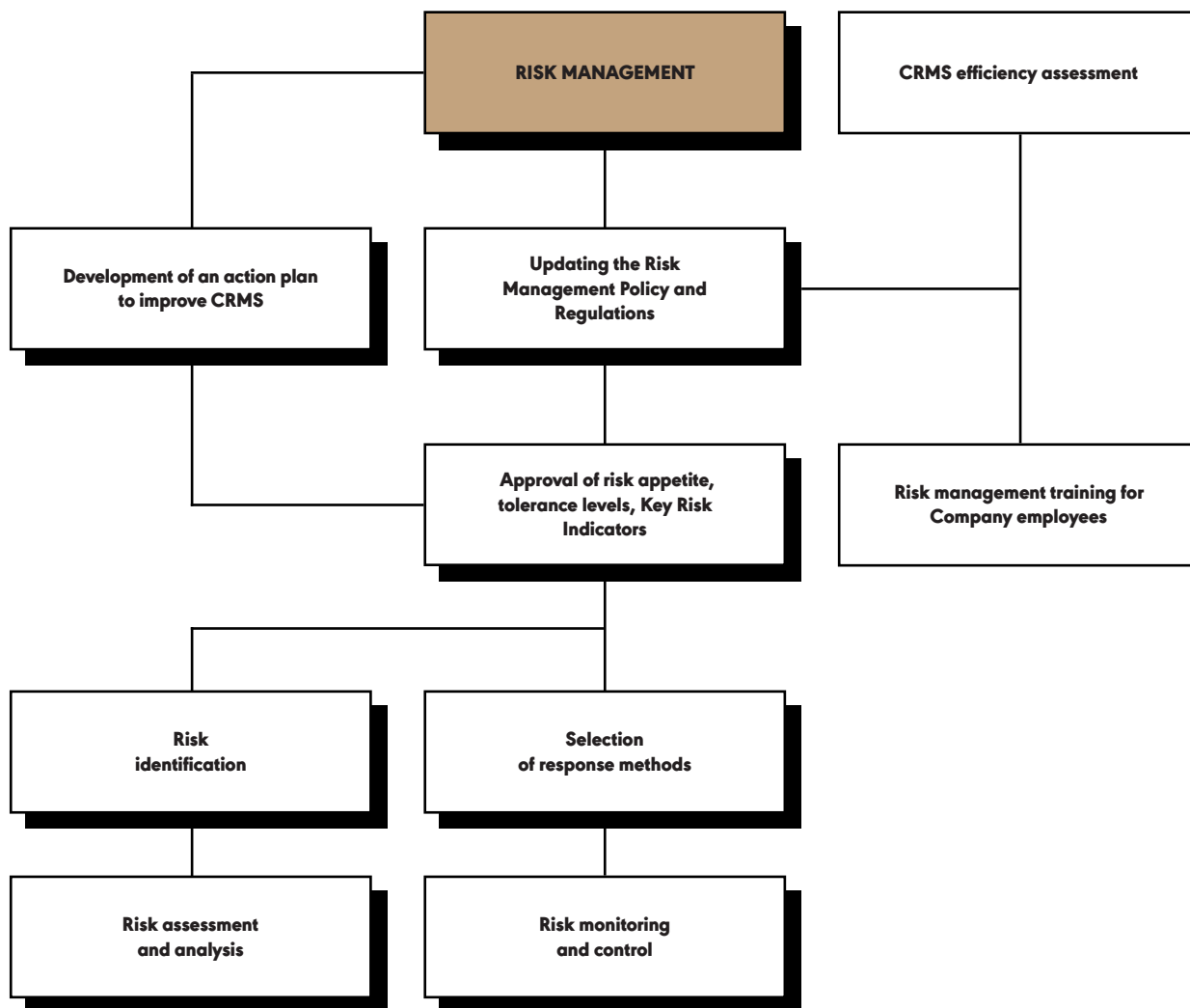
The second line of defense is defined by the functions of risk control and monitoring on the part of achieving the Company's strategic goals. Represented by a structural division on risk management: the main responsibility is risk management, monitoring the effectiveness of CRMS, compliance with legislative/ administrative rules and regulations, investigation of problems and violations that block the achievement of strategic goals. The Board of Directors and the Management Board are the owners of the goals.

The third line of defense is the function of assessment of the effectiveness of developed risk management methods and processes. IAS is presented: the main responsibility is to confirm to the Board of Directors and the Management Board the risk management performance indicators, including the effectiveness of the first and second lines of defense.

To enable effective risk management at each level of defense, the main role functions of each employee of the Company are defined in terms of inclusion in the three-level model. The following roles are defined:

- the owner of the goals is the first head of the Company who is responsible for creating the control environment and ensuring the conditions for effective functioning of the risk management system in accordance with the Company's development goals;
- risk owners are top managers (Managing Directors) who oversee a particular line of business or a set of business processes and are focused on achieving a goal;
- owners of risk factors are heads of structural divisions (and / or branches) who directly implement measures to reduce the probability of the risk factor and, as a result, the implementation of the risk itself;
- risk coordinators are the Company's employees who collect information on identified risks faced by the structural division (and / or branch).

RISK MANAGEMENT ARCHITECTURE OF KAZAGROFINANCE JSC



RISK MANAGEMENT SYSTEM OF KAZAGROFINANCE JSC IS A SET OF INTERRELATED COMPONENTS UNITED IN A SINGLE PROCESS, IN WHICH THE BOARD OF DIRECTORS, MANAGEMENT OF THE COMPANY AND ITS EMPLOYEES EACH PARTICIPATE AT THEIR OWN LEVEL IN IDENTIFYING POTENTIAL NEGATIVE EVENTS AND OPPORTUNITIES THAT MAY AFFECT THE ACTIVITIES OF KAZAGROFINANCE JSC, AS WELL AS IN MANAGING THESE EVENTS WITHIN THE RISK LEVEL ACCEPTABLE TO KEY STAKEHOLDERS.

RISK ANALYSIS

KazAgroFinance JSC constantly identifies risks, assesses them and develops risk management measures. The Company operates taking into account a wide range of risks associated with the business and distributed by category: strategic risks, credit risks, financial risks, operational risks and legal risks.

SIGNIFICANT RISKS TO WHICH KAZAGROFINANCE WAS EXPOSED IN 2019

- **Financial risk – liquidity risk.**

The main consequence of implementing liquidity risk is the late fulfillment of obligations to creditors, which may lead to a demand for early repayment of funds.

In order to minimize this risk, the Company took measures in 2019 to raise additional funds and extend the maturity of existing loans.

- **Credit risk – increasing the NPL level.**

It is realized through the recognition of financial losses and/or additional accrual of reserves (provisions) to cover possible financial losses on the Company's financial assets that arise as a result of a decrease in the counterparty's solvency.

In order to minimize credit risks, the Company carried out activities in 2019 to diversify its portfolio, improve the quality of application analysis, and monitor the financial condition of loaners.

- **Operational risk – IT risks.**

Events that can lead to the implementation of an IT risk include incompatibility of IT products in case of process automation.

Risk factors include:

1. the availability of licensed software products that have closed source codes, which does not allow for correction;
2. use of different information systems in the Company's business processes.

In order to minimize IT risks, work was carried out on additional automation and configuration of information systems.

As part of risk management, the Company developed and approved a new version of the Risk Management Regulations in 2019. The Company also developed and approved a methodology for assessing risks and assigning a credit rating to loaners, based on the Company's basic requirements for drawing up loan offers, determining risks and the extent of their impact on the loaners' performance of their obligations.

In 2020, the development of the risk management system will be ensured by further improving the risk management regulations. The Company will update the limits on currency and interest rate risks, as well as seek to establish additional limits, such as country limits.

The development of the corporate risk management system of KazAgroFinance JSC will be aimed at building a corporate risk management system that meets modern requirements.

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INFORMATION POLICY

KazAgroFinance strives to ensure high-quality disclosure of information to various stakeholders in order to ensure effective interaction with them and accountability.

