

MADE IN  
KAZAKHSTAN

KazAgroFinance  
Joint-stock company

**2020** ANNUAL  
REPORT



**KAZAGROFINANCE**

## COMPANY PROFILE

**KazAgroFinance Joint Stock Company (KazAgroFinance, Company) is the largest financial institution that provides agricultural producers with leasing services for the purchase of agricultural machinery and equipment.**

The company has been successfully operating for over 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, many years of experience in the market, a developed branch network, a strong staff, reliable credit ratings and access to raising funds, allow us to maintain a leading position in the leasing market and remain a reliable partner for domestic farmers.



**KAZAGROFINANCE**

**JOINT-STOCK**

**COMPANY**



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## DYNAMICS OF KEY INDICATORS

### Financial indicators

#### Assets, bln KZT



#### Equity capital, bln KZT



#### Loan portfolio, bln KZT



#### Profitability indicators



● Net profit, bln KZT ● ROE, % ● ROA, %

### Non-financial indicators

#### Corporate management rating, %



#### Fitch Ratings



### Operational indicators

Amount of investments in the development of the AIC per year, billion KZT



Leasing of machinery and equipment volume, bln KZT



Number of machinery and equipment leased, units



Number of clients in the portfolio at the end of the year, units



## KEY EVENTS OF 2020

# 2020

### **On March 20,**

the new Development Strategy of the Company for 2020–2029 was approved.

### **On June 17,**

the fourth issue of bonds was carried out within the second bond program of the Company for 20 billion KZT and was placed in full among a wide range of investors.

### **On July 30,**

the Committee of the Board of Directors of KazAgroFinance on Automation was established.

### **On November 27,**

KazAgroFinance became a laureate of the Global Banking & Finance Awards 2020: The Best Agricultural Credit Company of Kazakhstan – 2020.

### **On December 11,**

the Company's annual report for 2019, based on the results of the annual reports competition, was ranked 7th in the ranking of all annual reports, and also entered the top 20 "Best ESG Information Disclosure in Corporate Reporting." The company was awarded a diploma for the best strategy disclosure in the annual report.



### **On April 2,**

Fitch Ratings affirmed its long-term rating at BB+ with a stable outlook. On December 22, 2020, Fitch Ratings conducted a rating review as part of a portfolio review, following which the ratings were maintained at the same level.

### **On April 7,**

a new financing program "Made in Kazakhstan" was introduced.

### **On September 1,**

President of the Republic of Kazakhstan K.-J. Tokayev instructed to unite two holdings – KazAgro Holding JSC and Baiterek JSC.

### **On October 16-19,**

a recertification audit of the Company's quality management system was carried out in accordance with the requirements of the ISO 9001:2015 standard. The certification has been extended until December 11, 2023.

### **On December 29,**

a new direction of financing "Leasing of unmanned aerial vehicles for agricultural needs" was launched.





## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

### Dear partners and colleagues!

I am glad to welcome you on behalf of the Board of Directors of KazAgroFinance JSC!

Improving technical equipment in the agro-industrial complex is one of the priority tasks of the state program for the development of the agro-industrial complex of the Republic of Kazakhstan for 2017–2021. Leasing today remains one of the main tools most suitable for the renewal of fixed assets.

For over 20 years, KazAgroFinance has been assisting the renewal of agricultural machinery and equipment in the agro-industrial complex through the provision of leasing services and covers around 40% in quantitative terms of the total volume of agricultural machinery purchased in the country.

The Board of Directors of the Company positively evaluates the results of KazAgroFinance activities in 2020. The planned financial indicators were met, and significant growth was ensured in all areas defined in the Company's Development Strategy. The achieved results, the implementation of the set goals testify to the effectiveness of the decisions made.

At the end of 2020, the indicators of return on assets and equity capital were fulfilled by more than 100%. Net income amounted to 9.6 billion KZT. The volume of leasing in 2020 exceeded the results of 2019 by 11.7% and amounted to 110 billion KZT, due to the introduction of new financing products and an improvement in the quality of services provided.

In 2020, a rather significant decision for the Company was made, connected with the merger of KazAgro Holding JSC with Baiterek NMH JSC and entailing a change of shareholder. At the same time, this corporate event will not entail a change in the Company's mission for technical equipment in the agro-industrial complex, KazAgroFinance will maintain its focus on increasing the lease of agricultural machinery and equipment in its future activities.



**MURAT**

**AMANKELDIYEVICH**

**DARIBAYEV**

Chairman of  
the Board of Directors  
of KazAgroFinance JSC





## MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

### Dear colleagues and partners!

Allow me to greet you and present the results of the activities of KazAgroFinance JSC upon the results of 2020!

KazAgroFinance continues to consistently implement its development strategy and strengthen its status as a leader in the leasing market. For the Company, 2020 was a productive and successful year, it was possible to achieve sustainable growth in all key performance indicators.

At the end of 2020, 6.1 thousand units of agricultural machinery were leased, and the number of clients in the Company's portfolio reached 8.3 thousand by the end of the year.

Focusing on customer needs is one of the priorities in the Company's activities. Continuous work is being carried out to improve the services provided to create affordable financing conditions for farmers, provide quality service and introduce new client services.

Agricultural producers are provided with special financing offers with more favorable and flexible conditions, as well as accelerated procedures for considering applications. Thanks to the introduction of a new direction for financing domestically assembled and manufactured equipment, the share of domestic equipment in the total volume of placed equipment in 2020 increased from 23% to 39%.

Achievement of high-performance indicators of the Company at the end of 2020 became possible thanks to the trust of our clients, effective work and professionalism of the entire team of the Company.

KazAgroFinance, based on the priority areas of its activities, will continue to implement its mission to meet the needs of the agro-industrial complex in modern technology.



**KANYSH**

**TEMIRTAYEVICH**

**IZBASTIN**

Chairman of  
the Management Board  
of KazAgroFinance JSC





## DEVELOPMENT STRATEGY

A new Development Strategy of KazAgroFinance for 2020–2029, which defines two strategic directions for the development of the Company was approved by decision of the Board of Directors of the Company (hereinafter referred to as the Board of Directors) on March 20, 2020. The Company will continue to focus on improving the level of technical equipment in the agro-industrial complex (AIC) by providing the AIC entities with agricultural machinery and equipment through leasing, which will be a key contribution of the Company to the implementation of one of the priority tasks of the state program for the development of the AIC for 2017–2021.

In order to ensure the efficiency of the Company's activities, work to improve performance in the field of financial management and corporate governance will continue.

A significant event for the Company related to the change of shareholder in connection with the reorganization of Baiterek NMH JSC and KazAgro Holding JSC is worth mentioning. KazAgroFinance entered the group of subsidiaries of Baiterek NMH JSC. The company is working to develop an updated Development Strategy, considering the policy and strategic directions of the Sole Shareholder, it is planned to revise certain key performance indicators of the Development Strategy. At the same time, the mission of the Company remains to assist in the technical equipment of the agro-industrial complex of the Republic of Kazakhstan. Until the adoption of the new Development Strategy, the Company will continue to implement the Development Strategy for 2020–2029.

### Goals and objectives

#### Strategic direction No. 1

**Promoting the development of competitiveness of the AIC through technical and technological equipment**

**Goal 1:** Increase technical equipment and export potential in agriculture

**Objective 1.** Increase the volume of investments in the leasing of agricultural machinery and equipment.

**Objective 2.** Assistance in the development of export potential and labor productivity in the AIC.

**Goal 2:** Improvement and development of leasing services

**Objective 1.** Improving the quality and availability of leasing services.

**Objective 2.** Development of the product line of KazAgroFinance, including through the introduction of new directions of financing.

**Objective 3.** Automation of the Company's business processes.

## Expected results 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 quality of customer service;
- a powerful financial tool for the AIC development, which maximally meets the needs of the industry for high-quality and competitive leasing services.

### Based on the results of the implementation of the Company's Development Strategy for 2020–2029, the following performance indicators 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%, and return on equity – 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 goals and objectives will allow to continue strengthening its position as one of the leading and stable financial institutions for the development of the AIC of Kazakhstan.

**At the end of 2020, all key performance indicators of the Company's Development Strategy for 2020–2029 were fully implemented, detailed information on work in strategic areas is disclosed in the section "Implementation of the Development Strategy".**

# No 2

## Strategic direction No. 2

### Efficiency of the Company's activity

**Goal 1:** Increase the profitability of the Company

**Objective 1.** Improving the efficiency of equity and asset management.

**Objective 2.** Improving the quality of the loan portfolio.

**Objective 3.** Improving the monitoring system for funded projects.

**Goal 2:** Corporate development of KazAgroFinance in accordance with best practice

**Objective 1.** Improving the corporate governance system and increasing the transparency of the Company's activities.

**Objective 2.** Improvement of the risk management and internal control system.

**Objective 3.** Increasing the potential of human resources, developing a result-oriented corporate culture.



01

# ABOUT COMPANY

**KAZROST**

**ENGINEERING LTD**

**PRIVATE COMPANY**

Domestic manufacturer of grain harvesters. Official dealer of Rostselmash LLC and other well-known manufacturers. The company supplies a wide range of agricultural machinery and other products.



Total  
produced

**1,385** **UNITS OF  
EQUIPMENT**

**MADE IN  
KAZAKHSTAN**



Location

**KOKSHETAU**



Type of equipment

- combine harvesters of the VEKTOR-410 KZ, Acros 550KZ brands,
- tractors of YTO-X904 brand, etc. since 2011



Sold through  
KazAgroFinance

**842** UNITS OF  
EQUIPMENT



Sold in  
the amount of

**32.9** BLN  
₸

60.8% of the issued  
volume





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## Mission

assistance in technical equipment of the agro-industrial complex of the Republic of Kazakhstan by providing high-quality and competitive leasing services.

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## Vision

KazAgroFinance is a leader in the Kazakhstan AIC leasing market, which meets the needs of the industry in modern and high-tech equipment.

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## Purpose within the industry

technological renewal of the agro-industrial complex by providing agricultural producers with affordable financial resources for the purchase of agricultural machinery and equipment on a lease basis.



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## RATINGS

On April 2, 2020, Fitch Ratings affirmed the long-term foreign and local currency issuer default ratings at "BB+" with a stable outlook<sup>1</sup>.

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## LICENSES

License of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations to conduct banking lending operations in national currency (received on March 31, 2006).

**Certification according to the quality management system ISO 9001-2015.**

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## GEOGRAPHY OF ACTIVITY

16 branches in all regions of the country. Cooperation with Kazakhstani factories – equipment manufacturers, as well as suppliers from near and far abroad.

<sup>1</sup> On December 22, 2020, a rating review was carried out, the ratings were left unchanged.

# BRIEF HISTORY OF THE COMPANY

KazAgroFinance was registered on December 28, 1999, in accordance with the Resolution of the Government of the Republic of Kazakhstan "On certain issues of agriculture" dated November 24, 1999, No. 1777.

1999

- the resolution of the Government of the Republic of Kazakhstan on the establishment of the KazAgroFinance was approved.

2000

- the first experience of leasing foreign agricultural machinery.

2000–2003

- creation of the first machine and tractor stations.

2007

- introduction of leasing of breeding animals.

2008

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

2009

- the start of financing large investment projects.
- development of assembly production.

2015

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

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 maturity of 5 years.
- the beginning of the implementation of the "Made in Belarus" program.
- KazAgroFinance was included in the list of entities offered for transfer to a competitive environment.

2017

- KazAgroFinance's deal on the issue and placement of 5-year KZT bonds was recognized as the winner of EMEA Finance in the category Best local currency bond in EMEA.



**2004**

- leasing of special machinery and technological equipment.

**2005**

- leasing of processing equipment.

**2006**

- KazAgroFinance is included in the structure of the newly created KazAgro National Managing Holding.

**2010**

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

**2012**

- financing of equipment under the "Harvest" program.

**2013**

- the beginning of the implementation of the "Express Leasing" and "Master Leasing" programs.
- KazAgroFinance became an official participant in the subsidy program.

**2018**

- the beginning of the implementation of the programs "Own feed" and "Reliable Farmer".
- the annual report of KazAgroFinance for 2017, based on the results of the VIII competition of annual reports, was recognized as the best in the financial sector, and took 9th place among the reports of all participants in the competition.

**2019**

- exclusion of the Company from the list of entities subject to privatization.
- opening of a branch in Nur-Sultan.
- 20 years of the Company's activity.

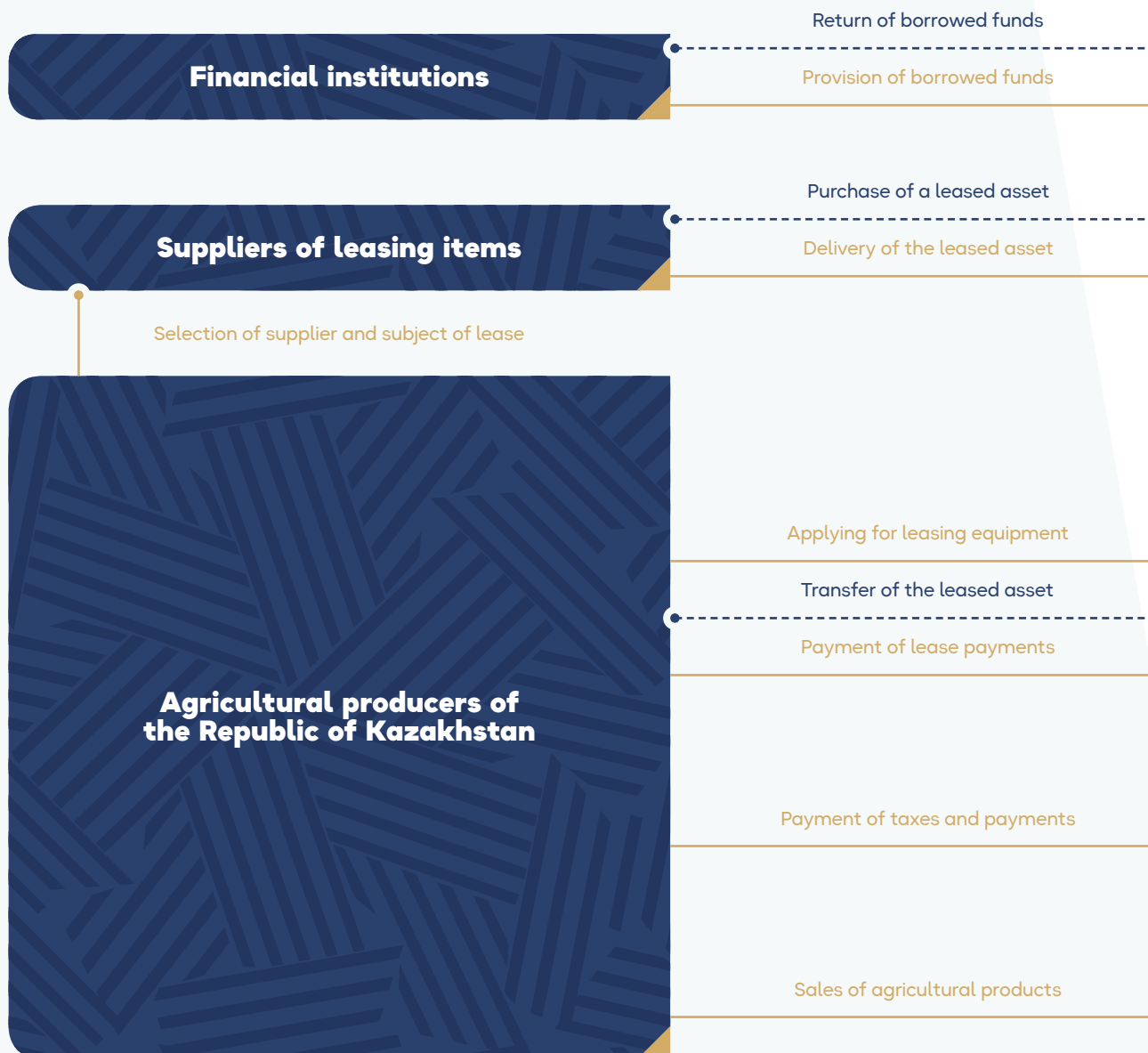
**2020**

- approval of the Development Strategy of KazAgroFinance for 2020–2029.
- introduction of new financing programs "Made in Kazakhstan" and "Leasing of unmanned aerial vehicles for agricultural needs." Optimization of the product line of financing.
- decision-making on reorganization through the merger of Baiterek NMH JSC and KazAgro Holding JSC with the inclusion of this event in the National Action Plan for the implementation of the State-of-the-Nation Address to the people of Kazakhstan dated September 1, 2020.



## BUSINESS MODEL

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



### Ministry of Agriculture of RK

Determination of state policy  
in the field of agriculture

### KazAgro Holding JSC

Defining business directions  
and strategic decisions-making

Payment of  
dividends

### KazAgroFinance JSC

#### Services

Leasing of machinery and  
equipment

#### Resources

Regional network:  
16 branches

Equity capital:  
115.1 billion KZT

Attracted funds:  
98.74 billion KZT

The number of staff:  
353 people.

#### Results

The number of clients  
in the loan portfolio:  
8,263 units

Dividends paid for 2019:  
9.2 billion KZT

Investments:  
114.0 billion KZT

Net profit:  
9.6 billion KZT

Leased equipment:  
6,056 units

Paid taxes and  
payments to the budget:  
1.1 billion KZT



Payment of taxes and payments

### State budget of RK

Social payments

### Population of RK



## COMPETITIVE ADVANTAGES

over 20 years of experience in the leasing sector;



available terms of financing;



customer-oriented standards for the provision of services;



recognizable brand and positive reputation;



high level of credit rating;



wide branch network;



successful experience in raising funds using market tools;



high competence of the staff;



availability of a large base of leading suppliers and manufacturers of agricultural machinery;



listing on the Kazakhstan Stock Exchange since 2008;



high level of transparency of activities;



continuous work to improve corporate governance, risk management and internal control systems.