When disclosing information, the Company is guided by the legislation of the Republic of Kazakhstan on market of securities, joint-stock companies, listing rules, a Resolution of the National Bank of the Republic of Kazakhstan, as well as other documents on transparency of information disclosure.

The Company informs the Sole Shareholder of information about corporate events by placing on the Internet resources of the Kazakhstan stock exchange, the Financial Reporting Depository, the corporate Internet resource on a “one-stop-shop” basis, i.e. through one structural division.

The Company’s Information Disclosure Policy defines the goals and principles, forms and methods of information disclosure, defines the circle of persons (bodies) responsible for information disclosure, the list of publicly available information subject to disclosure to stakeholders, as well as the list of information constituting commercial, official and other secrets protected by law.

During this period, the Company was awarded a diploma for its contribution to the implementation of global transparency standards in Kazakhstan. The Republican business weekly “Kursiv” together with the Rating Agency “Expert RA Kazakhstan” presented the Transparency Rating of the largest companies in Kazakhstan, in which the Company took the eleventh place among one hundred companies.

During the specified period of time, KazAgroFinance was not brought to administrative responsibility for violation of the terms for providing information specified by legislation of the Republic of Kazakhstan. There were no violations of information placement on corporate Internet resources.

MECHANISM FOR SUBMITTING COMPLAINTS AND REPORTING PROBLEMS.

The Company adheres to the principle of transparency in its business and is open to receiving feedback. In order to ensure economic and information security and combat corruption, feedback is provided to the public, loaners and lessees of the Company. A hotline was introduced and

mailboxes “For citizens’ applications” were installed in the Central office and branches of the Company. In addition, the Company’s corporate website has launched the “callback” function, which is actively used by clients.

These innovations allow clients to promptly contact the Company on issues related to obtaining financing and other issues, as well as contribute to the development of an effective system for Company’s responding to the clients’ applications.

BRANDING AND PR ACTIVITIES

In 2019, in order to strengthen the positive image and inform clients about the possibilities of financing, the Company conducted a wide information campaign in the media and social networks.

Information posts are posted on Facebook, Instagram and Twitter Materials and articles about the Company's activities are published on national Internet portals and in regional publications.

In 2019, the Company participated in specialized agricultural exhibitions and forums, such as AgriTek Astana 2019, KazFarm 2019, AgriTek Shymkent 2019, Agro Kostanay 2019, the International PR Forum Astana Conference, the First International Practical Risk Forum for Real Sector Companies ARIF'19, Field Day, etc.

In order to increase the awareness of KazAgroFinance JSC, publications covering the most significant events in the Company's activities were placed during 2019 in the national and regional media.



SUS- TAINABLE DEVELOP- MENT

Address from the Chairman of the Management Board on Sustainable Development
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ADDRESS FROM THE CHAIRMAN OF THE MANAGEMENT BOARD ON SUSTAINABLE DEVELOPMENT

We value the trust that our clients and society as a whole place in us, and we strive to improve the quality of our services every day. We realize our responsibility to ensure social progress and sustainable economic growth in the agricultural sector.

Our achievements have always been inextricably linked with effective interaction with stakeholders, as well as taking into account interests as an important component of the development of KazAgroFinance JSC.

Implementing the principles of sustainable development and strengthening the effectiveness of solutions in the economic, environmental and social issues is an integral part of our Company's policy.

In order to achieve high results, we invest in the development of our main asset – the Company's employees. According to the Company's Corporate Development Policy, employees are provided with equal opportunities for realizing their potential and career growth. The performance is assessed impartially and fairly, and no form of discrimination or violation of rights is allowed. The Company provides a high level of social protection for its employees, and maintains and develops a system of continuous training and professional development.

In order to support the least protected segments of the population, we provide charitable and sponsorship assistance, and work with specialized non-profit organizations.

We respond to global challenges, such as climate change and global energy demand, and while we do not have a big impact on the environment due to the specifics of our activities, we still try to do what we can. We support the introduction of “green” technologies in the country’s agriculture, which help to save natural resources and increase production efficiency.

To ensure further growth and development of our clients, employees and society, we will continue to look for new opportunities to integrate the principles of sustainable development in our daily activities.

KANYSH TEMIRTAYEVICH IZBASTIN



*Chairman of the Management
Board of KazAgroFinance JSC*

SUSTAINABLE DEVELOPMENT POLICY

KazAgroFinance realizes the importance of its influence on the economy, environment and society and strives to ensure sustainable development in the long term, while maintaining a balance of interests of stakeholders.

Sustainable development in the Company has three components: economic, environmental, and social.

The economic component directs the Company's activities to ensure the interests of the Sole Shareholder and investors, increase the efficiency of processes, increase the volume of investments in leasing of agricultural machinery and equipment.

The environmental component provides for minimizing the impact on biological and physical natural systems, optimal use of organic resources, the use of eco – friendly, energy-and material-saving technologies, the creation of environmentally acceptable products, minimization, recycling and destruction of waste.

The social component is focused on the principles of social responsibility, which include, among other things: ensuring labor safety and preserving the health of employees, fair remuneration and respect for the rights of employees, individual development of personnel, implementation of social programs for employees, creation of new jobs, sponsorship and charity, environmental and educational actions.

The Company analyzes its activities on three of these aspects, and also seeks to prevent or reduce the negative impact of its results on stakeholders.

In accordance with the Corporate Governance Code, the Board of Directors and the Management Board must ensure that an appropriate system for sustainable development is established and implemented. All employees and officials at all levels contribute to the Company's sustainable development.

KAZAGROFINANCE ANNUALLY PUBLISHES INFORMATION ABOUT ITS ACTIVITIES IN THE FIELD OF SUSTAINABLE DEVELOPMENT IN ITS ANNUAL REPORT IN ORDER TO ENSURE CLARITY AND TRANSPARENCY OF ITS ACTIVITIES FOR STAKEHOLDERS.

The Company strives to encourage and promote the application of the sustainable development principles by its partners.

REPORT INTERACTION WITH THE STAKEHOLDERS

The Company identified internal and external stakeholders and analyzed their requirements and expectations. KazAgroFinance works on building an effective dialogue with stakeholders and ensuring that their interests are taken into account when making strategic decisions. When identifying and interacting with stakeholders, the Company applies best practices for interacting with stakeholders, including international standards.

Interaction with stakeholders is governed by both regulatory legal acts and internal corporate documents.

The process of interaction with stakeholders is based on the principle of involvement, which involves the inclusion of all stakeholders, the right of all stakeholders to express their requests and opinions and be heard.

Involvement is achieved by observing the following three principles:

- **materiality:** identifying significant interests for both the Company and its stakeholders;
- **completeness:** awareness and understanding of the significant consequences of their activities, the opinions and needs of stakeholders in connection with the Company's activities, as well as their expectations;
- **response:** respond objectively and take appropriate action on issues that are significant to stakeholders.

Participation of all stakeholders in the observance of common interests is a fundamental condition for the Company's success.

Main mechanisms of interaction with stakeholders:

- contracts, agreements, cooperation agreements;
- business meetings and presentations;
- corporate communications system;
- joint working groups;
- hotlines for employees and clients;
- surveys and research of opinions of employees, consumers, and local communities;
- membership in associations;
- conferences, round tables;
- reporting.

The Company's executive body and its structural divisions directly interact with stakeholders within their powers and competence. The Board of Directors of KazAgroFinance JSC performs control and supervisory functions over the process of interaction with stakeholders.