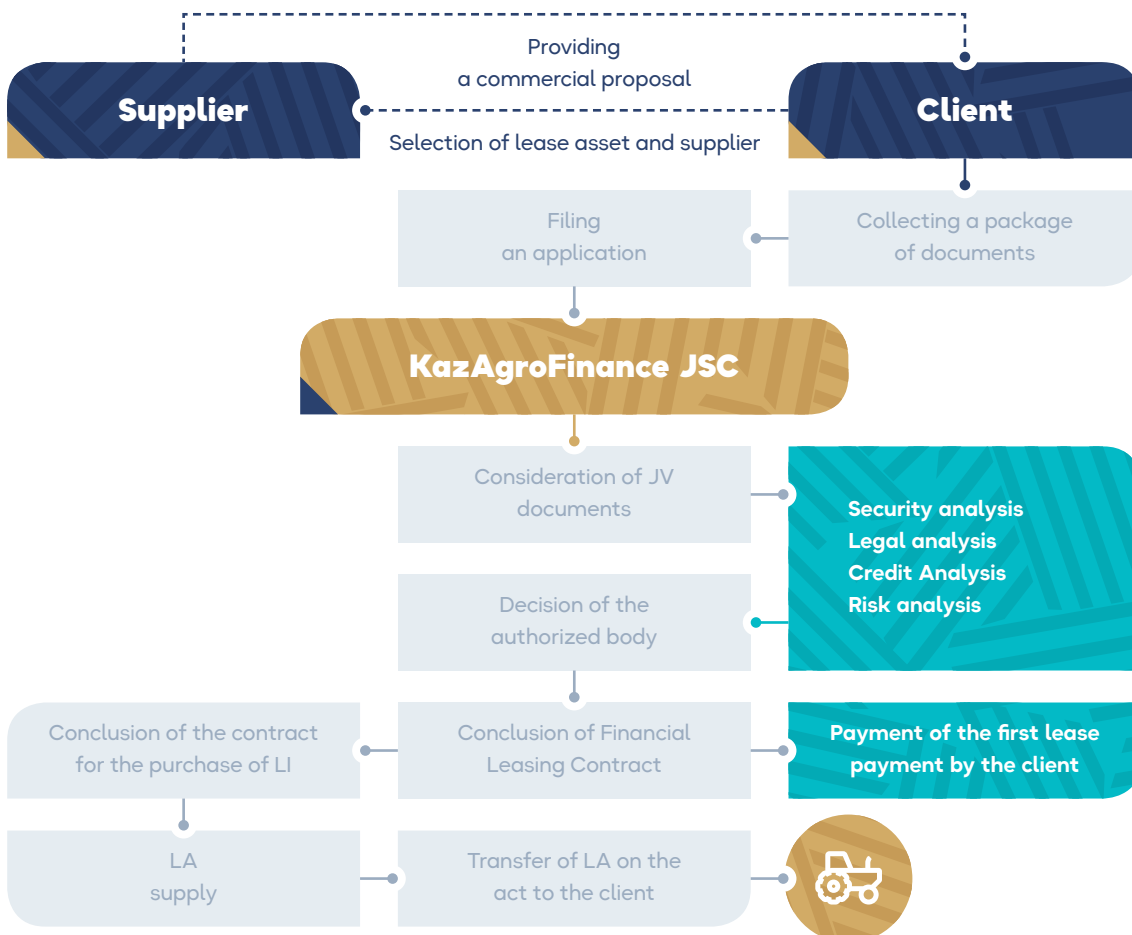
# LEASING PROCESS

The process of providing leasing begins with the choice of the leased asset and the supplier by the client. After receiving a commercial offer from a supplier, the client contacts KazAgroFinance.

examinations, the authorized body of the Company (Credit Committee) decides on financing the project. The total period for consideration of the project is from 5 to 12 working days, excluding revision.

The manager of the credit department consults on the available financing programs, and acquaints the client with the list of mandatory documents required for filing an application. After the client submits a full package of documents, an examination of the client's project is carried out by the structural divisions of the Company. Based on the results of the conclusions and

In case of a positive decision of the Credit Committee on the project, a financial lease agreement is concluded, the client makes the first lease payment, and then an agreement for the purchase of the leased asset is signed with the supplier. After delivery, the leased asset is transferred to the lessee.







## AREAS OF ACTIVITY

The company implements a wide balanced product line of financing programs that meets the interests and needs of various categories of agricultural

producers and allows for purchasing equipment on favorable terms.

### The Company has the following programs:

#### Leasing on standard terms:

- agricultural machinery (self-propelled, mounted and trailed);
- vehicles for the transportation of biological assets, agricultural and fish products, including freight cars;
- special equipment for land reclamation and agricultural work, including unmanned aerial vehicles;
- equipment (requiring and not requiring installation);

#### Lending to replenish working capital

(within the previously funded projects);

#### Special financing programs:

- "Made in Kazakhstan";
- "Made in Belarus";
- "Reliable Farmer";

#### Special financing services:

- "Express Leasing";
- "Master-leasing".



## Funded directions

		Term	Advance	Rate
<b>Terms for standard leasing</b>				
1	Agricultural machinery	up to 10 years	not less than 15%	17% (7% including subsidies)
2	Special equipment for land reclamation and agricultural work	up to 7 years	not less than 20%	17% (7% including subsidies)
	Unmanned aerial vehicles for agricultural needs	up to 5 years	not less than 30%	17% (not subsidized)
3	Vehicles (including tractors and trailers) for the transportation of agricultural and fish products and products of their processing, biological assets	up to 7 years	not less than 15%	17% (7% including subsidies)
	Freight cars for transportation of grain and other types of agricultural products	up to 10 years	not less than 15%	17% (not subsidized)
4	Equipment	up to 10 years	not less than 15%	17% (7% including subsidies)
<b>Lending terms</b>				
5	Lending to replenish working capital	up to 3 years	-	17% (10% including subsidies)
<b>Terms and conditions of special financing programs</b>				
1	<b>"Made in Kazakhstan"</b> Agricultural machinery and vehicles for production/ assembly of the Republic of Kazakhstan	up to 10 years	not less than 15%	6% (NF RK)
2	<b>"Reliable Farmer"</b> Leasing without advance payment	up to 10 years	0	17% (7% including subsidies)
3	<b>"Made in Belarus"</b> machinery and equipment manufactured in the Republic of Belarus (RB)	up to 5 years	not less than 20%	17% (1% per annum, including subsidies from the Republic of Belarus and the Republic of Kazakhstan)
<b>Terms of special financing services</b>				
1	<b>"Express Leasing"</b> Without confirmation of income	up to 10 years	not less than 20%	17% (7% including subsidies)
2	<b>"Master-leasing"</b> Leasing line for 1 year	up to 10 years	not less than 15%	17% (7% including subsidies) 6% (NF RK)

**i** The preferential terms of financing in the form of leasing are the provision of equipment without collateral, without paying commissions, with a grace period, long-term financing, without making an advance payment (due to investment subsidies in the amount of **up to 25% of the cost of equipment**). The remuneration rate is subsidized by the state in the amount of **up to 10%**.



## SUBSIDY PROCESSES

### Subsidizing part of the costs incurred by the entity of the agro-industrial complex, under investments

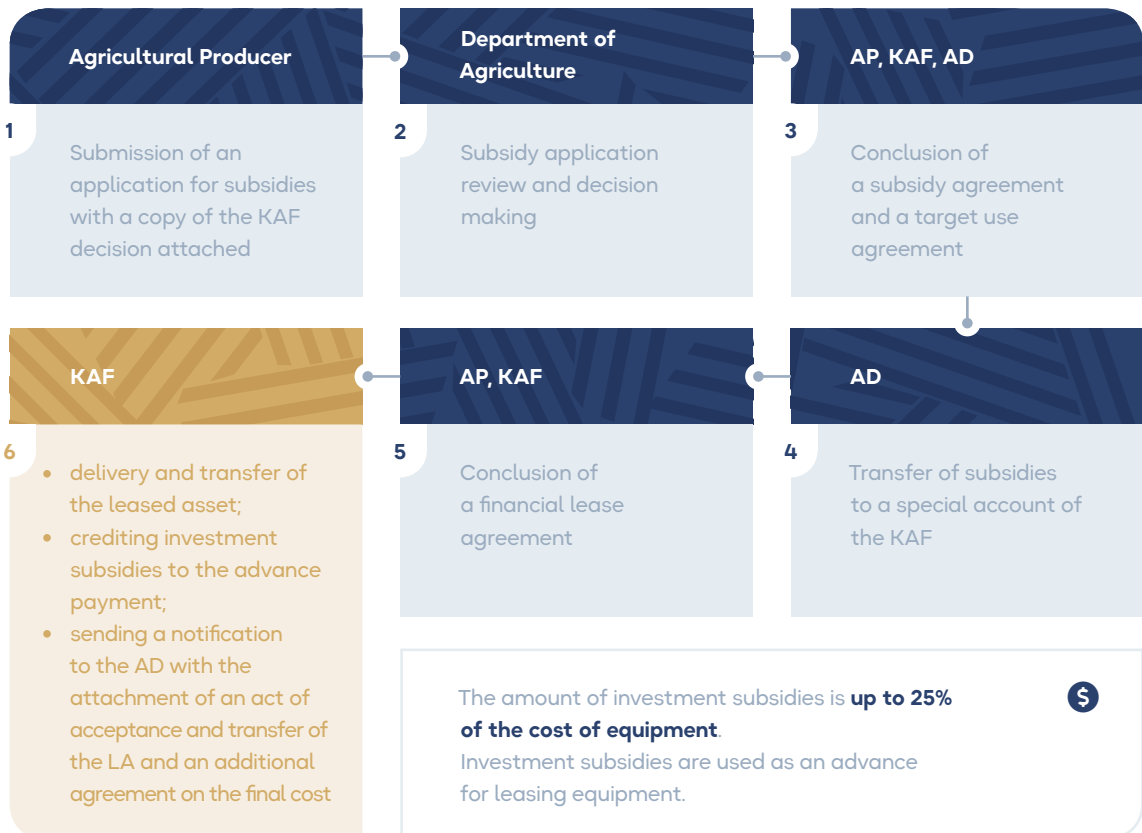
KazAgroFinance participates in the state subsidy program to reimburse part of the costs incurred by the entities of the agro-industrial complex under investments.

Thanks to this measure of state support, agricultural producers in Kazakhstan can provide an advance through investment subsidies when purchasing equipment on

lease. The possibility of obtaining investment subsidies significantly lightens the financial burden on customers and increases the availability of technology.

Submission of an application for subsidies can be carried out both electronically through the Qoldau digital platform, and in paper.

### Investment subsidies by advance payment



## Subsidy of interest rate

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

**Submission of an application for subsidies can be carried out both electronically through the Qoldau digital platform, and in paper.**





## OPTIMIZATION OF BUSINESS PROCESSES

**In order to improve lending and leasing activities, the Company is implementing a set of appropriate measures to improve conditions and increase the quality of provided services.**

**In the reporting year, the terms of the product line offered by the Company were updated and improved, namely:**

- a new special program "Made in Kazakhstan" has been introduced, which allows customers to purchase domestically produced equipment at a preferential financing rate of 6% per annum;
- a new direction of financing "Leasing of unmanned aerial vehicles for agricultural needs" was introduced;
- the list of mandatory documents provided by the entities of the agro-industrial complex for obtaining financial services has been reduced;
- the process of filing applications for financing was optimized, clients were given the opportunity to consider applications for financing based on electronic forms of documents without the need for personal presence and collection of documents in hard copy;
- conditions for the provision of a special financing service "Express-Leasing", which provides financing in the direction of livestock, reducing the amount of advance to 20% of the value of the leased asset, increasing the funding limit to 150 million KZT, were improved.

In 2020, the Company, as part of improving the quality of services, carried out work to introduce automation for the consideration of applications for financing leased items. The automated system is currently being tested.

**KazAgroFinance will continue to work on optimizing business processes and developing a product line in the interests of customers.**



## WORK WITH SUPPLIERS

**The choice of the leased asset and the supplier of the leased asset is carried out by the client independently in accordance with the Law of the Republic of Kazakhstan "On Financial Leasing."**

The company maintains a database of suppliers of agricultural machinery and equipment with which it has prior experience of cooperation. The information is publicly available for interested persons on the corporate website of the Company [www.kaf.kz](http://www.kaf.kz).

Suppliers are subject to scrutiny for negative information, compliance with legal requirements and for the formation of the fair value of the leased asset.

The Company's requirements for suppliers of leased items are unified for everyone and 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:**

- possession of professional qualifications and experience in the market of the supplied subject of leasing for at least 6 months;
- the absence of unfulfilled (overdue in accordance with the terms of the contract for the acquisition of leased items) obligations to the Company;
- availability of certificates, licenses required to carry out activities for the supply of the leased asset;
- implementation of warranty and post-warranty service;
- absence of dishonest participants in public procurement in the Register;
- lack of the status of an unreliable supplier.

After the conclusion of an agreement with the supplier for the purchase of the leased asset and the supply of equipment, the Company accepts the leased asset, pays it to the supplier and then transfers it to the lessee. The logistics of the leased asset, customs clearance and other actions related to the delivery are performed by the Company's employees, which makes the leasing process for lessees as simple and accessible as possible.





02

# MANA- GEMENT REPORT

**AGROMASHHOLDING KZ**

**JSC**

Kazakhstan industrial enterprise producing ESSIL combine harvesters and LOVOL tractors. The company is the exclusive distributor of Gomselmash products in the territory of the Republic of Kazakhstan.

**MADE IN  
KAZAKHSTAN**



**Total  
produced**

**3,617** **UNITS OF  
EQUIPMENT**



Location

**KOSTANAY**



Type of equipment

- harvesters of the Essil brand,
- tractors of Lovol brand since 2009



Sold through  
KazAgroFinance

**2,571** **UNITS OF EQUIPMENT**



Sold in  
the amount of

**47.6** **BLN KZT**

71.1% of the issued volume



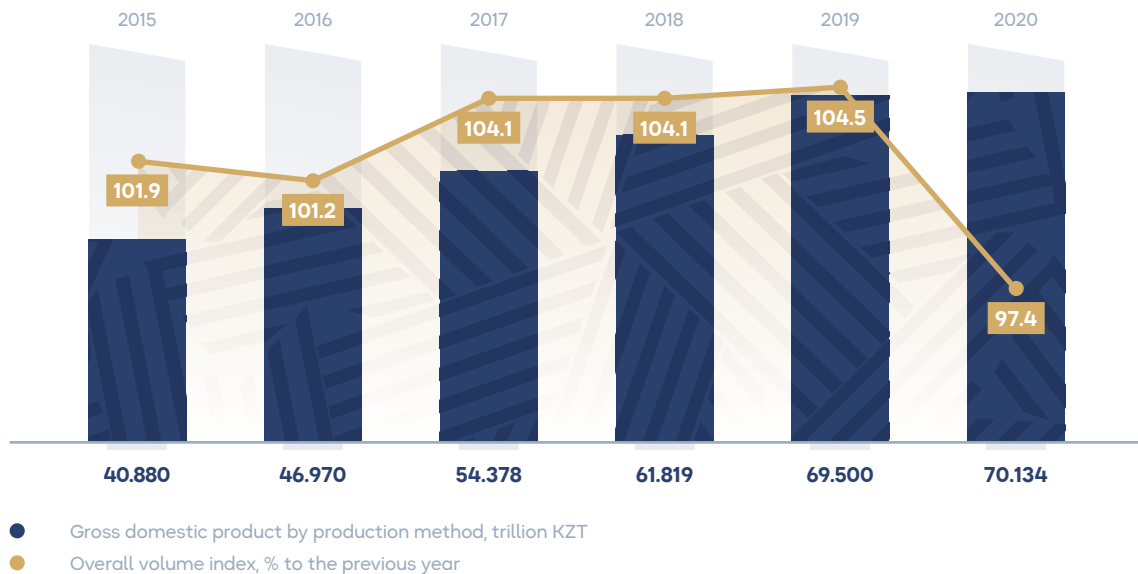


## MACROECONOMIC INDICATORS

The volume of gross domestic product produced in 2020, according to the Bureau of National Statistics<sup>2</sup>,

amounted to 70,134.1 billion KZT and compared with 2019 decreased in real terms by 2.6%.

### GDP dynamics



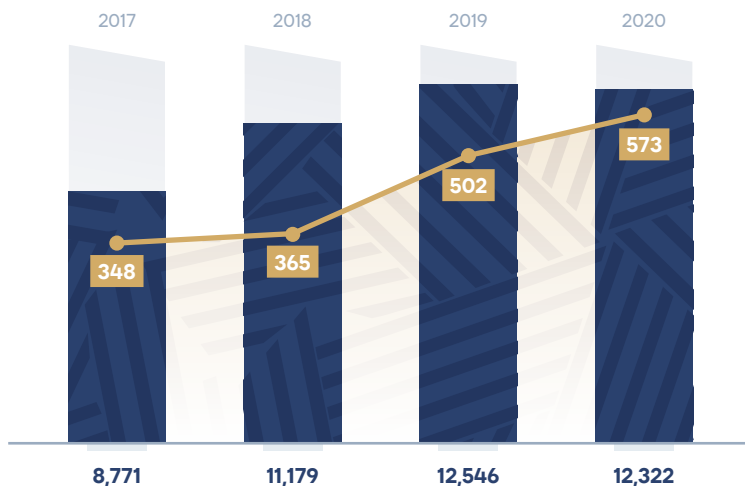
According to the National Bank of the Republic of Kazakhstan (hereinafter referred to as the National Bank of the Republic of Kazakhstan), at the end of 2020, inflation amounted to 7.5% versus 5.4% a year earlier. The rise in inflation was most influenced by the rise in prices for food products by 11.3% (2019 – 9.6%). The annual growth in prices for non-food products amounted to 5.5% (in 2019 – 5.0%), paid services – 4.2% (in 2019 – 0.7%). Regionally, the inflation rate varied in the range of 7.1–8.0%.

According to the National Bank of the Republic of Kazakhstan, the dollar exchange rate at the end of 2020 amounted to 420.71 KZT per dollar against 381.18 KZT at the beginning of the year, an increase over the year amounted to 10.2%.

Investments in fixed assets, according to operational statistics, decreased in 2020 compared to 2019 by 1.8% and amounted to 12.3 trillion KZT. That said, investments in agriculture amounted to 573.2 billion KZT and increased in relation to 2019 by 14.2%.

<sup>2</sup> Bureau of National Statistics of the Agency of the Republic of Kazakhstan for Strategic Planning and Reforms.

### Fixed capital investments



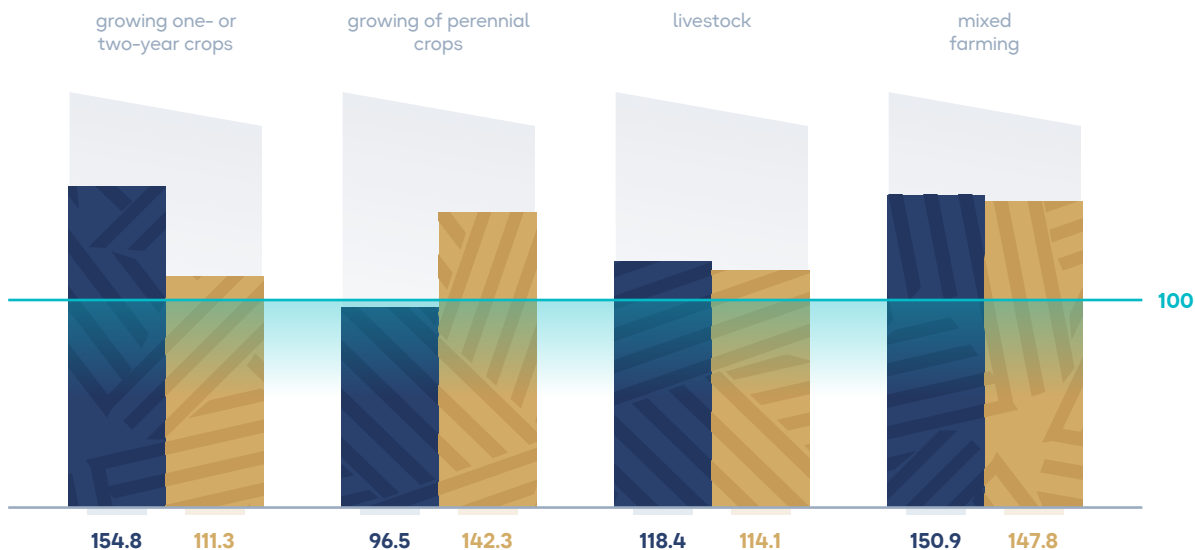
Investment in agriculture, forestry and fisheries in 2020 increased by 15% compared to the previous year and amounted to 573.2 billion KZT.