Stakeholders	Requirements and Expectations	How do we interact?	What do we do?
Consumers (loaners), clients	<ul style="list-style-type: none"> Extension of a list of the proposed technique. Simplification of procedures for obtaining Company services. Interest rate reduction. Shortening the review period. Improving the quality of service by the Company. Obtaining financing. Consulting assistance when forming a set of documents. Timely maintenance and updating of the Company's official website with the necessary information for consumers. Increasing the availability of information about services, offers, and promotions. Increasing the number of branches in other cities. 	<ul style="list-style-type: none"> Presence of a structural division for working with clients. Using the results of monitoring client satisfaction in case of subsequent conclusion of contracts. Simplification of service delivery procedures. Availability of feedback on the corporate website. 	<ul style="list-style-type: none"> Increasing the availability of services and client satisfaction is an important strategic direction of the Company's development. We continue to work on improving the product line to create the most effective tools. In addition, we are constantly working on the development of business processes, so last year we managed to reduce the time for reviewing applications and the package of necessary documents. Based on the results of an independent assessment, the Company's level of availability of financial services and client satisfaction in 2019 was 79.6 per cent with plan of 74.3 percent. A callback function has been introduced on the corporate website.
Suppliers	<ul style="list-style-type: none"> Entering into and maintaining long-term partnerships. Increase in the volume of procured machinery and equipment. Full and timely receipt of payment for goods and services in accordance with the agreed terms. Exact description of the brand, model of the requested leasing item and its specification. 	<ul style="list-style-type: none"> Forming a mutually beneficial partnership by entering into contracts and fulfilling contractual obligations. Availability of a procuring system. Participation in forums and exhibitions. Implementation of joint projects. 	<ul style="list-style-type: none"> The Company's requirements for suppliers of leasing items are the same for all and are posted on the Company's website, which simplifies the process of interaction with the Company for suppliers. The procedure for procuring leasing items by the Company is carried out in accordance with approved internal documents. To make it easier for clients to find the right suppliers, the the Company's corporate website www.kaf.kz has a database of suppliers of agricultural machinery and equipment and cattle with which the Company has cooperated. The Company ensures transparency of the system of work with suppliers and is open to feedback, ensures timely consideration and settlement of complaints and claims of suppliers. The Company annually participates in international and domestic exhibitions and takes part in forums.
Creditors	<ul style="list-style-type: none"> Security of investment, solvency and profitability of the Company with subsequent profit. Compliance with and timely performance of obligations assumed 	<ul style="list-style-type: none"> Presence of a structural division that attracts investors. Participation in bilateral and trilateral business negotiations. Signing of agreements and memoranda. 	<ul style="list-style-type: none"> The Company's Borrowing Department attracts investors. The Company adheres to a policy of diversification of funding sources and investor base and has a broad base of investors with whom it has been cooperating for many years. Effective capital and asset management allows the Company to maintain a high level of financial stability, which is confirmed by ratings agencies' assessments.
Regulatory authorities (National Bank of Kazakhstan, the State Revenue Committee of MF RK, the Committee on Financial Monitoring of MF RK, the Prosecutor General's Office)	<ul style="list-style-type: none"> Implementation of the Company's activities in accordance with the legislation, compliance with the requirements of regulations. Timely payments to the budget. Execution of instructions based on the results of inspections. 	<ul style="list-style-type: none"> Compliance with the requirements of Kazakhstan legislation. Presence of a separate structural division that interacts with regulatory authorities. Timely consideration of requests and execution of orders. 	<ul style="list-style-type: none"> The internal control system provides effective supervision of financial and economic activities and is aimed at achieving the Company's goals and minimizing risks in the course of its activities. The Company's management system ensures strict compliance with the legislation.
Competitors (leasing companies)	<ul style="list-style-type: none"> Refusal to set dumping prices for the Company's services, conducting fair competition. Compliance with the Company's business ethics standards, exchange of experience. 	<ul style="list-style-type: none"> Analysis of the competitive environment. Following the principle of fair competition. 	<ul style="list-style-type: none"> The Company actively cooperates with other leasing organizations and, for its part, does everything possible to develop the industry in Kazakhstan so that this type of financing becomes more and more popular in the interests of all market participants. On a quarterly basis, the Company conducts marketing research and analytical reviews on the study of agro-industrial sectors, including in accordance with the regional specification and the Company's areas of activity, as well as on the market of leasing and other financial services in Kazakhstan.
Organizations that perform external audits (Accounting Committee, independent auditor, etc.)	<ul style="list-style-type: none"> Efficient use of the Company's funds and other assets. Compliance with legislation, international and national standards. 	<ul style="list-style-type: none"> Presence of a structural division that interacts with the party. Conclusion of contracts for the provision of consulting and audit services. 	<ul style="list-style-type: none"> The Company has built an effective risk management system that allows timely identification, reliable assessment and minimization of credit, currency, price and liquidity risks. An independent audit of financial statements is conducted annually. There are internal control and internal audit services.

Stakeholders	Requirements and Expectations	How do we interact?	What do we do?
Sole Shareholder, the management bodies (Board of Directors, Management Board)	<ul style="list-style-type: none"> • Growth of profitability and value of the Company. • Investment security. • Contribution to the economy. • Creating the capacity for future development of the Company. • Stable growth and development of the Company, achievement of targets. 	<ul style="list-style-type: none"> • Ensuring the rights of the Sole Shareholder within the framework of the Company's Charter and Corporate Governance Code. • Execution of decisions of the Sole Shareholder. • Providing reliable information on results of financial and economic activities as required by the RK legislation, Charter, internal documents. 	<ul style="list-style-type: none"> • Expanding the scope of activities in support of farmers and quality financial management have a positive impact on the Company's financial performance. In 2019, a new historical record was set for net profit – at the end of the year, it amounted to 9.2 billion KZT, and profitability indicators were exceeded. • Continuous improvement of corporate governance and decision-making system is an important strategic direction of the Company's development, ensuring its effectiveness and efficiency. At the same time, the key components of the corporate governance system are the protection of the rights of the Sole Shareholder and accountability.
Employees	<ul style="list-style-type: none"> • Stable and timely payment of salary and bonuses. • A satisfactory social package, comfortable and safe working conditions (working hours, vacations), and compliance with the legal rights of employees. • Opportunity for career growth and professional development. 	<ul style="list-style-type: none"> • Performance of official duties aimed at achieving the Company's goals and tasks. • The Company has established a Conciliation Commission to deal with complaints against the practice of labour relations and conducting negotiations. • Interaction is also carried out in the course of the Company's day-to-day operations. 	<ul style="list-style-type: none"> • The Company ensures an open and transparent HR policy aimed at forming qualified and motivated personnel. • Employees are provided with equal opportunities to realize their potential in the course of their work, and an impartial and fair assessment of the results of their work. Recruitment and career development of employees solely on the basis of professional skills, experience and knowledge.

ECONOMIC IMPACT

Created Economic Value

The activity of KazAgroFinance JSC is aimed at supporting the development of the agricultural sector of the Republic of Kazakhstan by ensuring access of agricultural producers to the funds, as well as agricultural machinery and technological equipment on a leasing basis.

The Company has a direct positive impact on the economy of the Republic of Kazakhstan through the following instruments:

1. leasing of agricultural machinery and equipment;
2. payment of taxes and other payments to the budget;
3. procurement of goods, works and services to support the Company's operations;
4. payment of salary to the Company's employees.

In addition, the Company's activities have an indirect positive impact due to the results of the activities of agricultural producers who received financing from the Company: paying taxes and payments, receiving salary, organizing additional jobs, and release of products.

CREATED AND DISTRIBUTED ECONOMIC VALUE

Item	2019	2018	Chan. (2019 to 2018) in %
Direct economic value created:			
Revenue	33,297	27,587	20.7
Distributed economic cost:			
Operating expenses	1,240	1,079	14.9
Salary	2,542	2,481	2.5
Interest expense	16,686	13,607	22.6
Taxes other than income tax	361	314	15.0
Corporate income tax	-474	-297	59.6
Other expenses	3,731	3,673	1.6
Unallocated economic value	9,211	6,728	36.9

**PRODUCTION VOLUMES FOR PROJECTS
THAT RECEIVED FUNDING FROM
KAZAGROFINANCE JSC SINCE 2007**

160 089 tons



Milk and dairy products

662 mln pcs



Egg

15 587 tons



Meat and meat products

96 300 tons



Poultry meat

51 728 tons



Greenhouse products

21 994 tonsы



Fruit



Procurement Practice

The Company strives to ensure timely provision of the Central office, branches and customers with quality goods, works and services necessary for operating activities. However, KazAgroFinance attaches great importance to an effective and transparent procurement system.