The main grain-sowing regions – North Kazakhstan, Akmola and Kostanay regions – allocated 241.6 billion KZT to the industry, which amounted to 42.2% of the total investment in agriculture, forestry and fisheries.

About 88% of investments in fixed assets in agriculture, forestry and fisheries were directed to the cultivation of one- or two-year crops (59.1%) and animal husbandry (28.8%).

- Total in RK, billion KZT
- Agriculture, forestry and fisheries, billion KZT

### Investment in agriculture by sector, billion KZT as a percentage of the previous year



- 2019
- January-December 2020



## ANALYSIS OF THE AGRO-INDUSTRIAL COMPLEX

**The agro-industrial complex of Kazakhstan is the largest intersectoral complex that unites several sectors of the economy aimed at the production and processing of agricultural raw materials and obtaining products from it, brought to the end consumer. This is a set of sectors of the country's economy, including agriculture and industries closely related to agricultural production, transporting, storing, processing agricultural products, supplying them to consumers, providing agriculture with machinery, chemicals and fertilizers, serving agricultural production.**

Agriculture is one of the key sectors of the economy of Kazakhstan. The level of development of the agrarian sector has always been and continues to be a determining factor in the economic and socio-political stability of Kazakhstani society.

To boost the rural economy over the past ten years, the Government of the Republic of Kazakhstan has adopted state and sectoral programs for the development and support of the AIC and rural areas. For 2017–2021, the state program for the development of the agro-industrial complex of the Republic of Kazakhstan is being implemented, approved by the Government of the Republic of Kazakhstan dated July 12, 2018, No. 423 and aimed at supporting and developing the agricultural sector.

As part of the implementation of the State-of-the-Nation Address dated January 10, 2018 "New opportunities for development in the context of the fourth industrial revolution", the task was set to increase labor productivity to 3.7 million KZT per person employed in agriculture by 2021 in the AIC within 5 years and export of processed agricultural products up 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 AIC.

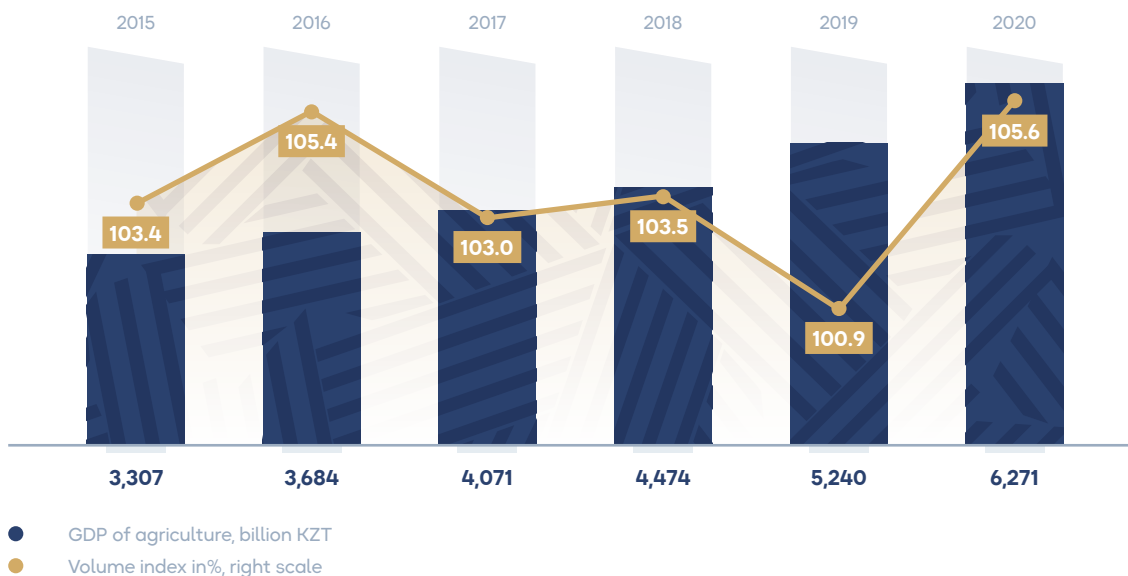
Currently, the Ministry of Agriculture of the Republic of Kazakhstan has elaborated the concept of the National Project for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2022–2026, which main goal is the sustainable development of the AIC aimed at ensuring food security and increasing the export of products. The main target indicators of the National Project include: an increase in labor productivity by 2.5 times, saturation of the domestic market with socially significant food products at the level of 80%, an increase in exports of processed products of the agro-industrial complex twofold, a stable increase in the income of 1 million rural residents.

According to the Bureau of National Statistics, the gross output of products (services) in agriculture, forestry, and fisheries in 2020 in the country amounted to 6,271 billion KZT, which is 5.6% higher than the level of 2019. The growth in the production of agricultural, forestry and fishery products in 2020 is due to an increase in crop production by 7.8%, the volume of slaughter of livestock and poultry in live weight by 4.1%, and raw cow milk yields by 3.2%.

The growth of agricultural production in 2020 compared to 2019 was noted in 14 regions of the republic. Moreover, in the Kostanay region, the growth of agricultural production is due to an increase in crop production by 29.8%, meat of all types – by 6.1%, cow's milk – by 2.0%. In the Akmola region, the growth in agricultural output was influenced by an increase in crop production by 18.3%, meat of all types – by 6.4%, cow's milk – by 1.7%. In the Pavlodar region, the growth of agricultural production was influenced by an increase in crop production by 13.5%, meat of all types – by 2.8%, dairy milk – by 3.3% and chicken eggs – by 2.3%.

However, the annual growth in agricultural crop production observed in the republic is due to the use of modern agricultural technologies, an increase in the power supply

## Dynamics of agricultural production



of production, the implementation of agrotechnical measures in optimal terms, systemic state support, etc.

In general, 2020 was a successful year for Kazakhstani farmers. Despite the pandemic and related restrictions, grain growers received a rich grain harvest – about 21 million tons of grain, and its quality is much higher than in 2019. This result is the closest to a grain harvest record since 2016, when farmers threshed 23.1 million tons of bread in bunker weight. This proves once again that Kazakhstan remains a grain power and fully satisfies not only domestic demand, a certain part of the grain can be exported as well.

As for the livestock industry, the main factors affecting the production of livestock products are the livestock and productivity of animals, the supply of livestock with fodder, feeding rations, the breed of animals, the availability of livestock buildings and the conditions for their maintenance. In the meantime, the livestock and productivity of animals directly depend on the volume of production.

According to the Bureau of National Statistics, as of January 1, 2021, compared to the same date last year in all categories of farms, the number of cattle increased by 5.5% and amounted to 7,848.5 thousand heads, horses – by 9.3% and amounted to 3,118.3 thousand heads, sheep – by 4.9% and amounted to 17,736.3 thousand heads, camels – by 5.0% and amounted to 227.2 thousand heads. At the same time, the number of pigs remained practically at the same level and amounted to 819.9 thousand heads, and the number of poultry decreased by 3.9% and amounted to 43,160.0 thousand heads.

In January-December 2020, meat production increased by 4.1% and amounted to 2,056.1 thousand tons, milk – by 3.2% and amounted to 6,004.1 thousand tons. At the same time, the production of chicken eggs decreased by 8.4% and amounted to 5,047.8 million pieces.

As for the volume of production in physical terms, in 2020, compared to the same period in 2019, there is an ambiguous trend. Thus, an increase was recorded for the following types of products: milk (processed liquid) and



cream – by 47.3% (amounted to 598.5 thousand tons), sunflower oil and its fractions (refined) – by 42.2% (135.1 thousand tons), butter and spreads (pastes) dairy – by 90.0% (24.6 thousand tons), raw sugar or refined cane sugar – by 49.1% (175.2 thousand tons), unrefined sunflower oil – by 4.7% (188.1 thousand tons), fresh bread – by 1.0% (614.2 thousand tons).

However, decrease in production for the following types of products is observed: meat and food by-products – by 13.6% (amounted to 311.3 thousand tons), flour from grain and vegetable crops – by 9.9% (3,322.6 thousand tons), cereals, coarse flour and granules and other cereal products – by 21.5% (87.2 thousand tons), pasta, noodles, couscous and flour products – by 11.9% (178.9 thousand tons).

## Analysis of the agricultural machinery fleet

In accordance with the State Program for the AIC Development for 2017–2021, one of the priority goals is to provide the industry with modern agricultural machinery, since the technical equipment of agricultural producers remains an important problem in the development of the agro-industrial complex. Old technologies and an outdated fleet of agricultural machinery hinder productivity growth and production growth.

The use of worn-out equipment leads to increased costs of fuels and lubricants and spare parts, product losses and quality degradation, equipment downtime

due to malfunctions and other negative consequences. However, the development of technical equipment and the introduction of global developments require significant financial investments.

According to the Ministry of Agriculture of the Republic of Kazakhstan, as of January 1, 2021, there were 141.8 thousand units of tractors and 37.0 thousand units of harvesters in Kazakhstan. At the same time, over the past 5 years, the dynamics of the actual availability of the main types of agricultural machinery tends to a gradual decrease.

### Availability of the main types of agricultural machinery in the agricultural formations of Kazakhstan as of January 1, 2021, units

Type of machinery	2016	2017	2018	2019	2020
Tractors	152,616	148,301	147,344	145,224	141,750
Harvesters	41,494	40,044	38,502	37,385	36,997
Baling machines	7,298	7,311	7,014	7,601	9,144
Haymowers	22,401	22,720	22,438	22,980	19,567
Reapers	14,985	15,039	14,869	14,817	12,894
Sprayers	5,401	5,350	5,300	5,383	5,931
Sowing machines	4,097	3,915	3,900	4,060	4,302

\* According to the Ministry of Agriculture of the Republic of Kazakhstan

As follows from the above table, the negative dynamics of the availability of the main types of agricultural machinery testifies, first of all, to the constant disposal of old, out-of-order equipment that has long worked out its resource, as well as to insufficient rates of renewal of the machine and tractor fleet of the AIC with new high-tech equipment.

At the same time, the standard service life of agricultural machinery, set at the level of 7-10 years, is strikingly different from the actual period of its use. Due to the lack of working capital for farmers and the possibility of timely updating, in fact, the equipment is used longer

than the established norms for 3-10 years, often until the moment of full depletion of all technical resources.

Providing the industry with modern agricultural machinery by increasing the volume of equipment purchases and the development of domestic agricultural machinery is one of the priority goals of the State Program for the AIC Development for 2017-2021. Considering that the required level of renewal of agricultural machinery according to technological standards is about 10-12.5% per year, the share of KazAgroFinance in renewing the agricultural machinery fleet for certain types of machinery amounted to 20 to 50% by the end of 2020.

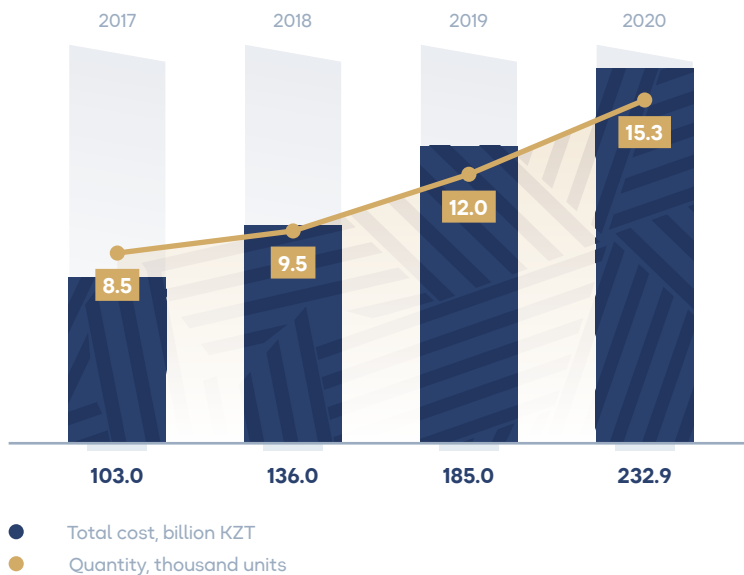
### Share of participation of KazAgroFinance in the renewal of agricultural equipment

Equipment name	Availability of agricultural machinery in the Republic of Kazakhstan as of January 1, 2021, units	Purchase of equipment in 2020, units	Purchase of KazAgroFinance equipment in 2020, units	Share of participation of KazAgroFinance in the renewal of agricultural equipment, %
Tractors	141,750	4,774	1,996	41.8
Combine harvesters	36,997	1,182	539	45.6
Reapers	12,894	303	160	52.8
Seeders	73,226	1,359	346	25.5
Sowing machines	4,302	260	130	50.0
Total, excluding other equipment	269,169	7,878	3,171	25.5-52.8





## Dynamics of the acquisition of agricultural equipment



In 2020, agricultural producers of the republic purchased 15.3 thousand units of equipment for 232.9 billion KZT, which is 27.5% more in quantitative terms and 26% in monetary terms than in 2019. At the same time, the share of all types of equipment purchased in 2020 by domestic agrarians through KazAgroFinance JSC in the total volume of agricultural equipment acquisition in the republic is 39.5% in kind (6,056 units out of 15,323 units), and in monetary terms – 47.2% (110.0 billion KZT out of 232.9 billion KZT).

## Acquisition of equipment by regions\*






Region	2020		2019	
	Number, units	Total, billion KZT	Number, units	Total, billion KZT
Akmola	2,003	46.9	1,904	38.6
Aktobe	867	8.8	629	6.2
Almaty	948	8.8	760	9.1
Atyrau	213	1.0	105	0.48
East-Kazakhstan	1,229	15.1	1,259	17.6
Zhambyl	1,198	6.3	611	5.7
West-Kazakhstan	1,353	9.6	1,245	7.6
Karagandy	1,178	13.8	886	10.5
Kostanay	1,614	31.2	1,311	25.1
Kyzylordy	263	11.0	124	4.4
Pavlodar	1,179	19.8	770	16.9
Mangistau	34	0.1	3	0.22
North-Kazakhstan	2,085	51.0	1,896	37.2
Turkestan	1,159	9.7	519	5.4

\* According to the Ministry of Agriculture of the Republic of Kazakhstan.

An analysis of the structure of equipment leased through KazAgroFinance shows that the demand for equipment is formed based on the size of the agricultural enterprise business (sown area), the type of business (livestock and crop production) and the required production indicators of any equipment.

Larger clients with large cultivated areas prefer purchasing equipment from far-abroad countries with high capacities. Medium and small agricultural enterprises, as well as livestock farms, purchase equipment produced in Kazakhstan and the CIS countries, which is inferior in terms of production indicators to equipment from far abroad.

### Demand for agricultural equipment depending on the type of business

Small and medium farms	Large farms	Breeders
Up to 5,000 hectares of sown area	Over 5,000 hectares of sown area	Up to 1,000 hectares of sown area
 <b>5,000</b> ha	 <b>5,000</b> ha	 <b>1 000</b> ha
Sales market <b>Domestic market orientation</b>	Sales market <b>Export orientation</b>	Sales market <b>To provide own food supply</b>
production rate per season	production rate per season	<b>Livestock farm maintenance equipment</b>
 <b>600</b> ha	 <b>2,000</b> ha	
Demand for <b>low and medium power equipment</b>	Demand for <b>high power equipment</b>	Demand for <b>low-power equipment and machinery</b>
Main suppliers manufacturers: <b>manufacturers from Kazakhstan and CIS countries</b>	Main suppliers manufacturers: <b>manufacturers from distant countries</b>	Main suppliers manufacturers: <b>manufacturers from Kazakhstan and Belarus</b>





The Kazakhstani structure of agricultural machinery suppliers today is represented by both global and local producers. Global manufacturers include: Rostselmash (Russia), Gomselmash, Minsk Tractor Plant, Bobruiskagroprommash (Belarus), John Deere, Case IH, New Holland (USA), CLAAS (Germany), etc. They are distinguished by the format of their presence in the structure of agricultural machinery. Assembly production has been organized by Russian and Belarusian manufacturers with a gradual increase in the localization of manufactured equipment. As for manufacturing companies from non-CIS countries, they sell the manufactured equipment through exclusive distributors or dealers.

Large domestic producers are joint ventures with foreign partners, such as: SemAZ LLP, AgromashHolding KZ JSC, Kazrost Engineering Ltd Private Company, Don Mar LLP, AVAGRO LLP, Kazakhstan Agro Innovation Corporation LLP, Firm DAFA LLP and Kostanay Tractor Plant LLP.

Over the 20-year period of its activity, KazAgroFinance has long-term relations with the world's leading foreign suppliers of agricultural machinery and equipment: Eurasia Group AG (Switzerland), CT AGRO GmbH (Germany), Lackaj Import-Export-Transporte (LIET) (Germany), BHK Agro AG (Switzerland), Techsystems KFT (Hungary), as well as suppliers from neighboring countries "Trade House Belarus Traktor LLP, Sibzavod Agro LLC (Russia). KazAgroFinance purchases leased items exclusively directly from manufacturing plants or from official dealers.

For a long time, the Company has been closely cooperating with such major representatives of domestic mechanical engineering as Agromashholding JSC, SemAZ LLP, Kazrost Engineering Private Company, KAIK LLP, DAFA LLP (Kazakhstan), Don Mar LLP, Kostanay Tractor Plant LLP, AVAGRO LLP.

The share of leasing of domestically produced equipment in KazAgroFinance has significantly increased in the total leasing volume in 2020 and amounted to 39%. This level is ensured by implementation of a new financing program "Made in Kazakhstan" by the Company.

Given the problems with the sufficient funds from agricultural producers to independently purchase the required amount of equipment, as well as their low creditworthiness, aggravated by high credit rates in the country, measures are needed to further develop mechanisms for financing the renewal of agricultural equipment, and leasing is an effective tool that solves this problem. To increase the rate of renewal of agricultural machinery and equipment, the Company is introducing new product programs focused on consumer demand, as well as improving the current financing conditions.

## LEASING MARKET ANALYSIS

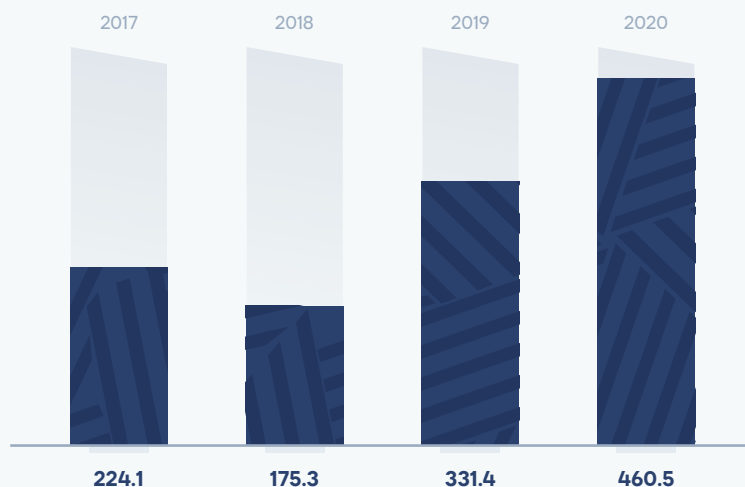
**Leasing is an effective tool for updating fixed assets and is actively used in world practice. In Kazakhstan, leasing activities are regulated by the Law of the Republic of Kazakhstan "On Financial Leasing" dated July 5, 2000, No. 78-II, the Civil Code of the Republic of Kazakhstan (Special Part) and the Code of the Republic of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget."**

The Kazakhstani leasing market is still at an early stage of development, it is distinguished by a relatively small number of participants (about 30 active companies), small volumes and number of transactions. Among the main factors hindering the development of the market, one can single out the low awareness of potential clients about the possibilities of this type of financing and the problem of funding leasing companies.