The company's procurement procedures are based on the following principles:

- providing potential suppliers with equal opportunities to participate in the procurement procedure;
- fair competition among potential suppliers;
- openness and transparency of the procurement process;
- optimal and efficient spending of money used for procurements.

In 2019, the actual volume of procurements of goods, works and services (excluding leasing items) amounted to 1,228.2 million KZT, 349 contracts were concluded.

VOLUME OF PROCUREMENTS IN 2019

Method of procurements	Amount, million KZT	Share %
Tender	1,325.29	66.17
Request for price offers	73.75	3.68
From one source	603.63	30.15

At the same time, the volume of procured equipment for 2019 for subsequent leasing is 5,893 units in the amount of 98.5 billion KZT, including of domestic assembly – 1,275 units in the amount of 14,512 million KZT. It should be noted that the procurement of goods for their subsequent transfer to leasing when conducting the leasing activities in accordance with the legislation of the Republic of Kazakhstan is carried out using a single source.

PERSONNEL POLICY

Personnel Management Policy

Qualified, proactive, highly motivated, focused on productive quality work personnel is considered as the main asset of KazAgroFinance JSC and an important factor in ensuring the Company's competitiveness.

The Company's Personnel Policy is a comprehensive long-term strategy for personnel management, which main goal is to fully and timely meet the Company's needs for the necessary quality and quantity of human resources in a specific time frame.

The Company's Personnel Policy is based on the following principles:

- relationship of the personnel management system with the results of the Company's financial and economic activities;
- responsibility of the Manager at any level for the development of the labor capacity of each employee;
- employee benefits based on performance;
- providing employees with opportunities and conditions for the realization of individual abilities;
- openness and accessibility of the Company's Personnel Strategy for personnel;
- compliance with the correspondence between the career growth of employees and the improvement of their professional level.

The Company provides a high level of social protection for employees, creates conditions for their full-fledged activities and receiving adequate remuneration for work, provides opportunities for professional, personal and career growth and thus increases the interest of employees in long-term, effective and fruitful relationships with the Company, which results in achieving high labor efficiency.

The social policy of KazAgroFinance JSC is aimed at developing social and economic conditions for employees within the framework of their constitutional rights in accordance with the legislation of the Republic of Kazakhstan. In case of significant changes related to the Company's activities (changes in production related to the reorganization or changes in economic, technological, labor conditions and/or reduction of the scope of works), the employee, according to the Labor Code of the Republic of Kazakhstan, is sent a written notification of changes in working conditions no later than fifteen calendar days. In accordance with the terms of the employment contract, the specified notification (proposal to change the terms of the contract) is considered by the other party within five business days from the date of its submission.

The Company provides its employees with equal opportunities to realize their capacity in the course of work, an impartial and fair assessment of their results, and the selection and career development of employees solely on the basis of professional skills, experience and knowledge. No form of discrimination or violation of employees' rights is allowed.

In order to resolve individual labor disputes, the Company has established a Conciliation Commission. The Commission consists of an equal number of representatives of the employer and employees of the Company, elected at the general meeting of the labor collective. The Commission is a permanent body for reviewing individual labor disputes. A labor dispute is subject to review by the Commission if an employee, independently or with the participation of a representative, has not settled the disagreements in direct negotiations with the employer or its authorized representative.

In 2019, the Company's Conciliation Commission considered one application for an individual labor dispute.

Personnel Structure

At the end of 2019, the average number of employees was 405, including men – 55% (221 people), women – 45% (184 people).

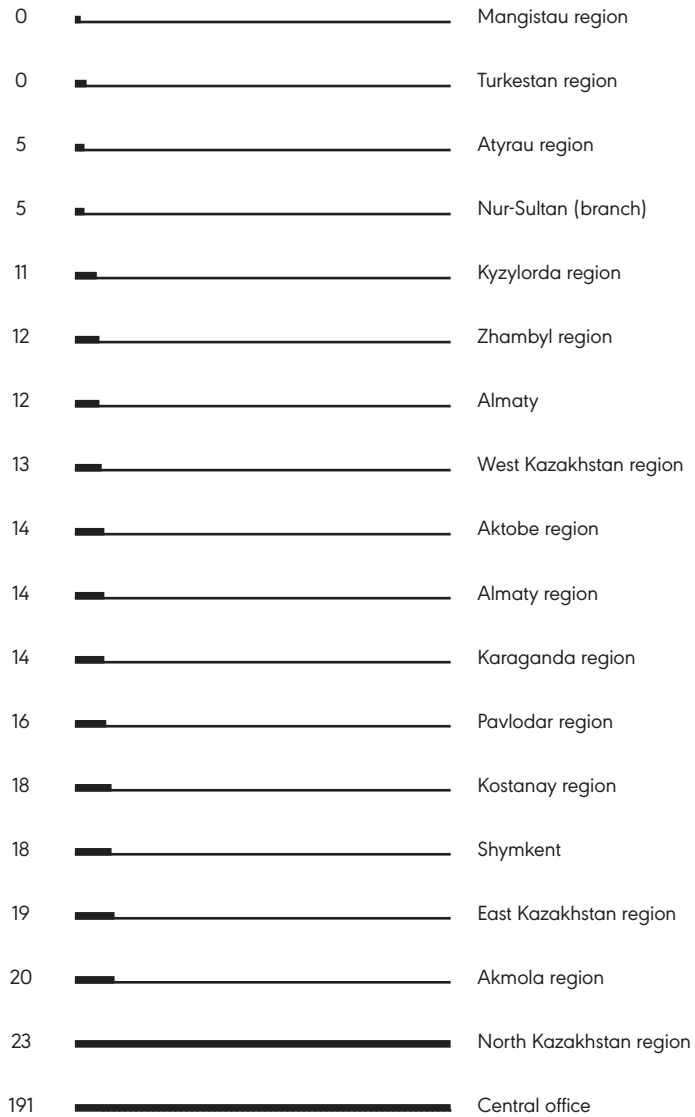
All employees have higher education. The reduction in the number of employees compared to 2018 is due to the approval of a new organizational structure as part of the optimization of personnel numbers and administrative expenses.

THE BASIS FOR IMPLEMENTING THE PERSONNEL POLICY IS THE AVAILABILITY OF AN EFFECTIVE ORGANIZATIONAL STRUCTURE AND OPTIMAL PERSONNEL COMPOSITION.

NUMBER AND STRUCTURE OF PERSONNEL

	2016	2017	2018	2019
Personnel number	433	433	347	366
Average number of employees, p.	418	459	450	405
Personnel structure by category:				
• managing positions	70	77	76	76
• employees	348	382	374	329
Personnel structure by age category:				
• up to 30 years	132	134	83	34
• from 30 to 50 years	273	309	350	322
• over 50 years old	15	16	17	49
Personnel gender structure:				
• men	149	236	216	221
• women	271	223	234	184
Personnel turnover, %	17.0	20.3	29.1	18.5
Number of employees, people.	91	110	76	63
Number of employees trained, people	320	364	320	340

**AVERAGE NUMBER OF EMPLOYEES
FOR 2019, PEOPLE**



PERSONNEL TURNOVER LEVEL BY THE REGIONS, %

Name of the CO/ branch	Turnover level	Including	
		men	women
Central office	22.0	24.1	21.2
Akmola region	10	7.7	14.3
Aktobe region			
Almaty region	21.4	14.3	28.6
Atyrau region	0	0	0
East Kazakhstan region	5.3	0	9.1
Zhambyl region	25	25	25
West Kazakhstan region	23.1	33.3	0
Karaganda region	14.3	14.3	14.3
Kostanay region	5.6	8.3	0
Kyzylorda region	18.2	0	33.3
Mangistau region			
Pavlodar region	12.5	7.1	50
North Kazakhstan region	26.1	28.6	22.2
Turkestan region			
Nur-Sultan (branch)	0	0	0
Almaty	8.3	12.5	0
Shymkent	33.3	40	0
Total	18.5	19.5	17.9

PERSONNEL TURNOVER LEVEL BY AGE CATEGORY

Age category	Number, people.	Turnover level, %
Average number	405	
up to 30 years	1	0.2
from 30 to 50 years	71	17.5
over 50 years old	3	0.7
Total number of dismissed employees	75	18.5

NUMBER OF EMPLOYEES, PEOPLE.

Name of the CO/ branch	Employed in 2019	Including	
	(date of employment in the reporting year), people.	men	women
Central office	37	19	18
Akmola region	0		
Aktobe region	1	1	
Almaty region	1	1	
Atyrau region	0		
East Kazakhstan region	4	1	3
Zhambyl region	2	1	1
West Kazakhstan region	2	2	
Karaganda region	2	2	
Kostanay region	1		1
Kyzylorda region	1	1	
Mangistau region	0		
Pavlodar region	1	1	
North Kazakhstan region	3	2	1
Turkestan region	0		
Nur-Sultan (branch)	0		
Almaty	3	1	2
Shymkent	5	4	1
Total: 405 employees	63	36	27

NUMBER OF EMPLOYEES EMPLOYED BY AGE CATEGORY

Age group	Number, people.	Share of employed, %
Average number	405	
up to 30 years	27	6.7
from 30 to 50 years	35	8.6
over 50 years old	1	0.2
Total number of employed	63	15.6

Personnel Training and Development

The high level of professionalism of employees is maintained and developed in the system of continuous training and professional development by consistently improving existing knowledge and skills.

In order to ensure a high level of the Company's personnel capacity, employees undergo training and further training in a form of mentoring, on-the-job training, participation in various seminars, conferences, round tables, trainings, and special training courses.

The desire of employees to improve their skills is supported and stimulated by the Company's management, both morally and financially.

The Company's needs for personnel training and development depend on internal and external factors: changes in strategic tasks, changes in legislation, the introduction of new programs, professional

growth and development of employees, setting new tasks and goals for them, and so on.

340 employees in 2019 were covered by the system of training and further training. For training, employees who had previously passed further training were involved, with travels to the regions to transfer practical and theoretical experience, and they also attended seminars on a free basis.

The average number of hours per employee was 14.4, including 18.5 hours for men and 12.3 hours for women.

EMPLOYEE TRAINING DATA FOR 2019*

Employee training in 2019	Total number	Including					
		gender groups		categories of employees			
		men	women	executive employees	managers	mid-level executives	administrative officers
Total number of trained employees for 2019, people.	340	118	222	3	1	80	256
Total number of trained employees for 2019, hours	4,907	2,185	2,722	66	176	1,229	3,436
Average number of hours per 1 employee, hours	14.4	18.5	12.3	22.0	176.0	15.4	13.4

* Executive employees are members of the Management Board, managers are managers or Executive Directors — not members of the Management Board, mid-level executives are heads of units, services, departments, offices, Branch Directors and their deputies.

Motivation and Remuneration

Among the main employee training programs for 2019:

- “Effective Recovery of Problem Loans”;
- contractual law;
- further training of lawyers;
- further training of legal department managers;
- “Financial management. Modeling financial decisions”;
- “National component of the anti-money laundering certification program”;
- “Operational risk management”;
- “Financial analysis in EXCEL (using computer technology)”;
- “Analysis and assessment of project risks”;
- “Good corporate governance”;
- “Strategy Development Procedure. Strategic Planning”;
- “Organization of effective work of the Conciliation Commission: conflict management, the art of negotiation. Trends in labor legislation”, etc.

The development of an effective system of motivation and incentives for personnel ensures the direct and stable interest of each employee in achieving the effectiveness of their personal work.

The main component of the Company’s employee motivation and incentive system is the mechanism of monetary remuneration for work. The procedure and mechanisms for personnel remuneration and motivation are regulated by internal acts of the Company.

Employee motivation factors also include:

- possibility of professional training and further training (form of implementation: rotation of personnel, training during working hours and on-the-job training, participation in seminars, further training courses);
- open prospects for further career growth;
- social security of employees;
- creating safe and comfortable working conditions;
- favorable working conditions in the team. Adaptation system for newly hired employees;
- broadcasting the values of corporate culture: regular meetings with the Company’s management, surveys;
- awarding with letters of thanks and certificates.

In 2019, the Company transitioned to a three-level pay scale of official salaries using the grading system.

Since 2019, employees are paid depending on the quantity, quality and complexity of the work performed on the basis of a time-bonus system of remuneration, taking into account the grade of each position within the range/fork (minimum and maximum sizes) of official salaries.

The employee’s salary may be reviewed once a year in accordance with the Regulations on conditions of remuneration, bonuses and social security of employees of KazAgroFinance JSC. In 2019, the assessment covered 90.4% of the Company’s employees, according to which results the official salaries were subject to revision. The growth rate of salary in 2019 was 2.4%.

The Company adheres to the principle of equal remuneration for work of equal value. The ratio of the basic remuneration rate for women to the basic remuneration rate for men for each category of employees of the Company was 1: 1.

PERSONNEL ASSESSMENT IN 2019

Indicator	% assessed	Including					
		gender groups		categories of employees			
		men	women	executive employees	managers	mid-level executives	administrative officers
Share of assessed	90.4%	90.0%	90.8%	100.0%	100.0%	91.7%	89.8%

Sports and Recreation Events

The Company conducts special corporate recreation events aimed at team building, creating team methods of work and are one of the promising models of corporate management that ensure the full development of the Company. Thus, the Company held a team building with the coverage of more than 120 people in 2019.

To strengthen the personal attitude of the Company's employees to a healthy lifestyle, increase efficiency, productivity and involvement in sports, an open mini-football tournament was held in Nur-Sultan among the teams of KazAgro Holding JSC and its subsidiaries, dedicated to the Independence Day of the Republic of Kazakhstan. The event was held on the initiative of KazAgroFinance JSC from November 26 to December 12, 2019. The tournament winner was the team of KazAgroFinance JSC.

In addition, in order to stimulate and increase the productivity of the Company's employees and team spirit, the personnel has been given the opportunity to visit the pool, as well as rented a football field.

Social Support

KazAgroFinance develops a social orientation to consistently improve the standard of living of its employees, ensure universal access to basic social benefits, as well as a favorable psychological climate in the team.

INDICATORS OF SOCIAL

LEAVE IN 2019

Indicator	Gender	Number of employees, people
Going to maternity / paternity leave	women	23
	men	1
Return from maternity / paternity leave		11
Educational leave		2

The Company's management provides social and other guarantees for employees:

- implementation of labor legislation of the Republic of Kazakhstan;
- workplace as required by the safety and labor protection;
- mandatory insurance of civil liability of the employer for causing harm to the life and health of an employee when performing his/her work duties;
- voluntary medical insurance;
- paid work leave;
- payment of material assistance to employees at the birth (adoption) of a child, the marriage of an employee and the death of the employee's spouse or close relatives;
- time-based bonus payment system;
- payment when employees are on business trips;
- possibility of professional training and further training.

Successful implementation of social policy contributes to personnel motivation and growth of KazAgroFinance JSC's competitiveness, as well as strengthening

the image of a responsible employer and socially oriented organization.

Social support is provided to the Company's employees to create favorable conditions for effective work, retain and attract highly qualified employees.

Occupational Health and Safety

One of the main priorities of the Company is to create appropriate conditions for ensuring the protection of life and health of employees.

General requirements for safety and labor protection, requirements for fire safety are set out in the Instructions for safety and labor protection of employees of the Company, approved by the decision of the Management Board of KazAgroFinance JSC. In 2019, there are no facts of industrial injuries.

SPONSORSHIP AND CHARITY

The Company constantly provides charitable and sponsorship assistance to the least protected segments of the population, as well as provides support to specialized non-profit organizations (boarding schools, preschool, secondary, vocational and higher educational institutions, research organizations, etc.).

In 2019, the Company allocated 5 million KZT for charity and sponsorship, including to the Public Fund “Council of veterans of the Second World War, home front workers and children of war”, as well as to individuals who applied for charitable assistance.