To a large extent, lease financing in Kazakhstan has been developing in recent years through government programs to support the economy. Moreover, it is in agriculture that leasing is most in demand. This is partly because commercial banks are reluctant to lend to the industry, considering it high-risk and with a long production cycle inconvenient for the lender.

According to a survey of enterprises engaged in leasing activities carried out by the Bureau of National Statistics, in 2020 the total value of financial leasing agreements amounted to 460.5 billion KZT and increased 1.4 times compared to 2019. The most attractive sectors for financing were transport and warehousing – 32.1% of the total value of financial leasing agreements, agriculture, forestry and fisheries – 27.7%.

### Total value of finance lease agreements, bln KZT





At the same time, the current leasing portfolio in the country as a whole at the end of 2020 amounted to 876.9 billion KZT, and the volume of lease payments received on financial leasing reached 225 billion KZT. In the structure of funding sources in 2020, the largest share is taken by raised funds – 70.3%, and the largest share in this indicator is taken by borrowed funds, which amounted to 47.2%.

Moreover, KazAgroFinance is the main lessor in the field of agricultural machinery. In 2020, the capacity of the leasing market in the AIC amounted to 127.5 billion KZT, of which KazAgroFinance accounts for 110.0 billion KZT, which is 86.2% of the total leasing in the AIC in Kazakhstan.

As of the beginning of 2020, there were around 30 operating leasing companies in Kazakhstan. Two leasing companies are state-owned, the rest are private companies, 8 of which are subsidiaries of second-tier banks.

As for the analysis of financing conditions, the longest leasing terms are provided by Industrial Development Fund JSC (hereinafter referred to as the IDF JSC) – up to 20 years for air transport) and KazAgroFinance JSC – up to 10 years for agricultural machinery. On average, all companies finance for a period from 3 to 5 years. The most favorable rates for the client – from 6% per annum – are offered by KazAgroFinance JSC (under the Made in Kazakhstan program) and IDP JSC (under the Leasing of tractors and combines program, there is also the possibility of purchasing without a down payment). The most expensive rates are set in Al Sakr Finance JSC – from 19%, with the possibility of subsidizing the profit rate from 7% to 10% per annum under the DKB-2020 program for projects that meet the terms of the program.

In terms of the amount of the advance payment, the most favorable conditions were offered by KazAgroFinance JSC within the framework of the Reliable Farmer program and IDP JSC within the Leasing of tractors and harvesters program – no advance payment is required. The largest amount of advance payment (from 30%) is stipulated in IDP JSC under the Leasing of air transport program.

On average, companies set a down payment of 15–20%. As for collateral, collateral is not required for financing programs of KazAgroFinance JSC and IDP JSC, as well as for partnership programs of Leasing Group JSC and TechnoLeasing JSC.

Thanks to the widespread public support through the tools of the Damu and Business Roadmap programs, the number of leasing market players with special programs for leasing agricultural machinery and equipment has increased significantly. So, at the end of 2020, there were already about 10 such companies (KazAgroFinance JSC, IDP JSC (former DBK Leasing JSC), Leasing Group JSC and TechnoLeasing LLP, Al Sakr Finance JSC (successor of SK Leasing JSC), Kazakhstan Ijara Company JSC (KIC Leasing), including 4 – subsidiaries of second-tier banks (Halyk LEASING Subsidiary of Halyk Bank of Kazakhstan, ForteLeasing JSC, Nur Leasing Leasing company Nurbank Subsidiary JSC, Al Hilal Islamic Bank JSC).

IDP JSC and KazAgroFinance JSC offer the most acceptable financing conditions in the agricultural machinery and equipment leasing market: a long lease term and flexible conditions for clients within various product programs: a rate of 6% per annum, a low advance payment and long financing terms.

Thus, the leaders of the leasing market are still companies that have preferential conditions for the provision of financing, as well as quite extensive experience in this area. State programs to support the economy continue to have a significant impact on the leasing industry, primarily in the AIC, industry, small and medium-sized businesses, since government support is often provided through lease financing.

At the moment, KazAgroFinance JSC remains the undisputed leader in the AIC leasing market, despite the lack of budgetary investments since 2014. The programs of KazAgroFinance JSC are preferred by farmers due to the seasonal schedule of repayment of the principal debt (payment once a year after harvest), long leasing terms, and a low amount of advance payment.

The key advantages of leasing financing of KazAgroFinance JSC for farmers are:

- more flexible terms and schemes of leasing financing. When registering a lease, no additional collateral is required, since it is the subject of leasing itself;
- conditions are formed for the specifics of agribusiness. The Company provides a flexible schedule for repayment of the principal debt, considering the seasonality of spring field and harvesting operations, the principal debt is paid once a year after the harvest. Lease financing terms are long, which is convenient for clients, as their projects often involve a long-term payback. The Company's advantages also include the absence of collateral, a grace period, and a low amount of advance payment. Moreover, an important and main factor is a wide regional coverage (16 branches), which no leasing company in Kazakhstan can provide;
- an advantage in favor of choosing a leasing financing scheme is the availability of tax advantages<sup>3</sup>.



<sup>3</sup> Article 197 of the Code "On Taxes and Other Mandatory Payments to the Budget" (Tax Code).



## PEST ANALYSIS

To assess the factors of the macroenvironment, a PEST analysis of key political, economic, social and technological factors that may directly or indirectly affect the activities of the Company is presented.

### Political factors

#### Opportunities

**Purposeful state policy for the development of agriculture.**

The state program for the AIC development is aimed at the maximum coverage of agricultural producers with state support and the development of rural entrepreneurship. In addition, the National Project for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2022–2026 is being developed, which main goal is the sustainable development of the agro-industrial complex, aimed at ensuring food security and increasing the export of products.

**Creation of a single development institution through the merger of NMH Baiterek JSC and NMH KazAgro JSC.**

The entry of KazAgroFinance into the subsidiaries of the Baiterek holding will have a positive impact on the development of the Company by providing access to the best corporate governance practices, as well as to an additional inflow of investments in external capital markets on more favorable terms.

**Participation of Kazakhstan in the Eurasian Economic Union.**

Domestic agricultural producers have the opportunity to enter the united market of the Eurasian Economic Union member countries.

#### Threats

**Negative impact of the consequences of the pandemic on the economy of Kazakhstan and the global economy.**

Due to the introduction of quarantine measures during the coronavirus pandemic, supply and demand were suppressed by quarantine measures domestically and abroad, as well as by the closure of borders, which led to a sharp decline in international trade and export relations with neighboring countries.

**Dependence on state policies.**

The decision to merge the two holdings, implemented by a two-fold reduction in the number of subsidiaries and a corresponding adjustment of the staffing level, may lead to a reduction in the volume of services rendered in the AIC by the Company, as well as to the loss of a part of qualified industry specialists. Also, a wide coverage of government regulation in the long term can provoke the development of dependent sentiments among domestic agricultural producers.

**Uncertainty of the monetary policy of the central banks of developed countries.**

In 2020, amid the pandemic, central banks around the world revised monetary policy, focusing on ensuring the liquidity of the financial system. Since rates in many large advanced economies were close to zero or below zero as of June 2020, there is a high likelihood of further unconventional measures being taken in the future.

**Low investment attractiveness of projects implemented in Kazakhstan.**

The main constraining factors include: instability of legislation (constantly changing regulation rules), lack of sufficient infrastructure conditions for the implementation of projects, insufficient volume of freight traffic, poor development of international route corridors, and others.

**Amendments to the tax legislation of the Republic of Kazakhstan regarding the exclusion of tax benefits provided for leasing.**

Cancellation of existing incentives for the payment of corporate income tax for lessors, as well as calculation and payment of VAT on leasing operations may lead to a significant deterioration of the investment climate, losses for foreign investors, and also make leasing economically unattractive for both potential lessees and lessors. As a result, a slowdown in the development of SMEs, an increase in the proportion of morally and physically obsolete equipment, as well as, in general, the disappearance of leasing as a financial institution in Kazakhstan.

The analysis shows that government support, provision of a raw material base, introduction of new technologies and an increase in the level of manufacturability in aggregate are the backbone factors that have a positive impact on the development of the Company and the industry as a whole.

## Economic factors

### Opportunities

**Favorable investment business climate.** Over the past 3 years, investments in fixed assets in agriculture have shown an upward trend. At the end of 2020, they amounted to 573.2 billion KZT and increased by 15% over the year.

**Sufficient provision of the industry with resources.** Thanks to its vast territories, the AIC of Kazakhstan is provided with a sufficient fund of agricultural land, as well as a stable raw material base.

**Government subsidies for the industry.** In accordance with the Rules for Subsidizing on Reimbursement of Part of the Costs incurred by the entity of the Agroindustrial Complex, when making investments, the state subsidizes investments and part of the remuneration of agricultural producers.

**Annual GDP growth.** The annual growth of the Kazakh economy creates a favorable background for increasing production in agriculture.

### Threats

**Economic consequences of quarantine,** expressed in a decrease in the paying capacity of clients due to the introduction of a state of emergency in the country at the beginning of 2020 and related restrictive measures.

**High level of risks in the agricultural sector.** The high degree of dependence of the crop growing industry on weather and climatic conditions, and the livestock industry on the risks of epizootics, poorly organized logistics of agricultural products going for processing, the long length of logistics routes within the country, as well as complex logistics of export routes, limited sales markets, the dependence of domestic prices for finished products from the introduction of import and trade duties.

**Instability of external and internal prices** for equipment, fertilizers, feed, veterinary drugs and energy resources, on which the success of farmers depends.

**Introduction of a utilization fee for agricultural machinery** may lead to an increase in the cost of machinery and a decrease in the purchasing power of agricultural producers in relation to more powerful machinery.



## Socio-demographic factors

## Opportunities

**The constant nature of the need for agricultural products** in the context of an increasing population creates the preconditions for maintaining a long-term growth trend in the agricultural sector with an emphasis on the production and sale of organic agricultural products.

**The main trends in the consumption of agricultural products by the population** associated with the promotion of healthy nutrition, the popularization of organic products among the population, as well as a significant share of the population in rural areas.

**The emphasis of the state on the development of rural entrepreneurship.** The state provides a program of mass training of rural entrepreneurs in new farming skills. In addition, within the "Auyl – Yel Besigi" program (village is the cradle of the land), a measure is envisaged to ensure the availability of lending to small businesses in rural areas.

**High level of education.** This factor is important for providing the organization with highly qualified specialists. State agricultural universities function in Kazakhstan, which annually graduate specialists to work at AIC enterprises in various fields.

## Threats

**Low income.** Traditionally, the average monthly nominal wage of agricultural workers is low, averaging about 70% of the level of the average monthly nominal wage of workers in all types of economic activities and demonstrating weak growth dynamics year on year.

**Outflow of the rural population.** According to the Bureau of National Statistics, in recent years there has been a negative balance of rural migration within the country. As noted by the Ministry of National Economy of the Republic of Kazakhstan, Kazakhstan has the highest level of urbanization among the Central Asian countries – 58.2%, but lower than in the OECD countries, where this indicator is 77%.

**Seasonality.** Different seasons require different amounts of labor to complete the agricultural cycle. As a result, uneven labor demand arises. During the season, 1.4 million people are employed, and the rest of the time – about 1.2 million people.

## Technological factors

## Opportunities

**Government stimulation of the introduction of new technologies and innovations.** The state promotes the introduction of digitalization of agricultural technologies and innovative technologies at enterprises of the agro-industrial complex, the automation of technological processes, as well as the conduct of scientific research.

**An increase in the level of manufacturability of domestic agricultural production** may lead to an increase in the demand of agricultural producers.

## Threats

**The state of the material and technical base.** More than half of agricultural machinery and equipment is used beyond the amortization period. According to the Ministry of Agriculture of the Republic of Kazakhstan, today the service life of many tractors and combines available from agricultural producers exceeds 10 years.

**Technological backwardness of domestic agricultural machinery and dependence on foreign technologies.** Lack of modern technologies adapted to the climatic and geographic conditions of Kazakhstan by domestic manufacturers

## SWOT ANALYSIS

**This SWOT analysis reflects the strengths and weaknesses, as well as the existing opportunities and threats for the Company's activities.**

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

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

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

### Strengths

1. Extensive experience in the field of leasing and lending in the AIC.
2. High competence in the provision of leasing services and qualified personnel.
3. Wide branch network throughout the country.
4. Established partnerships with domestic and global manufacturers of agricultural machinery and equipment.
5. High level of corporate governance of the Company.
6. Availability of an effective integrated risk management system of the Company.
7. Recognizable brand for agricultural producers.
8. Positive dynamics in the number of clients.
9. Diversified portfolio of funding sources and significant experience in raising borrowed funds in the domestic and international markets.

### Weaknesses

1. Concentration of the loan portfolio in one sector of the economy.
2. High interest rate for leasing products due to the lack of budget funding.
3. Insufficient level of automation of the leasing process.
4. A high degree of dependence on political decision making.
5. Detachment from the sectoral ministry, the loss of connections entails the risks of making incorrect decisions during analysis and expertise.

### Opportunities

1. Increasing the level of state support for the AIC, including on the issues of updating the machine and tractor fleet.
2. The presence of unsatisfied demand in the renewal of agricultural machinery and equipment, respectively, the possibility of increasing investments.
3. The presence of a significant number of agricultural producers not covered by the services of the Company.
4. Strengthening the brand of KazAgroFinance JSC, positioning itself as the best partner for agribusiness entities in updating agricultural machinery and equipment.
5. Improvement of business processes for consideration of customer applications, including the transition to online service of applications for leasing equipment.

### Threats

1. Insufficiency of funds allocated for state subsidies for investment and/or interest rates on loan products in the AIC sector.
2. The emergence of a second entity in the quasi-public sector on the agricultural leasing market, which creates incorrect competition.
3. The risk of a decrease in the planned indicators for the repayment of lease payments by customers, as well as a decrease in demand for equipment as a result of the introduction of restrictive measures related to the pandemic.





## IMPLEMENTATION OF THE DEVELOPMENT STRATEGY

In 2020, KazAgroFinance JSC implemented the Development Strategy for 2020–2029, which identified 11 tasks within 2 strategic directions and 4 goals, as well as achieving results in 9 key performance indicators.

To ensure the achievement of goals and control over the effective implementation of the Development Strategy, the operational plan of activities for 2020 was implemented.

### Strategic direction 1.

Assistance in the development of competitiveness of the agro-industrial complex through technical and technological equipment

Goal 1:  
increasing technical equipment and export potential in agriculture.

KPI	2019	2020		2021	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
1. Leasing of agricultural machinery and equipment, KZT bln	98.5	75	110	85	120
2. Labor productivity for financed investment projects, thousand KZT per 1 employee	-	3,250	3,841	3,350	4,450
3. Export volume of products for projects financed by the Company, USD million	-	23.5	28.1	30	36

\* The strategic KPIs "Labor productivity for financed investment projects" and "Volume of export of products for projects financed by the Company" were not planned in the previously existing Development Strategy of the Company for 2017–2026.

### Implementation of the task 1. Increase the volume of investments in the leasing of agricultural machinery and equipment.

As of January 1, 2021, the number of existing users covered by the Company's services amounted to 8,263 customers, which is 597 more than as of January 1, 2020 (7,666 units).

In 2020, the Company financed the purchase of 6,056 units of agricultural machinery and equipment. The disbursement of funds for leasing equipment as of January 1, 2021 amounted to 110.0 billion KZT, or 111.7% of the level of 2019 (98.5 billion KZT).

With the planned value in the Development Strategy of the Company for 2020 in the amount of 75 billion KZT, the actual implementation was 146.7%. The performance of this indicator in a larger volume than planned is associated with the receipt of a larger number of applications for financing equipment, which is due to the provision of subsidies for equipment and programs with preferential financing conditions (low rate, no advance

payment, etc.), as well as the allocation of funds from the National Fund of the Republic of Kazakhstan (NF RK) for leasing of domestic equipment.

### Implementation of task 2. Assistance in the development of export potential and labor productivity in the AIC.

At the end of 2020, despite the pandemic associated with the spread of the coronavirus infection Covid-19, the Company's clients achieved the planned level of labor productivity and export volume. Thus, labor productivity for financed investment projects amounted to 3,841 thousand KZT per 1 employee, or 118% of the planned value. The calculation was made based on the data of borrowers for investment projects. The volume of exported products in monetary terms amounted to 28.1 million US dollars, the fulfillment of the plan – 119.6%. In physical terms, the export volume amounted to 64 heads of cattle, as well as 53,852.4 tons of other products.

#### Goal 2: Improvement and development of leasing services.

KPI	2019	2020		2021	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
4. The level of automation of the main financing processes, %	-	30	30	60	100

\* The strategic KPI "The level of automation of the main financing processes" was not planned in the previously existing Development Strategy of the Company for 2017–2026.



### **Implementation of the objective 1.** **Improving the quality and level of availability of leasing services.**

In order to provide support to AIC entities, the Express-Leasing service has been updated for a simplified and accelerated consideration of applications for funding based on scoring on the minimum package of applicants' documents, as well as the scope of activities has been expanded and the application limit has been increased. So, according to the changes in this service, it is possible to receive financing for clients who carry out their activities not only in the field of crop production, but also in meat production. The limit on the application has been increased from 100 million KZT to 150 million KZT per borrower. In addition, the list of documents for financing has been revised, which makes it possible to consider customer applications based on electronic documents.

### **Implementation of objective 2.** **Development of the Company's product line, including through the introduction of new directions of financing.**

**The company implements a balanced product line that provides the following areas of financing:**

1. leasing on standard terms (leasing of agricultural machinery, vehicles for the transportation of biological assets, agricultural and fish products, including freight cars, special equipment for land reclamation and agricultural work, including unmanned aerial vehicles, equipment leasing);

2. lending to replenish working capital (within the previously funded projects);
3. special financing programs "Made in Kazakhstan," "Reliable Farmer";
4. special financing services "Express Leasing," "Master Leasing."

As part of the objective of developing the product line, as well as to implement the State-of-the-Nation Address of the Republic of Kazakhstan and the Company's participation in the digitalization of services in the AIC through the introduction of innovative technologies and projects, a new direction of financing has been launched – the leasing of unmanned aerial vehicles for agricultural needs.