ENVIRONMENTAL PROTECTION

The Company does not have a significant impact on the environment in its activities. Nevertheless, within its capabilities, the Company strives to support the introduction of “green” technologies in the country’s agriculture, which protect the environment and human health, contribute to the conservation of natural resources, increase production efficiency, and therefore the competitiveness of products.

Currently, some funded projects use such “green” technologies as a reverse osmosis system – a unique water treatment system, a return drainage system, biocomplexes designed for processing manure and excrements, irrigation of pastures, as well as alternative energy sources (wind generators and solar panels).

The Company pays attention to the responsibility of its suppliers.

The Company procures agricultural machinery directly from manufacturers who closely monitor compliance with technological requirements and environmental standards during production.



Annex 1. About the Report

- Defining the Report Content
- Materiality Matrix
- List of sustainable development topics

Annex 2. Financial Statements

- Independent auditor's report
- Financial statements

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AN- NEXES

ANNEX 1. ABOUT THE REPORT

In December 2019, KazAgroFinance JSC celebrated the 20th anniversary of its work in the leasing market in the agro-industrial complex. During this time, the Company has become a recognized and reliable partner for many domestic farmers, suppliers of agricultural machinery, the state and the public. The Company has a wide range of stakeholders, and we strive to ensure effective disclosure of information to them in accordance with international standards and best global practices.

The Annual Report on the Company's performance for 2019 is the 17th since the introduction of the practice of issuing reports. This Annual Report has been prepared in accordance with GRI Standards (main compliance level). When preparing the document, we also followed the requirements of the Kazakhstan Stock Exchange. This Annual Report has not been subject to external certification of non-financial information.

The Company's annual reports are prepared on an annual basis. This Annual Report reflects the Company's performance from January 1, 2019 to December 31, 2019. The previous Annual Report was published in August 2019.

The Report highlights the Company's performance, achievements and successes, work on strategic tasks, corporate governance issues and activities in the field of sustainable development, as well as further development plans of the Company.

17th

report in succession since implementation of the reporting policy

Annual report on the results of the Company's activities for 2019

Defining the Report Content

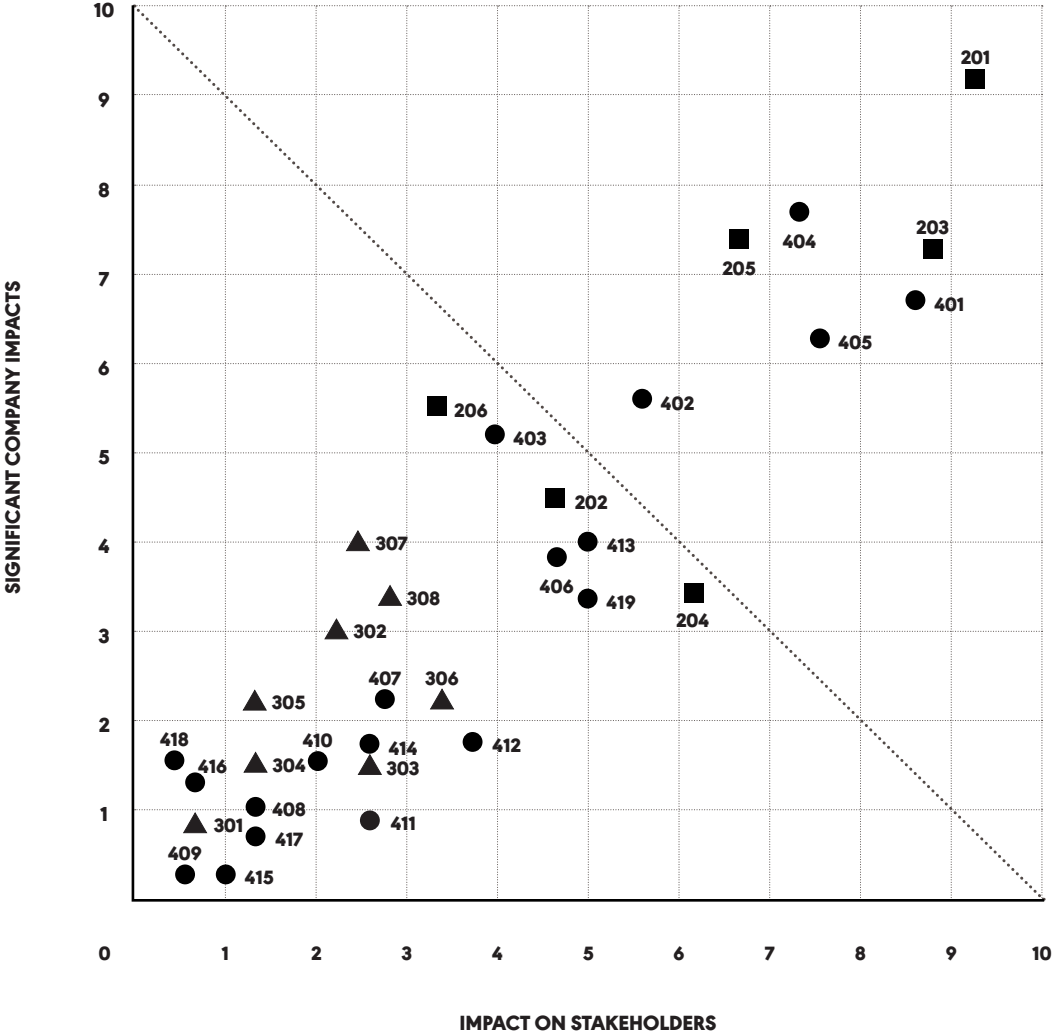
When determining the Report content and its quality, the Company was guided by the principles of GRI Standards. In particular, the Report content was determined on the basis of compliance with the principle of materiality, as well as taking into account the results of interaction with stakeholders. When disclosing information, the principles of sustainability context and completeness were observed. The Report quality is ensured by observing the principles of accuracy, balance, clarity, comparability, reliability, and timeliness.

Information in this Annual Report was disclosed on the most significant aspects of the Company's operations. We consider significant issues where, first, the Company's impact on the environment in the broad sense of the term is significant, and second, there is a significant impact on stakeholders and their interests.

The materiality analysis included an internal assessment of the Company's impact in the economic, environmental and social spheres, as well as an assessment of the importance of topics from the perspective of stakeholders, which was made based on the results of interaction with stakeholders.

In accordance with the analysis, the topics were ranked according to the materiality degree applied to the Materiality Matrix. This Annual Report covers the topics in the upper-right corner of the Materiality Matrix, as they were considered the most significant. All topics have an impact both inside and outside the organization.

Materiality Matrix



List of sustainable development topics

Topics	GRI standards	Topics deemed significant
■ Economy		
Economic performance	201	•
Market presence	202	
Indirect economic impacts	203	•
Procurement practice	204	
Anti-corruption	205	•
Obstacle to competition	206	
▲ Environment		
Materials	301	
Energy	302	
Water	303	
Biodiversity	304	
Emissions	305	
Effluents and wastes	306	
Compliance with environmental legislation	307	
Supplier Environmental Assessment	308	
● Society		
Employment	401	•
Relationship between employees and management	402	•
Workplace health and safety	403	
Training and education	404	•
Diversity and equal opportunities	405	•
Non-discrimination	406	
Freedom of association and collective bargaining	407	
Child labour	408	
Forced or compulsory labor	409	
Safety Practices	410	
Rights of indigenous peoples	411	
Assessment of human rights observance	412	
Local communities	413	
Assessing the impact of suppliers on society	414	
State policy	415	
Consumer health and safety	416	
Product and service labeling	417	
Consumer privacy	418	
Compliance with requirements	419	

ANNEX 2. FINANCIAL STATEMENTS

for 2019 together
with independent auditor's report



Independent auditor's report

Financial statements

Statement of financial position
Statement of profit or loss
Statement of comprehensive income
Statement of changes in equity
Statement of cash flows

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Independent auditor's report

To the Shareholder and the Board of Directors of KazAgroFinance Joint Stock Company

Opinion

We have audited the financial statements of KazAgroFinance Joint Stock Company (hereinafter - the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

Key audit matters

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

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



Key audit matter

How the matter was addressed in the audit

Allowance for expected credit losses of loans to customers and finance lease receivables

Estimating the level of allowance for expected credit losses on finance lease receivables and loans to customers in accordance with IFRS 9 is a key area of judgment for the management of the Company. Identifying factors for a significant increase in credit risk since the initial recognition of an asset, determining the values of the probability of default and the level of losses in default are processes that involve a significant use of subjective judgment, assumptions and analysis of various historical, current and forecast information.