### **Implementation of objective 3.** **Automation of the Company's business processes.**

In order to increase the level of automation of the Company's business processes, a number of measures were implemented in the reporting year, including the creation of a portal for the possibility of applying for financing, the development of online lending functionality for the agro-industrial sector online (the system is undergoing testing), the introduction of integrated interaction with FCB, SCB, for automatic analysis of the reliability/creditworthiness of the client.

By the end of 2020, 100% fulfillment of the planned efficiency value was achieved – a 30% level of automation.

## Strategic direction 2.

### Efficiency of the Company

**Goal 1.**  
Increase of the profitability  
of the Company.

KPI	2019	2020		2021	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
5. ROA, %	2.31	1.53	2.82	not less than 1.53	not less than 1.65
6. ROE, %	6.43	4.65	8.56	not less than 4.65	not less than 5.01
7. The ratio of the volume of budget funds to funds raised, %	-	1:1.3	1:2.34	1:1.3	1:1.3
8. Maintaining the optimal level of formed reserves (provisions) for the loan portfolio, %		13	11.68	13	12
9. Repayment of the principal debt on projects financed from the resources of the National Fund of the Republic of Kazakhstan, %		15.0	15.74	31	97

\* Strategic KPI "Ratio of the volume of budget funds to funds raised" was not planned in the previously existing Development Strategy of the Company for 2017–2026.



### Implementation of objective 1. Improving the efficiency of equity and asset management.

#### ROA, ROE

In the reporting period, the Company achieved the indicators of return on assets and equity capital, which is due to an increase in income. At the end of 2020, net income was greater than planned and amounted to 9,598.2 million KZT. As a result, the ROA indicator stood at 2.82% against the target of at least 1.53%. ROE – 8.56% with a target of at least 4.65%.

The ROA indicator was also influenced by the prevailing average annual assets in the amount of 340,407.4 million KZT.

ROE was influenced by the level of the average annual capital, which also exceeded the planned volume and amounted to 112,173.9 million KZT at the end of 2020.

#### The ratio of the volume of budget funds to funds raised

In 2020, the company attracted  
98.74 billion KZT, including:

- budgetary funds – 20 billion KZT, due to the reuse of funds of the NF RK, 19.66 billion KZT of which was spent;
- extra-budgetary funds – 78.74 billion KZT, 46.06 billion KZT of which was spent against the plan of 45.0 billion KZT (102.4%).

According to the results of the reporting year, the KPI "Ratio of the volume of budget funds to attracted extrabudgetary funds" was achieved in full and amounted to 1:2.34 with an annual plan of 1:1.3 (180%).

### Implementation of task 2. Improving the quality of the loan portfolio.

In order to improve the quality of the loan portfolio, the Company monitors compliance with payment discipline by the Borrowers on a monthly basis.

The level of provisions at the beginning of 2021 amounted to 11.68% against the planned value of 13% (the level of fulfillment is 111%). The number of provisions as of January 1, 2021 was 38,190 million KZT, the book value of the loan portfolio was 327,052 million KZT.

### Implementation of objective 3. Improvement of the monitoring system of funded projects.

The loan portfolio of the NF RK as of January 1, 2021, amounted to 45.165 billion KZT. Since the beginning of 2020, the NF RK portfolio has been reduced by 8.434 billion KZT, or 15.74%. Thus, the plan to repay the principal debt under NF RK projects was fulfilled by 104.9%.

In 2020, previously approved investment projects were additionally financed from the undeveloped limit of the NF RK. In total, 3 investment projects were additionally financed for 945.8 million KZT.

**Goal 2.**  
**Corporate development of**  
**the Company in accordance**  
**with best practice.**

KPI	2019	2020		2021	2029
	(fact)	(plan)	(fact)	(plan)	(plan)
10. Corporate Governance Rating, %	-	-	-	86.0	-

\* The strategic KPI "Corporate Governance Rating" was not planned in the previously existing Development Strategy of the Company for 2017–2026. In the Company's Development Strategy for 2020–2029, the value of this efficiency factor for 2020 is also not planned.

**Implementation of objective 1.**  
**Improving the corporate governance**  
**system and increasing the transparency**  
**of the Company's activities.**

The target for the KPI "Corporate Governance Rating" for 2020 has not been set. At the same time, in accordance with the best global corporate governance practice, the Company in 2020 implemented the measures planned according to the action plan to improve the corporate governance system for 2019–2021. As part of the implementation of the above plan, an assessment of the work of the Board of Directors was carried out. The Board of Directors annually reviews the Company's report on compliance with the Corporate Governance Code.

To comply with the rules for disclosing information about its activities, the Company is guided by the legislation of the Republic of Kazakhstan in the field of the securities market, joint stock companies, listing rules, a resolution of the National Bank of the Republic of Kazakhstan, as well as other documents in the field of transparency of information disclosure.

Disclosure of information on corporate events and periodic reporting is carried out through the Internet resources of the Financial Reporting Depository, the Kazakhstan Stock Exchange, the corporate Internet resource of the Company.

The company prepares an annual activity report for the reporting year. The annual report is prepared in accordance with the requirements established by the Kazakhstan Stock Exchange and the internal documents of the Company. The annual report presents a balanced picture of the Company's activities, including conclusions based on the results of the reporting period and development prospects.

In December 2020, the Company took part in the competition for annual reports organized by the QRA Rating Agency, following which the Company's annual report in the rating of all annual reports took the seventh position, and entered the top 20 "Best ESG information disclosure in corporate reporting." The Company was also awarded a diploma for the best disclosure of strategy in the annual report.

The corporate website of the Company is the key and most accessible source of information for most stakeholders. In this regard, it contains the maximum possible public information, is well structured, easy to navigate and accessible to all interested parties. The Company's website contains extensive information about the Company, management, organizational structure, implemented financing products and others.



## Implementation of task 2. Improvement of risk management and internal control systems.

### Risk management system

The Company has built an effective risk management system that allows for timely identification, reliable assessment and minimization of risks. In order to improve the corporate risk management system, the Company is implementing an action plan to improve the corporate risk management system of KazAgroFinance for 2019–2025 (for more details on the implementation of measures in 2020, see the Risk Management section).

**The Company has achieved the following indicators approved by the Board of Directors:**

- risk appetite and risk tolerance according to the external rating – BB+ (fact as of January 1, 2021 – BB+);
- profitability – at least 95% of the established development plan (fact as of January 1, 2021 – 194%);
- the maximum amount of external debt of the KazAgro Holding JSC group – 14,802 million KZT (fact as of January 1, 2021 – 2,394 million KZT);
- current liquidity ratio – no less than 1.5 (fact as of January 1, 2021 – 2.26);
- quality of the loan portfolio of subsidiaries (as of January 1, 2021, the level of provisions was 11.68%, while the plan was 13% (the level of performance was 111%).

### Internal control system

The Company's internal control system is an integral part of the corporate governance system. In order to ensure the effective functioning of the internal control system, the Company is implementing an action plan to improve the internal control system of KazAgroFinance JSC for 2019–2021.

As part of the implementation of this plan, in October 2020, Intertek International Kazakhstan LLP conducted

a recertification audit of the Company's quality management system (QMS) in accordance with the requirements of ISO 9001:2015.

According to the results of the recertification internal audit of the QMS, no inconsistencies were identified. The Company's QMS meets the audit criteria and is recognized as effective, ensuring the achievement of goals. Based on the results of the audit, it was recommended to extend the certification until December 11, 2023.

## Implementation of objective 3. Increasing the potential of human resources, development of a result- oriented corporate culture.

The Company implements a personnel policy aimed at creating and improving an effective corporate personnel management system. The high level of professionalism of the Company's employees is maintained and developed in the system of continuous training and advanced training, as well as strengthening the corporate culture. As part of the implementation of the Corporate Standard for Human Resource Management and the implementation of the process for the final assessment of performance in August 2020, the performance of the Company's employees was assessed. The used assessment system was observation, aimed at determining the level of professional competence of employees, skills, business qualities, knowledge, as well as their potential in the context of the strategic objectives of the Company.

Assessment encourages employees to correctly formulate their career goals so that managers are aware of their career expectations, as well as help the employee understand if their career expectations are realistic. The assessment helped to identify the potential of existing employees with the possibility of career growth and promotion to management positions, which will reduce the cost of finding and training new employees.

# OPERATING RESULTS

## The main achievements of KazAgroFinance in 2020:

6,056 units of agricultural machinery and equipment were leased for the amount of 110.0 billion KZT

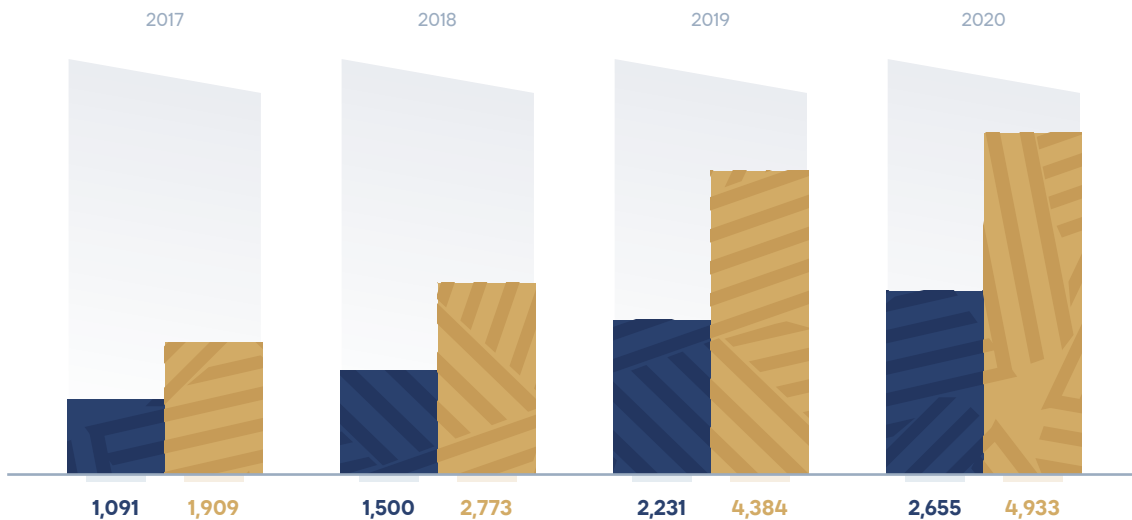
in 2020, the largest net income in the history of the Company was received, amounting to 9.6 billion KZT

114.0 billion KZT was invested in the development of the AIC

4,933 agreements were concluded for financing agriculture

2,655 clients were financed

## Number of clients served and concluded financing agreements



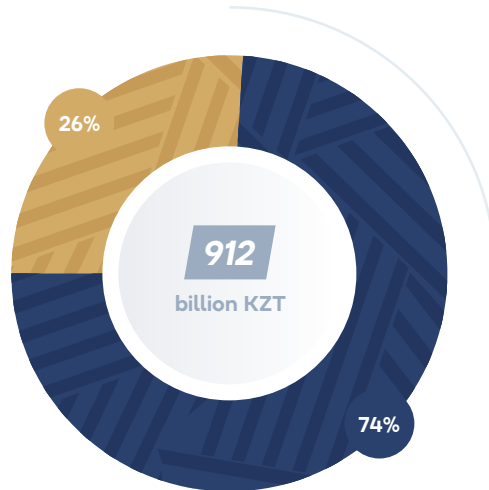
- number of clients, units
- number of contracts, units

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





## Invested in the AIC from 2000 to 2020

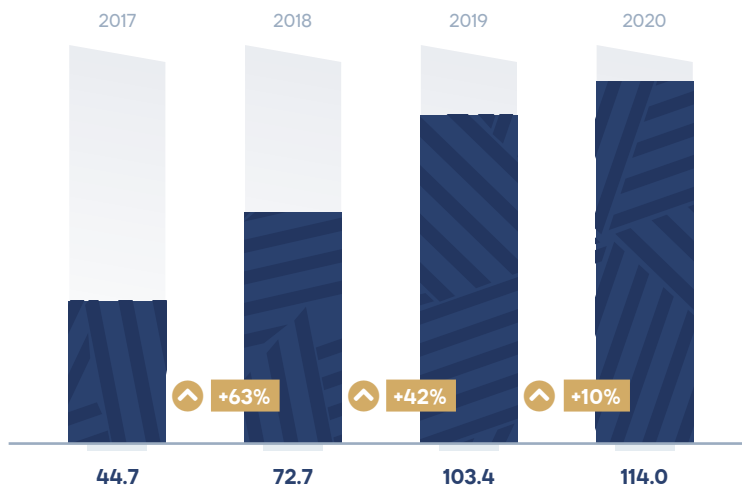


- extrabudgetary funds
- state funds

From 2009 to 2016, KazAgroFinance acted as an operator for financing investment projects, including those implemented at the expense of the NF KR. Since 2017, the Company has been concentrating its activities exclusively on the leasing of agricultural machinery.

**Over the past 6 years, investments in the AIC have been carried out at the expense of the Company's own and borrowed funds.**

## Investment dynamics



- Investment volume, billion KZT

## Leasing of agricultural machinery provided by KazAgroFinance

Equipment	2018		2019		2020		Total 2000–2020	
	unit	sum	unit	sum	unit	sum	unit	sum
Sowing machines	72	1,736	143	7,336	130	4,933	1,529	57,798
Tractors	1,032	15,592	1,713	30,859	1,996	35,550	16,424	157,648
Harvesters	495	28,268	540	32,856	539	36,237	11,378	286,394
Seeders	133	2,626	416	4,386	346	7,544	2,941	23,294
Other machinery	1,550	12,762	3,073	23,017	3,045	25,774	22,072	128,206
Equipment	144	1,987	8	58			604	58,897
<b>Total</b>	<b>3,426</b>	<b>62,972</b>	<b>5,893</b>	<b>98,513</b>	<b>6,056</b>	<b>110,038</b>	<b>54,948</b>	<b>712,236</b>

In total, KazAgroFinance for all the years has financed the acquisition of about 54.9 thousand units of agricultural machinery and equipment for a total amount of 712.2 billion KZT. The leased equipment cultivates 10 million hectares of sown land.

In 2020, the Company financed over 6 thousand units of equipment in the amount of 110.0 billion KZT, i.e. growth in comparison with 2019 amounted to 2.8% in quantitative

terms (6,056 units to 5,893 units), in monetary terms – 111.7% (110.0 billion KZT to 98.5 billion KZT).

Based on the analysis of data from the Ministry of Agriculture of the Republic of Kazakhstan, the share of the main types of equipment leased by the Company was: for tractors – 41.8%, for combines – 41.6%, for seeding units – 50.0% of the total volume of these types equipment purchased by agricultural producers throughout Kazakhstan.

## Leasing structure for special programs

Program	Number of agreements	Number of equipment	Equipment value, mln KZT	Share, %
Agrotechnics	376	451	4,398.8	4.0%
Master-leasing	449	680	25,522.5	23.2%
Own feeds	724	875	4,398.9	4.0%
Made in Kazakhstan	727	814	15,493.8	14.1%
Express-leasing	444	585	9,180.5	8.3%
Reliable farmer	28	31	325.3	0.3%
Other	2,178	2,620	50,718.0	46.1%
<b>Total:</b>	<b>4,926</b>	<b>6,056</b>	<b>110,037.8</b>	<b>100.0%</b>



**The most popular in 2020 were the special programs "Made in Kazakhstan," "Own feeds," "Master-leasing" and "Express-leasing."**

The demand for the "Made in Kazakhstan" program is associated with favorable financing terms, providing a preferential rate.

The program "Own feeds" provided a reduced amount of the initial payment, as well as the possibility of obtaining subsidies for the financing rate and receiving investment subsidies.

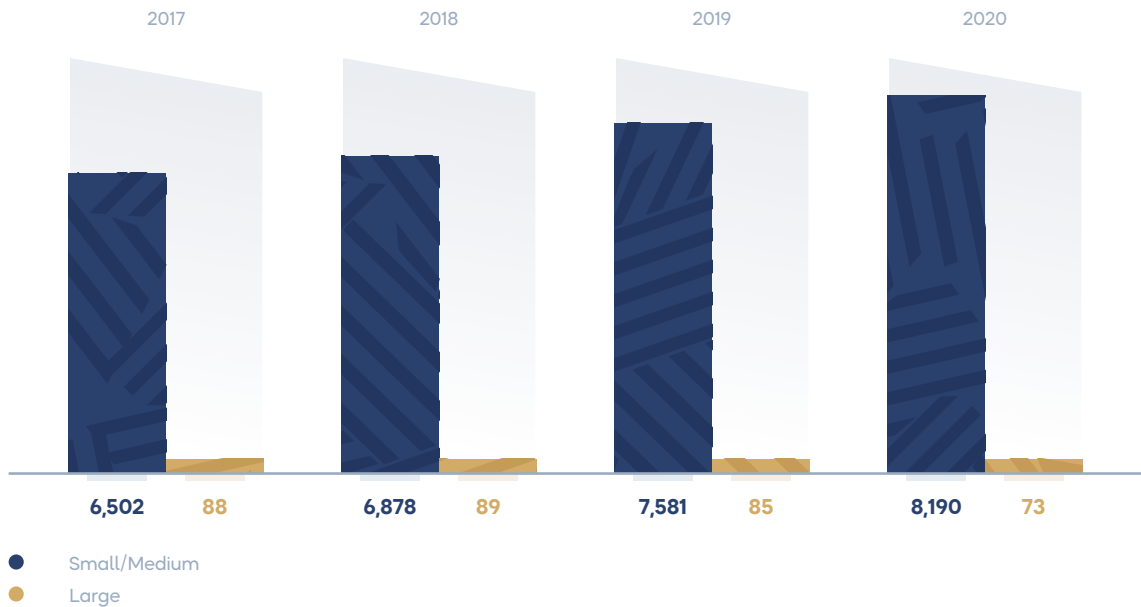
Within the "Master-Leasing" service, the client can open a line with a financing limit for 1 year, within which, when applying within a year, the client only needs to submit an application without re-collecting full package of documents and without going through the application

review procedure. This allows to speed up the procedure for concluding a lease agreement to 2 days.

The advantages of the special service "Express Leasing" include the opportunity to consider an application for leasing equipment worth up to 150 million KZT as soon as possible (5 days) without confirming income based on a minimum package of documents (without providing a business plan and financial statements).

**The total number of clients in the Company's portfolio at the end of 2020 amounted to 8,263 units. Based on the analysis results, the main share of clients continues to be small and medium-sized businesses, respectively, 8,190 clients - small/medium-sized businesses, 73 - large.**

### Number of clients by business size, units



### Post-pandemic customer support measures of the Company

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In pursuance of the order of the decree of the President of the Republic of Kazakhstan dated March 15, 2020, No. 285, the decision of the State Commission for ensuring the state of emergency of March 16, 2020 No. 1 and the resolution of the Board of the Agency of the Republic of Kazakhstan on regulation and development of the financial market dated March 22, 2020, No. 17, the authorized body of the Company decided to provide small and medium-sized businesses with restructuring (provision of deferrals and renewals) under financing agreements by June 15, 2020, without accruing penalties. Provide restructuring with the suspension of payments on the principal debt and interest under financing agreements based on an application and documents confirming the deterioration of the financial condition of the borrower.