The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on finance lease receivables and loans to customers.

Due to the materiality of the amounts of finance lease receivables and loans to customers of the Company as at 31 December 2019, and the significant use of professional judgment, the estimate of the allowance for expected credit losses was a key audit matter.

Information on expected credit losses on finance lease receivables and loans to customers is presented in Note 8 "Loans to customers", Note 9 "Finance lease receivables", Note 22 "Credit loss expense" and Note 28 "Risk management" to the financial statements.

Our audit procedures included an analysis of the allowance assessment methodology for expected credit losses on finance lease receivables and loans to customers, as well as analysis and testing of controls on identifying factors that significantly increase credit risk since the initial recognition of an asset, including the term of overdue debt and availability of debt restructuring due to deterioration of credit quality of an asset.

As part of the audit procedures, we conducted, on a sample basis, an analysis of the assumptions and testing of the source data used by the Company in estimating the allowance for expected credit losses on finance lease receivables and loans to customers on an aggregate basis, including statistical data on debt service expected compensation for losses in case of default as a result of the repossession of leased property or the sale of held collateral, as well as forecast macroeconomic factors.

We recalculated the allowance for expected credit losses.

We have analyzed the information on the allowance for expected credit losses on finance lease receivables and loans to customers disclosed in Notes to the financial statements.



Other information included in the Company's 2019 Annual report

Other information comprises information included in the Company's 2019 Annual report, other than the financial statements and our audit report thereon. Management is responsible for other information. The Company's Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

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

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khregay
Auditor



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

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

31 March 2020

Gulmira Turmagambetova
General Director
Ernst & Young LLP



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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

thousands of tenge	Notes	31 December 2019	31 December 2018*
Assets			
Cash and cash equivalents	5	20,580,665	44,798,305
Amounts due from credit institutions	6	8,451,527	-
Investment securities	7	11,179,190	-
Loans to customers	8	36,929,798	43,004,358
Finance lease receivables	9	226,615,145	186,617,217
Assets held for sale	10	511,083	-
Property held for finance lease	11	7,704,941	10,740,178
Current corporate income tax assets	20	134,137	175,427
Property and equipment	12	463,556	995,816
Intangible assets	13	581,104	554,969
VAT and other taxes recoverable	14	6,137,493	3,891,038
Advances paid	15	5,597,916	7,190,060
Other assets	23	849,024	966,510
Total assets		325,735,579	298,933,878
Liabilities			
Amounts due to the Shareholder	16	54,136,402	67,232,037
Amounts due to credit institutions	17	75,934,329	41,807,710
Debt securities issued	18	65,384,934	64,596,068
Payables to suppliers	19	5,861,586	4,802,218
Deferred corporate income tax liabilities	20	754,648	1,338,197
Advances received	21	4,795,803	4,263,925
Deferred VAT liabilities		7,642,894	5,070,632
Other liabilities	23	1,965,997	3,473,379
Total liabilities		216,476,593	192,584,166
Equity			
Share capital	24	82,837,204	82,837,204
Additional paid-in capital	24	26,156,975	25,730,293
Reserve capital	24	1,436,184	1,436,184
Provision for notional distribution	24	(9,605,611)	(9,605,611)
Retained earnings		8,434,234	5,951,642
Total equity		109,258,986	106,349,712
Total liabilities and equity		325,735,579	298,933,878
Book value per common share (in tenge)	24	1,311.95	1,277.14

* Certain amounts in this column do not conform to 2018 financial statements, as they reflect the reclassifications made and disclosed in Note 2.

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

Izbastin Kanysh Temirtayevich

Shodanova Gulnara Takishevna

31 March 2020



(Handwritten signatures in blue ink)

Chairman of the Management Board

Chief accountant

STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2019*

thousands of tenge	Notes	2019	2018
Interest revenue calculated using effective interest rate			
Cash and cash equivalents		1,438,785	1,486,056
Loans to customers		4,050,708	4,491,387
Investment securities		483,446	173,417
		5,972,939	6,150,860
Other interest income			
Finance lease receivables		26,492,528	19,995,116
		26,492,528	19,995,116
Total interest income		32,465,467	26,145,976
Interest expense			
Amounts due to the Shareholder		(4,488,460)	(5,150,325)
Amounts due to credit institutions		(5,332,674)	(3,597,104)
Debt securities issued		(6,865,312)	(4,859,740)
Total interest expense		(16,686,446)	(13,607,169)
Net interest income		15,779,021	12,538,807
Credit loss expense	22	(1,208,591)	(2,818,840)
Net interest income after credit loss expense		14,570,430	9,719,967
Net (losses)/gains from foreign currencies		(390,004)	469,670
Other income	26	831,792	970,887
Personnel expenses	27	(2,785,088)	(2,729,776)
Other operating expenses	27	(1,068,777)	(913,138)
Depreciation and amortisation	12, 13	(289,283)	(231,506)
Net loss from modification of loans to customers and finance lease receivables that does not result in derecognition	8, 9	(1,472,203)	(664,681)
Other impairment and provision expenses	22	(660,306)	(189,906)
Non-interest expense		(5,833,869)	(3,288,450)
Profit before corporate income tax benefit		8,736,561	6,431,517
Corporate income tax benefit	20	474,403	296,855
Profit for the year		9,210,964	6,728,372
Basic and diluted earnings per common share (in tenge)	24	111.19	81.22

STATEMENT OF COMPREHENSIVE INCOME*for the year ended 31 December 2019*

thousands of tenge	Notes	2019	2018
Profit for the year		9,210,964	6,728,372
Other comprehensive income for the year		-	-
Total comprehensive income for the year		9,210,964	6,728,372

STATEMENT OF CHANGES IN EQUITY*for the year ended 31 December 2019*

thousands of tenge	Share capital	Additional paid-in capital	Reserve capital	Provision for notional distribution	Retained earnings	Total
At 31 December 2017	82,837,204	24,912,791	1,436,184	(9,542,733)	3,141,505	102,784,951
Impact of adopting IFRS 9	-	-	-	-	(346,015)	(346,015)
Restated balance in accordance with IFRS 9	82,837,204	24,912,791	1,436,184	(9,542,733)	2,795,490	102,438,936
Total comprehensive income for the year	-	-	-	-	6,728,372	6,728,372
Gain on initial recognition of loans due to the Shareholder at below market rates (Note 24)	-	817,502	-	-	-	817,502
Dividends declared (Note 24)	-	-	-	-	(3,572,220)	(3,572,220)
Provision for notional distribution for the year (Note 24)	-	-	-	(62,878)	-	(62,878)
As at 31 December 2018	82,837,204	25,730,293	1,436,184	(9,605,611)	5,951,642	106,349,712
Total comprehensive income for the year	-	-	-	-	9,210,964	9,210,964
Gain on initial recognition of loans due to the Shareholder at below market rates (Note 24)	-	426,682	-	-	-	426,682
Dividends declared (Note 24)	-	-	-	-	(6,728,372)	(6,728,372)
Provision for notional distribution for the year (Note 24)	-	-	-	-	-	-
As at 31 December 2019	82,837,204	26,156,975	1,436,184	(9,605,611)	8,434,234	109,258,986