As part of the execution of the minutes of the meeting of the State Commission for ensuring the state of emergency of April 3, 2020 No. 9, the authorized body of the Company made a decision when considering applications of borrowers/lessees to defer the payment of the principal debt and remuneration under the concluded loan/leasing agreements engaged in production in greenhouses (greenhouses), apply a grace period of 1 year (if necessary, with distribution for subsequent periods within the financing period), subject to the Company's internal regulatory requirements.

In connection with a man-made emergency due to flooding of settlements in the Maktaaral district of the Turkestan region, the Company approved the procedure for granting restructuring (deferrals) to agribusiness entities under financing agreements for a period of more than 1 year.

In the quarantine period during the coronavirus pandemic, the Company implemented a simplified procedure for accepting loan applications when submitting electronic copies of an abbreviated package of documents. This measure allowed to reduce the burden on clients to collect the necessary documents for financing. The Company also took measures to further optimize the list of documents required for consideration of financing.

**In 2021, the Company is considering the possibility of switching to an automated mode of operation for the process of accepting and considering applications for funding through its Internet resource, which will significantly reduce the time for consideration of applications.**

Subsequently, the necessary post-pandemic measures by the Company will be taken promptly in accordance with the requirements of the legislation of the Republic of Kazakhstan, instructions from regulators, as well as further development of the situation related to quarantine measures.



## Structure of clients in the portfolio by regions in 2020

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







## FINANCIAL RESULTS

### Key balance sheet indicators, KZT mln

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	12,236	20,581
Funds from credit institutions	39,618	8,451
Investment securities	-	11,179
Loans to clients	30,702	36,930
Finance lease receivables	258,160	226,615
Property held for finance lease	4,289	7,705
Fixed assets	939	464
Other assets	9,135	13,811
<b>Total assets</b>	<b>355,079</b>	<b>325,736</b>
<b>Liabilities</b>		
Debt to the Sole Shareholder	53,444	54,136
Funds of credit institutions	63,549	75,934
Debt securities issued	98,238	65,385
Other liabilities	24,759	21,022
<b>Total liabilities</b>	<b>239,990</b>	<b>216,477</b>
<b>Equity</b>	<b>115,089</b>	<b>109,259</b>
<b>ROA</b>	<b>2.82</b>	<b>2.95</b>
<b>ROE</b>	<b>8.56</b>	<b>8.54</b>
<b>Book value of one ordinary share, KZT</b>	<b>1,382.88</b>	<b>1,311.95</b>

### Key indicators of the income statement, KZT bln

	2020	2019	2020, in% by 2019
<b>Income, total</b>	<b>39.34</b>	<b>33.48</b>	117.5%
including:			
remuneration income	37.40	32.47	115.2%
<b>Расходы, всего</b>	<b>29.75</b>	<b>24.75</b>	120.2%
including:			
remuneration expenses	20.26	16.69	121.4%
provisioning costs	4.26	1.22	349.2%
CIT	-0.01	-0.47	2.1%
<b>Net income</b>	<b>9.6</b>	<b>9.21</b>	<b>104.2%</b>

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

## Key factors of financial stability

- 1. High level of capitalization.** The share of equity in the structure of the balance sheet is 32% of the Company's assets, which indicates the support from the Sole Shareholder, the profitable activities of the Company and a high ability to absorb various financial risks. In 2020, the Company received a net profit of 9.6 billion KZT.
- 2. Acceptable level of liquidity.** The Company maintains a sufficient level of liquid funds to ensure stable growth of the loan portfolio, proper performance of obligations to creditors. As of January 1, 2021, the share of liquid assets was 15%.
- 3. High credit rating.** On April 2, 2020, Fitch Ratings affirmed its long-term rating at BB+ with a stable outlook, which is two notches below the sovereign rating. On December 22, 2020, Fitch Ratings conducted a rating review as part of a portfolio review, following which the ratings were maintained at the same level. The agency's confirmation of the high ratings of KazAgroFinance reflects the assessment in accordance with the rating methodology for companies associated with the state, in order to more accurately reflect the company's role as significant for the state, as well as the company's relationship with Kazakhstan. In Fitch's opinion, in the absence of real sub-institutions, the role of KazAgroFinance in the development of the country's agricultural sector is of high importance.
- 4. 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.
- 5. Compliance with prudential regulations.** The Company complies with prudential standards and other mandatory standards and limits for mortgage companies and subsidiaries of the national managing holding in the field of the agro-industrial complex, approved by the resolution of the Board of the National Bank of the Republic of Kazakhstan. There are significant reserves for all ratios. The Company is constantly working to prevent violations of the established standards.
- 6. Profitability.** The Company received a net profit for 2020 in the amount of 9.6 billion KZT, which is 4.2% more than in 2019. Accordingly, the return on equity in 2020 was 8.56%, in 2019 – 8.54%.





## DEVELOPMENT PROSPECTS

**KazAgroFinance is a leading financial institution in the leasing market. In 2020, the Company achieved high results in all key indicators of the details of the KazAgroFinance Development Strategy for 2020–2029, planned in the reporting period. The share of KazAgroFinance by the number of purchased equipment in the country is 39.5%, which indicates a high level of trust on the part of the Company's clients.**

In 2020, a key and significant decision was made for the Company to reorganize two holdings – NMH Baiterek JSC and KazAgro Holding JSC, which entailed a change of shareholder this year. Due to the change of shareholder, no significant changes in the Company's activities are planned; the Company will continue to implement the mission set forth in the Company's Development Strategy for 2020–2029.

The KazAgroFinance mission is to assist in technical equipment of the agro-industrial complex of the Republic of Kazakhstan by providing quality and competitive leasing services.

Thanks to financial stability and effective fundraising, the Company will continue to increase its investment in the purchase of high-performance modern machinery and equipment for agricultural producers every year to meet the still high demand for machinery.

The company intends to continue to create the necessary conditions to ensure that agricultural producers can use state support measures within the KazAgroFinance financing programs, including subsidizing the lease interest rate, as well as reimbursing part of the costs incurred by the agribusiness entities when purchasing equipment on lease.

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

To ensure the annual increase in the volume of investments in leasing of equipment, systematic work will be held to attract the necessary funds from various sources of financing.

The company will continue to work to help increase the volume of revenue, as well as the volume of export earnings of enterprises supported by KazAgroFinance. For this, when the state provides support in the form of subsidies, as well as the provision of concessional financing, counter obligations of agricultural producers are established to increase labor productivity, as well as the volume of export of products. One of the factors



in the growth of labor productivity in the agricultural sector is the use of high-tech agricultural machinery, as well as the introduction of innovative technologies in the agricultural sector. In this regard, the Company will continue to work to improve the technical equipment and modernize the AIC by increasing investments in the leasing of machinery and equipment in this area.

Continuous improvement of the quality of the services provided is one of the important conditions for the sustainable development of the Company. KazAgroFinance JSC will continue to work on the implementation of a client-oriented policy, within the framework of which the front-office employees will be trained on an ongoing basis to improve the quality of customer service, and the quality of consultations and services will be monitored. The main goal of implementing customer-oriented standards is to strive to exceed the expectations of our customers and help them achieve success in agribusiness.

In the process of improving customer-oriented standards, the Company will apply international practice in the provision of financial services, as well as modern methods of obtaining feedback from customers on quality assessment.

The company will continue to work on optimizing business processes, simplifying procedures and terms of consideration of applications. For this, a continuous analysis of the processes associated with the provision of financing services for the subjects of the agro-industrial complex will be carried out. This analysis will be aimed at improving the Company's business processes, establishing effective control points and updating the regulatory internal documents.

In the mid-term, the Company will completely switch to an electronic system for accepting and tracking

applications. This system will allow clients to submit online applications for funding, which will increase the availability of the Company's services for clients and will allow tracking the status of the application from registration to making a decision on it.

By 2022, it is planned to automate the main processes of consideration of applications, receive support measures by business with its provision on the one-stop-shop approach. This will be facilitated by the integration of the Company's IT systems with the systems of state bodies, as well as constant work on expanding the functionality and ease of use of a single web portal for accepting applications, considering the needs of customers. It is also planned to develop a convenient mobile application for interacting with clients. The Company will contribute to the implementation and development of innovations in activities in the process of carrying out activities to automate business processes.

The company will strive to ensure that obtaining leasing products becomes a very quick and easy procedure for clients, and the financial instrument "leasing" itself was transferred to a new level and became the most competitive and demanded financial product in the Kazakhstan market.

To maximize customer satisfaction, it is planned to develop a product line depending on the segmentation of customer groups and their needs.

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

The main indicator of effective capital and asset management is the Company's positive financial result



due to high-quality fundraising, maintaining an optimal level of reserves/ provisions, efficient management of free liquidity and financial liabilities, as well as maintaining an optimal amount of administrative expenses.

KazAgroFinance will continue to actively work to attract investments, which will be carried out through the development of cooperation with investors, the use of new borrowing instruments, diversification of funding sources, as well as funding in the amounts necessary to achieve the goals and objectives of the Company.

An important goal of the Company remains corporate development, which consists in the development of the corporate governance system, risk management and internal control systems, as well as the development of human resources.

The development of the system of annual performance evaluation of the Boards of Directors and its committees will continue, including with the involvement of independent consultants, followed by the adoption of the necessary corrective measures.

Diagnostics of corporate governance will be carried out on a regular basis for compliance with the requirements of legislation, internal documents, and international practice of corporate governance with the assignment of appropriate ratings. Based on the obtained results, the main areas for further improving corporate governance and taking the necessary measures will be determined.

To support the efficiency of the Company's business management and the development of the corporate risk culture, work will continue to improve the corporate risk management system. The effectiveness of the corporate risk management system will be periodically assessed by external experts.

The Company will continue to work on building an internal control system that will help to obtain guarantees of the integrity of financial and non-financial indicators, to achieve the Company's goals, as well as to implement policies and procedures in all aspects of its activities.

Increasing the potential of human resources, developing a result-oriented corporate culture will also be one of the key objectives of the Company.

Implementation of an effective human resources policy will allow the Company retain and attract a highly qualified staff that can make a significant contribution to the development and growth of efficiency, and get the maximum possible return on investment in human resources.

**Taken together, these measures will allow the Company to maintain its position in the AIC leasing market and increase the number of existing clients in the portfolio.**





03

# CORPORATE GOVERN- NANCE

**AVAGRO**
**LLP**

Plant for the production and sale of sprayers. The enterprise carries out a full cycle of sprayers production – from design to manufacturing and testing of finished products.

**MADE IN  
KAZAKHSTAN**

**Total  
produced**
**1,500**
**UNITS OF  
EQUIPMENT**



Location

**PETROPAVL**



Type of equipment

- trailed and self-propelled sprayers since 2014



Sold through  
KazAgroFinance

**367** UNITS OF  
EQUIPMENT



Sold in  
the amount of

**2.6** BLN  
KZT

24.5% of the issued  
volume



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 world standards of best corporate governance practice.

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

## Components of the corporate governance system:

### HONESTY

the Company protects the rights of the Sole Shareholder and takes effective measures in case of violations of his rights;

### RESPONSIBILITY

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

### ACCOUNTABILITY

the Company ensures the accountability of the executive body of the Company to the Board of Directors and accountability of the Board of Directors to the Sole Shareholder;

### TRANSPARENCY

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

# ORGANIZATIONAL STRUCTURE OF MANAGEMENT

Sole shareholder - Baiterek NMH JSC







## CORPORATE GOVERNANCE RATING

For the purpose of quality monitoring of the corporate governance system, the corporate governance rating is included in the Development Strategy of KazAgroFinance for 2020–2029 as one of the key performance indicators of the Company. The corporate governance rating will be determined once every three years with the involvement of an independent company. The Company plans to carry out interim diagnostics of the corporate governance rating on its own.

The Company in its activities is guided by the Code of Corporate Governance, 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.

Diagnostics of corporate governance is carried out according to three components: corporate governance structure, corporate governance processes and corporate governance transparency. Each of the components contains a set of subcomponents 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.

**Based on the results of the analysis at the end of 2019, the level of corporate governance was assessed as “average” and amounted to 88.6%. At the end of 2020, the level was 88.9%.**

## REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company in its activities is guided by the Code of Corporate Governance, 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 Corporate Governance Code provides for compliance with 6 fundamental principles: the principle of protecting the rights and interests of the Sole Shareholder, the principle of effective management of the Company by the Board of Directors and the Management Board of the Company (hereinafter referred to as the Management Board), the principle of independent activity of the Company, the principle of transparency and objectivity in disclosing information about the Company's activities, the principle of legality and ethics, the principle of responsibility to stakeholders. Based on the analysis for 2020, all 6 principles are fully observed.

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### Principle of protecting the rights and interests of the Sole Shareholder

The corporate governance of KazAgroFinance ensures the protection and respect for the rights and legitimate interests of the Sole Shareholder and contributes to the efficient operation of the Company, including in achieving the strategic goals of the Company and maintaining financial stability.

#### Observed.

The rights, obligations and competence of the Sole Shareholder are determined by the legislation of the Republic of Kazakhstan and the Charter of the Company.

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

The Regulation on the Dividend Policy of the Company regulates the rights of the Sole Shareholder related to participation in the management of the Company, including the rights to receive dividends and participate in the distribution of net income.

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### Principle of legality and ethics

The Company acts in strict accordance with the legislation of the Republic of Kazakhstan, generally accepted principles of business ethics, the Charter of the Company, the Code of Corporate Governance, and its contractual obligations.

#### Observed.

The company acts 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 legislative acts and timely update of internal documents and model contracts of the Company. The Company also has a compliance risk management process.

The Company has a Code of Corporate Ethics that applies to all employees and officers of the Company. The Company ensures that all employees and officers of the Company are familiar with the Code of Conduct, and also takes measures to regularly update and check knowledge of the provisions of the Code.



### Principle of effective company management by the board of directors and the Management Board

The activities of the Board of Directors are based on the principles of maximum observance and implementation of the interests of the Sole Shareholder and the Company, rationality, efficiency, activity, integrity, honesty, accuracy and responsibility within its competence.

The Management Board manages the current activities of the Company in order to solve problems and implement the Development Strategy of the Company.

#### Observed.

In accordance with the Regulation on the Board of Directors of the Company, the activities of the Board of Directors are based on the principles of professionalism, rationality and discretion, honesty and objectivity and the principles of protecting the rights of the Sole Shareholder.

In 2020, the Board of Directors held 13 meetings in person, at which issues were considered and decisions were made on key areas of the Company's activities.

#### Observed.

The Management Board manages the current activities and is responsible for the implementation of the Strategy, Development Plan and decisions made by the Board of Directors and the Sole Shareholder. The Regulation on the Management Board of the Company clearly defines the rights and obligations of the Management Board.

During 2020, 34 meetings of the Management Board were held in person, meetings were held on a regular basis - every ten-day period of the month.

In 2020, all strategic performance indicators of the Company were met in full.

### Principle of the independent operation of the Company

The company operates independently.

#### Observed.

In accordance with the Charter of the Company, the Management Board exercises effective and actual control over the activities of the Company and is not subject to the interference of the Sole Shareholder and the state in the operational activities. The company independently builds work planning throughout the year, defines internal procedures and documents, makes decisions on project financing, as well as on other operational issues.

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### **Principle of transparency and objectivity of disclosure of information about the Company's activities**

The Company, in order to ensure that the Sole Shareholder makes well-grounded decisions, as well as to bring information about the Company's activities to the attention of stakeholders, ensures timely disclosure to the Sole Shareholder and stakeholders of reliable information about the Company, including about its financial position, economic indicators, and the results of its activities, structure of ownership and management.

#### **Observed.**

To comply with the rules of information disclosure, the Company is guided by the legislation of the Republic of Kazakhstan in the field of the securities market, joint stock companies, listing rules, a resolution of the National Bank of the Republic of Kazakhstan, as well as other documents in the field of transparency of information disclosure.

The company brings information about corporate events to the attention of interested parties through the Internet resources of the Kazakhstan Stock Exchange, the Financial Reporting Depository, the corporate Internet resource and the portal of the KazAgro holding.

For 2020, information on 67 corporate events was posted on the Internet resource of the Kazakhstan Stock Exchange, on the website of the Financial Reporting Depository - about 38. During this period of time, the Company was not brought to administrative responsibility for violation of the terms for providing information specified by law. On the corporate Internet resource of the Company in 2020, all tabs are constantly updated depending on changes in legislation, internal documents regulating lending and other activities of the Company. No violations were recorded in posting information on corporate Internet resources.

By the decision of the Sole Shareholder - the Management Board of KazAgro Holding JSC dated September 4, 2020, No. 51, the Company's annual report on the results of 2019 was approved. The annual report has been drawn up in accordance with the structure determined by the Listing Rules of the Kazakhstan Stock Exchange, internal documents, as well as the best practice for generating reports. 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 arising from them.



## Principle of responsibility to Stakeholders

The company recognizes and respects the rights of all stakeholders and seeks to cooperate with them in order to develop and ensure financial stability. Interested parties should be able to receive compensation for violation of their rights in cases stipulated by the legislation of the Republic of Kazakhstan. Where 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. Interested parties should be able to freely report to the Board of Directors about violations of legislation or internal documents of the Company by the Management Board, and their rights should not be infringed upon in the event of such a report.

### Observed.

The Company in its activities is guided by the Code of Corporate Governance, 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 website 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 interested parties. The Company's website contains full and detailed information about the Company.

## INFORMATION ON SECURITIES AND COMPOSITION OF PARTICIPANTS

**The sole shareholder of KazAgroFinance JSC in the reporting period was KazAgro Holding JSC.**

Head of state K.-J. Tokayev, State-of-the-Nation Address dated September 1, 2020, instructed to unite Baiterek NMH JSC and KazAgro Holding JSC.

On 18 March 2021 in accordance with the decree of the Government of the Republic of Kazakhstan "On Reorganization of Joint-Stock Companies Baiterek National Managing Holding and KazAgro National Managing Holding" dated December 31, 2020, No. 952, the accession agreement dated February 26, 2021 and the transfer act 100% the stake in KazAgroFinance

was transferred to the Baiterek National Managing Holding JSC.

The number of authorized ordinary shares of the Company as of December 31, 2020 – 82,837,204, outstanding ordinary shares – 82,837,204.

The Regulation on the Dividend Policy of the Company regulates the rights of the Sole Shareholder related to participation in the management of KazAgroFinance, including the rights to receive dividends and participate in the distribution of net income. In August 2020, based on the results of work for 2019, the Company paid dividends to the Sole Shareholder in the amount of 9.2 billion KZT.

## KEY DECISIONS OF THE SOLE SHAREHOLDER IN 2020

- Amendments to the Charter of the Company.
- Approval of the annual financial statements.
- Approval of the annual report of KazAgroFinance.
- Election and early termination of powers of members of the Board of Directors.
- Determination of the auditor organization to audit the financial statements of KazAgroFinance for 2020.
- Approval of an action plan to ensure business continuity in the context of quarantine measures to prevent the spread of coronavirus.



## BOARD OF DIRECTORS

The Board of Directors is a governing body that carries out general management of the Company's activities, except for resolving issues attributed by legislation and (or) the Charter of the Company to the exclusive competence of the Sole Shareholder and the Management Board.