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

thousands of tenge	Notes	2019	2018
Cash flows from operating activities			
Interest received		28,579,278	22,968,078
Interest paid		(13,687,902)	(9,941,005)
Realised losses less gains from dealing in foreign currencies		(71,523)	(123,105)
Personnel expenses paid		(2,798,188)	(2,689,031)
Other operating expenses paid		(998,588)	(882,191)
Other income received		695,311	453,882
Cash flows from operating activities before changes in operating assets and liabilities		11,718,388	9,786,628
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(8,397,531)	-
Loans to customers		4,211,586	2,187,468
Finance lease receivables		(28,733,868)	(7,826,399)
VAT and other taxes recoverable		(2,246,455)	(784,700)
Advances paid		(135,629)	(4,644,534)
Other assets		(279,798)	(126,120)
<i>Net increase/(decrease) in operating liabilities</i>			
Advances received		778,715	792,588
Other liabilities		(2,111,137)	(905,603)
Net cash used in operating activities before corporate income tax		(25,195,729)	(1,520,672)
Corporate income tax paid		(215,818)	(232,401)
Net cash flows used in operating activities		(25,411,547)	(1,753,073)
Cash flows from investing activities			
Purchase of investment securities		(11,152,666)	-
Purchase of property and equipment and intangible assets	12, 13	(403,297)	(211,840)
Proceeds from sale of property and equipment		-	795
Net cash used in investing activities		(11,555,963)	(211,045)
Cash flows from financing activities			
Proceeds from loans due to the Shareholder	32	-	11,232,415
Repayment of loans due to the Shareholder	32	(15,531,974)	(22,971,379)
Receipt of loans due to credit institutions	32	40,225,000	19,000,000
Repayment of loans due to credit institutions	32	(6,109,535)	(17,617,865)
Proceeds from debt securities issued	32	10,233,955	17,250,959
Repayment on debt securities issued	32	(9,389,000)	-
Dividends paid to the Shareholder	24	(6,728,372)	(3,572,220)
Net cash from financing activities		12,700,074	3,321,910

STATEMENT OF CASH FLOWS (continued)*for the year ended 31 December 2019*

thousands of tenge	Notes	2019	2018
Effect of exchange rates changes on cash and cash equivalents		49,320	2,202,417
Effect of changes in expected credit losses on cash and cash equivalents	5	476	(1,071)
Net (decrease)/increase in cash and cash equivalents		(24,217,640)	3,559,138
Cash and cash equivalents at the beginning of the year	5	44,798,305	41,239,167
Cash and cash equivalents at the end of the year	5	20,580,665	44,798,305
Non-cash transactions			
Offsetting of current corporate income tax assets against other tax liabilities		41,290	-

ANNEX 3.

GRI INDEX

General Disclosures

Standard and indicators	Disclosure	Report sections / Exceptions	Page in the Report
GRI 101 (2016): THE BASICS			
GRI 102 (2016): GENERAL DISCLOSURES			
ORGANIZATION PROFILE			
102-1	Organization name	Contact information	3
102-2	Main brands, products, and services	Direction of activity	26
102-3	Location of the organization's headquarter	Contact information	173
102-4	Number of countries where the organization operates	About Company	19
102-5	Nature of ownership and legal form	Contact information	3
102-6	Markets where the organization operates	About Company	18
102-7	Scale of the organization	Key indicators, Personnel Structure	6-7, 140
102-8	Number of employees	Personnel structure	140
102-9	Organization's supply chain	Business model	22-23
102-10	Significant changes in scale, structure, or ownership	There were no significant changes in 2019	–
102-11	Precautionary principle	Risk management	115
102-12	Economic, environmental, and social charters, principles, or other initiatives that the organization subscribes to or supports	Not applicable	–
102-13	Membership in associations	Not applicable	–
STRATEGY AND ANALYSIS			
102-14	Statement by the most senior manager	Address from the Chairman of the Management Board on sustainable development	128-129
ETHICS AND INTEGRITY			
102-16	The organization's values, principles, standards and norms of conduct, such as Codes Of Conduct and ethical codes	Code of Conduct	108
CORPORATE GOVERNANCE			
102-18	Corporate governance structure of the organization	Organizational structure	100-101
102-22	Structure of top management and committees	Organizational structure	67
102-24	Appointment and selection of senior management members	Selection and Appointment	86
102-28	Assessment of senior management performance	Assessment of the Board of Directors' performance	89

Standard and Disclosure indicators		Report sections / Exceptions	Page in the Report
INTERACTION WITH STAKEHOLDERS			
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102-41	Percentage of all employees covered by collective agreements	Practice of collective agreements is not applied in the Company	–
102-42	Principles for identifying and selecting stakeholders	Report interaction with the stakeholders	131
102-43	The organization's approach to the interaction with the stakeholders	Report interaction with the stakeholders	131
102-44	Key topics and concerns that were raised by stakeholders in their interaction with the organization, and how the organization responded to these key topics and concerns	Report interaction with the stakeholders	131
REPORTING PRACTICES			
102-45	Legal entities whose reports were included in the reports	About Company	17
102-46	Methodology for determining the report content and the boundaries of aspects	About the report	153
102-47	List of all significant aspects	About the report	155
102-48	Consequences of all reformulations of indicators published in previous reports	There was no significant reformulation of indicators	–
102-49	Significant changes in the coverage and boundaries of aspects compared to previous reporting periods	There was no change in coverage compared to the previous reporting period	–
GENERAL INFORMATION ABOUT THE REPORT			
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102-51	Date the previous report was published	About the report	152
102-52	Reporting cycle	About the report	152
102-53	Contact person	Contact information	173
102-54	Option for preparing the report "in accordance" with GRI Standards	About the report	152
102-55	Table of GRI indicators	GRI index	168
102-56	The organization's practice in external certification of reporting	About the report	152

Disclosure on the Topics of Sustainable Development

Standard and indicators	Disclosure	Report sections / Exceptions	Page in the Report
ECONOMIC TOPICS			
GRI 103 (2016): MANAGEMENT APPROACHES			
103-1	Materiality and boundaries	About the report	154-155
103-2	Management approaches	Economic impact	136
103-3	Management assessment	Assessment of the Board of Directors' performance	89
GRI 201 (2016): ECONOMIC PERFORMANCE			
201-1	Created and distributed direct economic value	Created economic value	136
GRI 203 (2016): INDIRECT ECONOMIC IMPACTS			
203-2	Significant indirect economic impact	Created economic value	136
GRI 205 (2016): ANTI-CORRUPTION			
205-3	Confirmed cases of corruption	Combating corruption	106
ECOLOGICAL TOPICS			
GRI 103 (2016): MANAGEMENT APPROACHES			
103-1	Materiality and boundaries	About the report	154-155
103-2	Management approaches	Environmental protection	149
103-3	Management assessment	Assessment of the Board of Directors' performance	89
GRI 307 (2016): COMPLIANCE			
307-1	Monetary value of significant fines and total number of non-financial sanctions imposed for non-compliance with environmental legislation and regulations	No cases of violation of legislation in the field of environmental protection were recorded	149
SOCIAL TOPICS			
GRI 103 (2016): MANAGEMENT APPROACHES			
103-1	Materiality and boundaries	About the report	154-155
103-2	Management approaches	Personnel Management Policy	139
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GRI 401 (2016): EMPLOYMENT			
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GRI 402 (2016): RELATIONSHIP BETWEEN EMPLOYEES AND MANAGEMENT			
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Standard and indicators	Disclosure	Report sections / Exceptions	Page in the Report
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404-2	Skills development and education programs	Personnel training and development	144
404-3	Percentage of employees who passed the performance assessment	Motivation and remuneration	145
GRI 405 (2016): DIVERSITY AND EQUAL OPPORTUNITIES			
405-1	Composition of the organization's governing bodies and main categories of personnel by gender, age group, minority group and other diversity criteria	Personnel structure	140
405-2	Ratio of the base rate of men and women	Motivation and remuneration	145

GLOSSARY

Term	Meaning
AIC	Agro-industrial complex
AP	agricultural producer
Cattle	cattle
CG	corporate governance
Company	KazAgroFinance JSC
FRD	Financial Reporting Depository
GDP	gross domestic product
IFRS	International Financial Reporting Standards
KPI	key performance indicator
MA	Ministry of Agriculture
Mass media	mass media
MSI	municipal state institution
NPL	a loan that does not meet the terms of the original loan agreement
POL	petrol, oil and lubricants
ROA	return on assets
ROE	return on equity
SI	state institution

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