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

- determination of the development strategy of the Company (directions and results);
- setting and monitoring a development plan;
- organizing and supervising the effective functioning of risk management, internal control and corporate governance systems;
- approval and monitoring of the effective implementation of key strategic projects within the competence of the Board of Directors;

- election, remuneration, succession planning and oversight of the Management Board;
- compliance with the Corporate Governance Code and internal documents on business ethics in the Company.

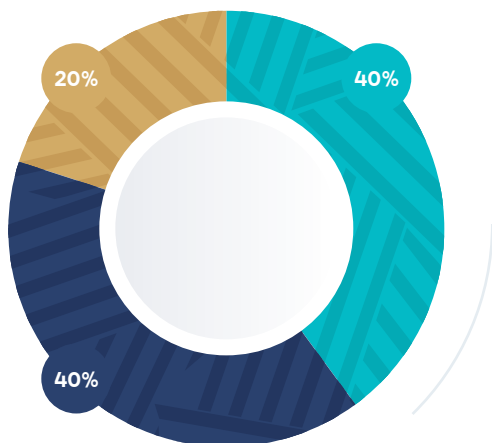
The composition of the Board of Directors is balanced, including in terms of the qualifications of its members, their experience, knowledge, and business qualities, and enjoys the confidence of the Sole Shareholder.

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

As of December 31, 2020, the Board of Directors consisted of 5 people, 2 members of which of the Board of Directors were independent directors. The powers of the presented composition of the Board of Directors expired on June 26, 2021.

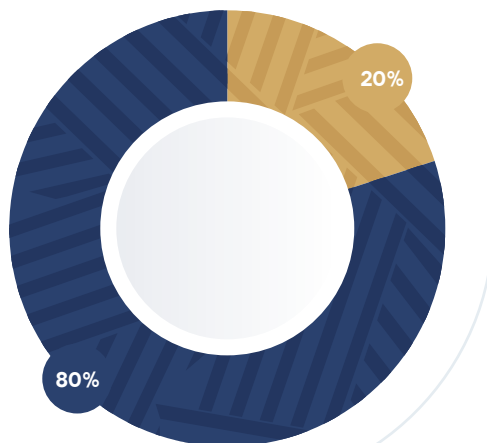
Composition of the Board of Directors as of December 31, 2020	Date and number of the decision
<b>Daribayev Murat Amankeldiyevich</b> Managing Director of KazAgro Holding JSC – Chairman of the Board of Directors, representative of the Sole Shareholder	appointed to the Board of Directors by the decision of the Sole Shareholder dated May 6, 2020 No. 24
<b>Taszhurekov Yerbol Kuanyshevich</b> Managing Director of KazAgro Holding JSC – representative of the Sole Shareholder	appointed to the Board of Directors by the decision of the Sole Shareholder dated August 9, 2019 No. 35
<b>Izbastin Kanysh Temirtayevich</b> Chairman of the Management Board – member of the Board of Directors	appointed to the Board of Directors by decisions of the Sole Shareholder dated September 10, 2015 No. 59, June 26, 2018 No. 41
<b>Orazbayev Ruslan Sagadatovich</b> independent director – member of the Board of Directors	appointed to the Board of Directors by the decision of the Sole Shareholder dated May 8, 2019 No. 17
<b>Madiyev Serzhan Nurakhanovich</b> independent director – member of the Board of Directors	appointed to the Board of Directors by the decision of the Sole Shareholder dated November 1, 2019 No. 50

### Structure of the Board of Directors by category, %



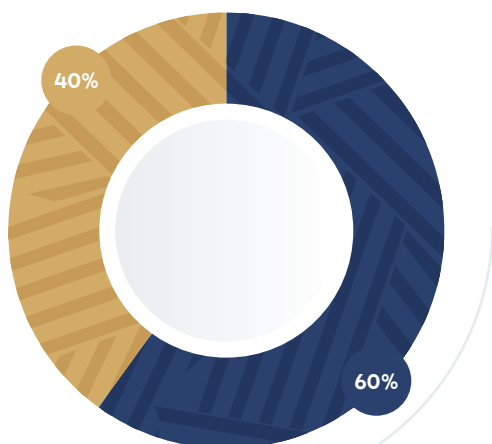
- Shareholder representatives
- Executive directors
- Independent directors

### Term of work on the Board of Directors of the Company, number of people



- Up to 5 years
- Up to 1 year

### Age structure of the Board of Directors, number of people



- Up to 40 years old
- 40-45 years old





## CHANGES IN THE COMPOSITION OF THE BOARD OF DIRECTORS FOR 2020

In connection with the early termination of powers as a member of the Board of Directors of A.K. Dzhuanysbayeva, by the decision of the Sole Shareholder dated May 6, 2020 No. 24, Daribayev Murat Amankeldiyevich – Chairman of the Board of Directors was elected as a member of the Board of Directors.

## COMPOSITION OF THE BOARD OF DIRECTORS



**Murat Amankeldiyevich Daribayev**

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

Born on June 11, 1971  
Citizenship – Republic of Kazakhstan.

**Election to the Board of Directors – May 6, 2020.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – Member of the Board of Directors of the Fund for Financial Support of Agriculture JSC.
- Ownership of shares of suppliers and competitors of the Company – does not own.

**Education:**

- 1996 – Almaty Automobile and Road Institute, "Construction of highways and airfields", specialty: civil engineer.
- 2004 – S.T. Ryskulov Kazakh Economic University, "Economics", specialty: economist.

**Work experience:**

- He began his career in 1994.
- He worked, including managerial positions, in central and local executive bodies of the Republic of Kazakhstan, SEC Almaty NC JSC, Kazakhstan Engineering NC JSC.
- From May 2020 to March 2021 – Managing Director – Member of the Management Board of KazAgro Holding JSC.



### Yerbol Kuanyshevich Tazhurekov

Representative of the Sole  
Shareholder – member of the  
Board of Directors

Born on June 25, 1979.  
Citizenship – Republic of  
Kazakhstan.

**Election to the Board of Directors –  
August 9, 2019.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – not available
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### Education:

- M.K. Dulati Taraz State University, specialty: finance and credit.
- H.A. Yassawi State International Kazakh-Turkish University, specialty: jurisprudence.
- Academy of Public Administration under the President of the Republic

of Kazakhstan with the award of a master's degree in public and local government.

- National School of Administration of France with a Master's Degree in Public Policy (Bolashak Program).

#### Work experience:

- He began his career in 1998.
- He worked in leading 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 of Investment 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 March 2021 – Managing Director – Member of the Management Board of KazAgro Holding JSC.



### Kanysh Temirtayevich Izbastin

Chairman of the Management  
Board

Born on April 20, 1981.  
Citizenship – Republic of  
Kazakhstan.

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

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – not available.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### Education:

- Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia, specialty: jurisprudence.
- Central Asian University, specialty: world economy.

#### 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 Export Credit Insurance Corporation KazExportGarant JSC.
- From January 2013 to September 2015 – Managing Director of National Welfare Fund Samruk Kazyna JSC.
- From September 3, 2015 to March 26, 2021 – Chairman of the Management Board of KazAgroFinance.



### Ruslan Sagadatovich Orazbayev

**Independent Director - Member  
of the Board of Directors**

**Born on April 7, 1983.**  
**Citizenship - Republic of  
Kazakhstan.**

#### **Election to the Board of Directors - May 16, 2019.**

- Ownership of shares of KazAgroFinance JSC - does not own.
- Current combined employment and membership in the boards of directors of other organizations - independent director, member of the Board of Directors of Financial Center OJSC.
- Ownership of shares of suppliers and competitors of the Company - does not own.

#### **Education:**

- 2004 - S. Seifullin Akmola Agrarian University, specialty: finance and credit.
- 2007 - Eurasian Humanitarian Institute, specialty: jurisprudence.

#### **Work experience:**

- April 2015 - January 2017 - Regional Managing Director, Director of the branch in Nur-Sultan of Astana Bank JSC.
- November 2016 - January 2017 - Advisor to the Chairman of the Board of Directors of Astana Bank JSC.
- January - March 2017 - Deputy General Director of the law firm 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 pawnshop of AUTOCASH Lombard LLP.



### Serzhan Nurakhanovich Madiyev

**Independent Director - Member  
of the Board of Directors**

**Born on January 23, 1983.**  
**Citizenship - Republic of  
Kazakhstan.**

#### **Election to the Board of Directors - November 1, 2019.**

- Ownership of shares of KazAgroFinance JSC - does not own.
- Current combined employment and membership in the boards of directors of other organizations - no.
- Ownership of shares of suppliers and competitors of the Company - does not own.

#### **Education:**

- 2002 - University of Wisconsin, specialty: banking.
- 2005 - L.N.Gumilyov ENU, specialty: international economics.
- 2007 - Warwick Business School, specialty: finance.
- 2013 - CFA Institute, specialty: finance.

#### **Work experience:**

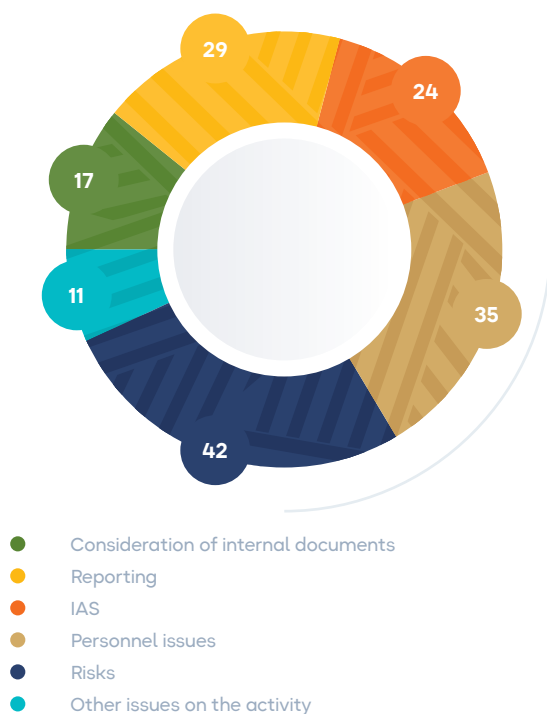
- Leading Treasury Specialist of KazAgroFinance JSC, Manager of the Structured Finance Department of Development Bank of Kazakhstan JSC, Director of the Financial and Economic Department of RFCA JSC, Director of the Financial Consulting and Investment Analysis Department of RFCA JSC, Managing Director 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 JSC Economic Research Institute.
- From 2018 to the present - Deputy General Director for Finance on Documentolog LLP.

## ACTIVITIES OF THE BOARD OF DIRECTORS

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

In 2020, 13 meetings of the Board of Directors were held in person. 158 questions were considered.

### Structure of issues considered by the Board of Directors in 2020



### The main decisions taken were related to the following issues:

- approval of the Development Strategy of KazAgroFinance for 2020–2029;
- approval of the report on the implementation of the Development Strategy and Development Plan for 2019;
- assessing the work of the Board of Directors, reviewing the results of work, as well as discussing measures to improve the efficiency of the Board of Directors;
- consideration of the report on the activities of the Internal Audit Service of the Company for 2019;
- consideration of the results of an external assessment of the quality and effectiveness of the internal audit system;
- consideration of the report on the results of assessing the effectiveness of the corporate risk management system;
- approval of key indicators of the Company's risks, risk appetite and risk tolerance level for 2020;
- approval of maps of key performance indicators of the Chairman and members of the Management Board;
- creation of the Board of Directors Committee on Automation;
- approval of the Risk Register and Risk Map for 2021;
- consideration of the report on compliance with the Corporate Governance Code and information on the implementation of issues related to the transparency and efficiency of information disclosure processes;
- consideration of a report on transactions in which there is an interest;
- approval of internal documents on strategic planning, information transparency, credit policy, terms of financing the Company.



### Information on the 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 Committee on Social Issues, Human Resources and Remuneration	Meetings of the Automation Committee
K.T.Izbastin	13/13	-	1/1	-	1/1
M.A.Daribayev	6/8	-	1/1	-	1/1
Y.K.Taszturekov	13/13	-	1/1	-	1/1
A.K.Juanyshbayeva	5/5	-	-	-	-
R.S.Orazbayev	13/13	12/12	9/9	11/11	-
S.N.Madiyev	13/13	12/12	9/9	11/11	-

## 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 (hereinafter referred to as the Internal Audit Committee) include preliminary consideration and provision of recommendations to the Board of Directors on financial reporting, external audit, internal audit, legal compliance, reporting and performance evaluation, and others.

#### Internal Audit Committee composition:

- Chairman – Madiyev Serzhan Nurakhanovich;
- member – Orazbayev Ruslan Sagadatovich.

**In total, in 2020, the Internal Audit Committee held 9 meetings, considered 37 issues.**

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

- On approval of the budget of the Internal Audit Service of KazAgroFinance JSC for 2020;
- On approval of individual development plans for employees of the Internal Audit Service of KazAgroFinance JSC for 2020;
- On consideration of the report on the activities of the Internal Audit Service of KazAgroFinance JSC for 2019;
- On consideration of the report on the results of external assessment of the quality and effectiveness of the internal audit system;
- On preliminary approval of the annual financial statements of KazAgroFinance JSC for 2019;
- On amendments to the Accounting Policy of KazAgroFinance JSC;
- On consideration of the report on the results of the audit of key performance indicators of the Company's management;
- On approval of the budget of the Internal Audit Service of KazAgroFinance JSC for 2021;
- On the assessment of the effectiveness of the Internal Audit Service of KazAgroFinance JSC and its employees for 2019;
- On approval of the new edition of the Annual Audit Plan of the Internal Audit Service of KazAgroFinance JSC for 2020;
- On amendments to the External Audit Policy of KazAgroFinance JSC;
- On determining the amount of payment for the services of an audit organization that audits the annual financial statements of KazAgroFinance JSC for 2020;
- On approval of the Strategic Plan of the Internal Audit Service of KazAgroFinance JSC for 2020–2022;
- On approval of the Annual audit plan of the Internal Audit Service of KazAgroFinance JSC for 2021.



## Strategic Planning and Risk Committee of the Board of Directors

The functions of the Strategic Planning and Risk Committee of the Board of Directors (hereinafter referred to as the Strategic Planning and Risk Committee) include preliminary consideration and provision of recommendations to the Board of Directors on strategic planning, investment and innovation activities, internal control and risk management, reporting, performance assessment and others.

### The composition of the Strategic Planning and Risk Committee:

- Chairman - Orazbayev Ruslan Sagadatovich;
- member - Madiyev Serzhan Nurakhanovich.

#### Experts from among the employees of KazAgro Holding JSC:

- Orazymbetova Dina Bakhtiyarovna, Director of the Center for Strategic Analysis and Innovation;
- Zhumadilov Nurzhan Gabdimukhtarovich, Chief Manager of the Department of Budget Planning and Consolidated Analysis, as an expert;
- Abilkasova Gaukhar Galiaskarovna, Director of the Risk Management Department, as an expert;
- Omarov Alpamys Amirzhanovich, Director of the Department for Monitoring AIC Development Programs;
- Kairdenova Assemgul Agbayevna, Director of the Project Monitoring Department;
- Kobaydarov Marat Nurashovich, Chief Manager of the BoD Department for Support of subsidiaries.

**In total, in 2020, the Strategic Planning and Risk Committee held 12 meetings, and considered 86 issues.**

### At the meetings of the Strategic Planning and Risk Committee, the following main issues were considered:

- On submission for consideration of the Sole Shareholder of KazAgroFinance JSC the issue of approving the Charter of KazAgroFinance JSC in a new edition;
- On consideration of the report on compliance with the Corporate Governance Code;
- Information on the implementation of issues related to the transparency of KazAgroFinance JSC and the efficiency of information disclosure processes;
- On approval of risk appetite and risk tolerance level of KazAgroFinance JSC for 2020;
- On approval of the Key Risk Indicators of KazAgroFinance JSC for 2020;
- On approval of the Development Strategy of KazAgroFinance JSC for 2020-2029;
- On the issue and determination of the terms of the fourth issue of non-government bonds within the second bond program of KazAgroFinance JSC;
- On submission of proposals to the Sole Shareholder on the procedure for distributing the net income of KazAgroFinance JSC for 2019 and the amount of dividend for the year per one common share of KazAgroFinance JSC;
- On the issue and determination of the terms of the fourth issue of non-government bonds within the second bond program of KazAgroFinance JSC;
- On approval of risk appetite and risk tolerance level of KazAgroFinance JSC for 2020;
- On approval of the report on the implementation of the Development Plan of KazAgroFinance JSC for 2017-2021 for 2019;
- On approval of the report on the execution of the Budget of KazAgroFinance JSC for 2019;
- On approval of the report on the implementation of the Development Strategy of KazAgroFinance JSC for 2017-2026 based on the results of 2019;
- On approval of the Development Plan of KazAgroFinance JSC for 2020-2024;

- On approval of the adjusted Budget of KazAgroFinance JSC for 2020;
- On approval of the adjusted Development Plan of KazAgroFinance JSC for 2020–2024;
- On approval of the Action Plan to minimize key risks of KazAgroFinance JSC for 2020;
- On approval of the General conditions of financing of KazAgroFinance JSC in a new edition;
- On approval of the Budget of KazAgroFinance JSC for 2021;
- On approval of the Risk Register and Risk Map of KazAgroFinance JSC.

## Social Affairs, Human Resources and Remuneration Committee of the Board of Directors

The functions of the Social Affairs, Human Resources and Remuneration Committee of the Board of Directors (hereinafter referred to as the Social Affairs, Human Resources and Remuneration Committee) include preliminary consideration and provision of recommendations to the Board of Directors on qualification requirements, candidate assessment, succession planning, performance assessment, remuneration system and others.

### Composition of the Social Affairs, Human Resources and Remuneration Committee:

- Chairman – Orazbayev Ruslan Sagadatovich;
- member – Madiyev Serzhan Nurakhanovich.

#### Experts from among the employees of KazAgro Holding JSC:

- Daribayev Aydin Kopzhasarovich, Chief Manager of the Human Resources Management Department;
- Kobaydarov Marat Nurashovich, Chief Manager of the BoD Department for Support of subsidiaries.

In total, in 2020, the Committee for Social Issues, Human Resources and Remuneration held 11 meetings, considered 55 issues.

At the meetings of the Social Affairs, Human Resources and Remuneration Committee, the following main issues were considered:

- On amendments and additions to the Regulation on the conditions of remuneration, bonuses and social security of the Chairman and members of the Management Board of KazAgroFinance JSC;
- On approval of the Regulations on the conditions of remuneration, bonuses and social security for employees of the Risk Management Department of KazAgroFinance JSC;
- On approval of the new edition of the Regulations on remuneration of employees of the Internal Audit Service of KazAgroFinance JSC;
- On approval of the new edition of the organizational structure;
- On approval of the number of staff;
- On approval of maps of key performance indicators of the Chairman and members of the Management Board for 2020.





## Automation Committee of the Board of Directors

The functions of the Automation Committee of the Board of Directors (hereinafter referred to as the Automation Committee) include consideration and preliminary approval of draft internal documents of the Company on projects for the automation of credit and leasing products and processes of the Company, coordination of interaction between working groups (if any) in the process of automating business processes, preliminary consideration and approval of proposals for the optimization and automation of processes and the development of recommendations for the optimization and automation of business processes.

### Composition of the Automation Committee:

- Chairman – Daribayev Murat Amankeldiyevich;
- member – Izbastin Kanysh Temirtayevich;
- member – Taszhurekov Yerbol Kuanyshevich.

### Experts from among the employees of KazAgro Holding JSC:

- Altynbekov Kairat Turekulovich, Advisor to the Chairman of the Management Board of KazAgro Holding JSC;
- Kairdenova Assemgul Agbayevna, Director of the Project Monitoring Department;
- Zhagabayeva Nazgul Muratovna, Director of the IT Development Department.

### In total, in 2020, the Automation Committee held 1 meeting, considered 1 issue:

- On consideration of a report on the current situation with issues of automation and optimization of the main business processes of KazAgroFinance JSC and on the approval of the Work Plan for the automation of the financing process within the Transformation Program KazAgro Holding JSC for the second half of 2020.

## SELECTION AND APPOINTMENT

The quantitative composition of the Board of Directors is determined by the Sole Shareholder. The search and selection of candidates can be carried out both by the Company and the Sole Shareholder independently.

The procedure for the search, selection and election of candidates includes the following stages:

- determining the need for the selection of directors;
- search 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.

When selecting independent directors, the Company is guided by the requirements of the Regulation on the Board of Directors, which determines the procedure for searching and selecting candidates on a competitive basis for the position of an independent director, as well as conducting a preliminary qualification assessment of candidates by the Committee on Social Issues, Human Resources and Remuneration.

## INDEPENDENCE

### The Board of Directors has two independent directors who meet the following requirements:

- comply with the status of an independent director in accordance with paragraph 20 of Article 1 of the Law of the Republic of Kazakhstan "On Joint Stock Companies";
- publicly announced their status as an independent director prior to being elected to the Board of Directors;
- have a higher education and a master's degree/ additional education in management;
- have relevant work experience;
- have practical experience in implementing advanced corporate governance practices, improving the performance of the Company, which will subsequently make a tangible contribution to the development of the Company;
- have special skills in certain areas related to the functional duties of an independent director, membership in the committees of the Board of Directors, sufficiently developed communication skills, in their work they are based on the principles of transparency, objectivity, constructiveness and professionalism;
- have general information about key issues specific to the organization, similar in the volume and nature of transactions 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 opinion of the majority;
- 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 meetings of the Board of Directors, but also to properly study materials for meetings of the Board of Directors;
- are not members of more than 4 boards of directors of other companies.

### A candidate for independent directors cannot be a person:

1. previously held the position of the chairman of the board of directors, first head (chairman of the management board), deputy head, chief accountant of another legal entity in the period not more than 1 year before the decision on compulsory liquidation, or compulsory redemption of shares, or conservation of another legal entity is made, declared bankrupt in the prescribed manner. The specified requirement applies within 5 years after the date of the decision on compulsory liquidation, or compulsory redemption of shares, or conservation of another legal entity declared bankrupt in accordance with the established procedure;
2. who has a conviction that has not been canceled or redeemed in accordance with the procedure established by the law of the Republic of Kazakhstan;
3. associated with any relationship with the Company, in addition to working on the Board of Directors, with shareholders owning shares, members of the Management Board;
4. who is an official or employee of a competing organization.



## TRAINING AND PROFESSIONAL DEVELOPMENT OF MEMBERS OF THE BOARD OF DIRECTORS

**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, workshops and trainings, forums, etc.**

The Board of Directors, by a majority vote, makes a decision on advanced training of members of the Board of Directors as a whole or its individual members at the expense of the Company based on the identified need for advanced training of members of the Board of Directors based on the results of the annual assessment of the activities of the Board of Directors, members of the Board of Directors and its committees by approving the annual plan of advanced training of members of the Board of Directors or at the request of individual members of the Board of Directors. Based on the results of the assessment of the work of the Board of Directors held in 2020, no decision was made to advance qualifications of the members of the Board of Directors.

## ASSESSMENT OF THE ACTIVITIES OF THE BOARD OF DIRECTORS

**The performance of the Board of Directors is assessed in accordance with the Regulations on the Board of Directors to obtain a comprehensive analysis of the main areas of responsibility of the Board of Directors. The assessment allows to analyze and identify the strengths and weaknesses of the activities of the Board of Directors and its committees and adjust the work of the Board of Directors. Moreover, the assessment allows to determine the effectiveness of remuneration and the need for training, advanced training of members of the Board of Directors.**

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

### **The key principles for assessing the performance of the 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 director individually);
3. continuous improvement (advancement, increase in value and contribution from the work of the Board of Directors);
4. realism (reflection of the real situation, as perceived by the director);
5. confidentiality (the results are provided only in generalized form).

In 2020, in accordance with the decision of the Board of Directors dated April 30, 2020, No. 5, the performance of the Board of Directors was assessed using the interview method. As part of the assessment of the work of the Board of Directors, internal documents regulating the activities of the Board of Directors were analyzed, the frequency and form of meetings of the Board of Directors were analyzed, and the members of the Board of Directors were interviewed. Based on the results of the assessment, the activities of the Board of Directors and its committees were recognized as effective and in compliance with the requirements of the legislation and internal documents of the Company. The quantitative composition of the Board of Directors corresponds to the scale, complexity and specificity of the Company's activities, the number of directors is sufficient to ensure the functioning of the committees of the Board of Directors. The qualifications of the members of the Board of Directors meet the requirements for professional knowledge and experience required when considering issues. The Board of Directors covered all the processes of the Company's activity, the issues planned according to the work plan of the Board of Directors were considered in full. The work of the Board of Directors and its committees is built in the format of a dialogue, comprehensive and detailed discussion of issues and making constructive decisions.

**The results of the assessment were considered at a meeting of the Board of Directors and taken into account.**



## CONFLICT OF INTEREST MANAGEMENT

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

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

Regarding corporate conflicts and conflicts of interest, the Company adheres to the principle of preventing their occurrence and managing them if they arise.

**In order to prevent conflicts, officials and employees of the Company are obliged, among other things:**

- comply with the requirements of the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Company;
- disclose information on the Company's activities in accordance with the requirements of the legislation of the Republic of Kazakhstan;
- participate in identifying risks and deficiencies in the Company's internal control system;
- promote compliance with the principles of professional ethics, etc.

To resolve corporate conflicts, officials and employees of the Company shall promptly inform the corporate secretary about the presence (occurrence) of a conflict by submitting a notice.

The corporate secretary directs the received appeal to the Board of Directors or the Management Board in accordance with the competence.

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

In the event of corporate conflicts, the participants look for ways to resolve them through negotiations 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 a corporate conflict may be signed between the Company and a party to the conflict, including the Sole Shareholder.

The answer must be sent to the participant who filed the corporate conflict no later than 30 days from the date of registration of the notice.

**In 2020, the Company did not register any conflicts of interest when making decisions.**

## REPORTING PROBLEMS

The Board of Directors is informed about critical issues in accordance with the Regulations on the Board of Directors, the Charter of the Company by submitting

financial and non-financial statements. In the reporting year, all issues requiring attention were considered within the current meetings.

## REMUNERATION TO MEMBERS OF THE BOARD OF DIRECTORS

Independent directors' remuneration is quarterly, fixed and paid for each participation in a meeting of the Board of Directors. Additional remuneration is also provided for independent directors for participating in a meeting of a committee of the Board of Directors. The amount of remuneration is determined by the decision of the Sole Shareholder. Remuneration is paid to independent directors of the 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 an independent director participates in less than half of all meetings held in presentia and in absentia of the Board of Directors in the reporting period (quarter). Payment of remuneration to members of the Board of Directors – representatives of the Sole Shareholder for participation in meetings of the Board of Directors is not provided.

Remuneration to members of the Board of Directors of KazAgroFinance JSC (independent directors) consisting of 2 people in 2020 includes the following positions:

	2020
Accrued remuneration (thousand KZT)	6,120
Taxes and social security contributions (thousand KZT)	588
<b>Total remuneration (thousand KZT)</b>	<b>6,708</b>



## EXECUTIVE BODY

### Composition of the Management Board

(as of December 31, 2020)



**Kanysh  
Temirtayevich  
Izbastin**

**Chairman of the Management Board**

Born on April 20, 1981.  
Citizenship – Republic of Kazakhstan.

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

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

**Education:**

- Moscow State Institute of International Relations of the Ministry of Foreign Affairs of Russia, specialty: jurisprudence.
- Central Asian University, specialty: world economy.

**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 Export Credit Insurance Corporation KazExportGarant JSC.
- From January 2013 to September 2015 – Managing Director of National Welfare Fund Samruk Kazyna JSC.
- From September 3, 2015 to March 26, 2021 – Chairman of the Management Board of KazAgroFinance.



### **Nazgul Sholpankulovna Karnakova**

#### **Managing Director, Member of the Management Board**

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

**Born on December 27, 1978.**  
**Citizenship – Republic of Kazakhstan.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### **Education:**

- M.K. Dulati Taraz State University, specialty: economics and management at construction enterprises, economist-manager.

#### **Work experience:**

- From December 2008 to April 2012 – Deputy Chairman of the Management Board of Fund for Financial Support of Agriculture JSC.

- From April 2012 to July 2014 – Financial Director of INGI & IT of the Kazakh-British Technical University JSC.
- From July 2014 to March 2018 – Director of the Financial and Economic Department of the Kazakh-British Technical University JSC.
- From April 2018 to April 2019 – Director of the Budget Planning Department of KazAgro Holding JSC.
- From April to May 2019 – Managing Director for Finance of KazAgro Holding JSC.
- From May 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 the activities of KazAgroFinance JSC on legal issues and issues of collateral and leasing security.

**Born on December 27, 1979.**  
**Citizenship – Republic of Kazakhstan.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### **Education:**

- L.N. Gumilyov Eurasian National University, specialty: jurisprudence.
- Eurasian Humanitarian Institute, specialty: finance and credit.

#### **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 to September 2012 – Deputy Chairman of the Management Board of Credit Systems LLP.
- From November 2012 to December 2013 – Head of the Problem Loans Department of Bank Center Credit JSC.
- From January 2014 to December 2015 – CEO 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 work with problem projects, expertise of assets.

**Born on September 10, 1986.  
Citizenship – Republic of  
Kazakhstan.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### **Education:**

- L.N. Gumilyov Eurasian National University, specialty: finance, qualification: Bachelor of Finance.
- Synergy Moscow University of Finance and Industry, qualification: Master of Business Administration (MBA) – Strategic Management.

#### **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 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 work, he held various positions: Head of the Corporate Business Department, Head of the Rehabilitation and Problem Projects Department, Director of the Project Monitoring Department, Director of the Rehabilitation and Problem Projects Department.
- From July 2019 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



### **Aidar Gilimovich Prashev**

#### **Managing Director, Member of the Management Board**

Functions performed: coordination of activities on credit and leasing activities of KazAgroFinance JSC.

**Born on September 29, 1983.  
Citizenship – Republic of  
Kazakhstan.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### **Education:**

- Academy of Economics and Statistics, Almaty, specialty: personnel management, economist.
- K. Zhubanov Aktobe Regional State University, specialty: management, master of economics and business.

#### **Work experience:**

- From January 2006 to February 2007 – inspector of customs control of the State Institution "Department of customs control in the Aktobe region of the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan."
- From February 2007 to December 2008, he worked in the banking system of Kazkommertsbank JSC.
- From 2009 to 2019, he worked in the branches of KazAgroFinance JSC in the positions of director of the branch in the Atyrau region, Aktobe region and Kostanay region.
- From December 2020 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



## **Bauyrzhan Satybaldiyevich Zholdassov**

### **Managing Director, Member of the Management Board**

Functions performed: coordination of the activities of KazAgroFinance JSC on the automation of business processes.

**Born on June 22, 1976.  
Citizenship – Republic of  
Kazakhstan.**

- Ownership of shares of KazAgroFinance JSC – does not own.
- Current combined employment and membership in the boards of directors of other organizations – no.
- Ownership of shares of suppliers and competitors of the Company – does not own.

#### **Education:**

- "International Economic Relations," economist with knowledge of a foreign language (English).
- Kainar University, specialty: jurisprudence.

#### **Work experience:**

- From December 2001 to April 2002 – lecturer at the Department of International Economy and International Economic Relations of the T. Ryskulov Kazakh Economic University, Almaty.
- From April 2002 to April 2004 – Leading Specialist of the Lending Sector of the Zhambyl Regional Branch of Nauryz Bank of Kazakhstan OJSC.
- From May 2004 to March 2005 – Junior Credit Officer of the Credit

Department of the Back Office, Credit Officer of the Credit Department of the Front Office, Credit Officer of the Credit Department of Business Clients of the Taraz branch of Bank Center Credit OJSC.

- From April to July 2005 – Chief Specialist of the Credit Department of Branch No. 10 of Eurasian Bank JSC.
- From September 2005 to January 2006 – Senior Lecturer of the Department of Finance of the Ahmet Yassawi Kazakh-Turkish International University.
- From February 2006 to September 2019 – Chief Specialist of the Client Relations Department, Head of the Lending Sector, Risk Manager, Head of the Banking Products Department, Deputy Director of the Department for Optimization of Products and Processes of the Zhambyl branch of House Construction Savings Bank of Kazakhstan JSC.
- From September 2019 to May 2020 – Director of the Department of Product and Process Optimization of KazAgro NMH JSC.
- From May 27, 2020 to the present – Managing Director – Member of the Management Board of KazAgroFinance JSC.



## Management Board work

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

The activities of the Management Board are governed by the Regulations on the Management Board of the Company.

During 2020, 34 meetings of the Management Board were held, all in person, meetings were held on a regular basis – every ten day period of the month. There is a high attendance at meetings by members of the Management Board, except in cases of absence for a valid reason.

### Presence of members of the Management Board at its meetings

Full name	Number
K.T.Izbastin	33/34
B.S.Ospanov	22/34
N.S.Karnakova	33/34
A.B.Ashirbekov	32/34
Z.B.Akhmetzhanova*	27/34
B.S.Zholdassov	17/34
A.G.Prashev	2/34

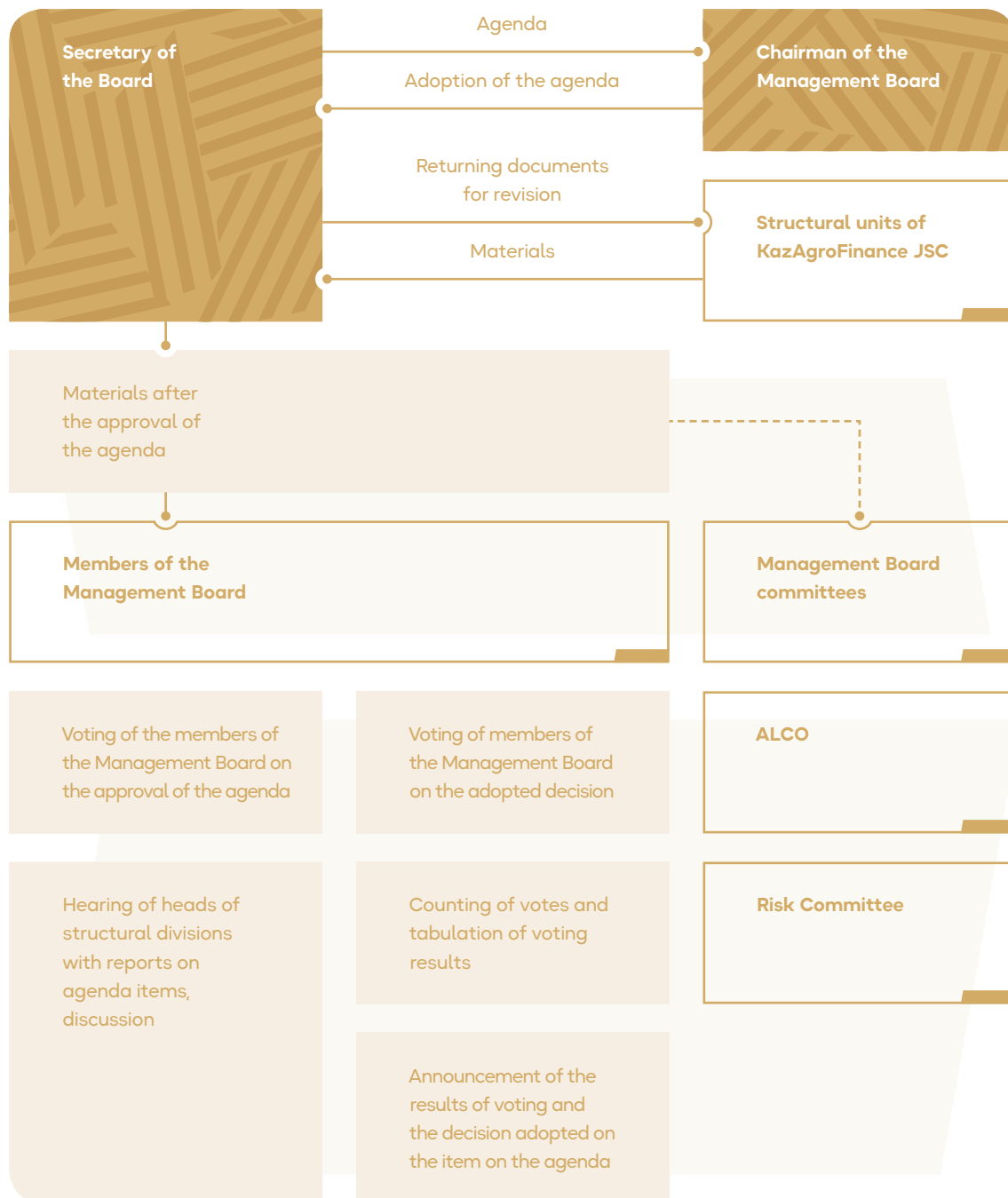
\* Resigned from the membership in accordance with the decision of the Board of Directors dated November 27, 2020 No. 12.

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

#### Basic principles of the Management Board:

- transparency and openness;
- responsibility and accountability;
- objective distribution of responsibilities;
- proper approval and adoption of transactions;
- complexity and consistency;
- continuous development and improvement;
- flexibility;
- timely identification and response to any significant deficiencies and weaknesses in control;
- priority of the areas of activity of the Management Board;
- proper use of technology;
- competence of employees;
- documentation of procedures;
- reliability and completeness of information.

## Interaction with the Management Board





## ORGANIZATIONAL STRUCTURE

Approved by the decision of the Board of Directors dated December 29, 2020 No. 13

Risk Management Department

Board of Directors

Staffing 353 units

Security Department

Chairman of the Management Board

Managing Director – Member of the Management Board

Managing Director – Member of the Management Board

Managing Director – Member of the Management Board

Department of Credit and Leasing Projects

Project Administration Department

Department of Rehabilitation and Problem Projects

Branch network – 16 branches

Finance Department

Asset Expertise Department

Project Monitoring Department

Accounting and Reporting Department

Loan Department





## REPORT ON TRANSACTIONS IN WHICH THERE IS AN INTEREST, FOR 2020

No.	Counterparty name	Sign of interest	Content of the transaction
1.	KazAgro NMH JSC	Sole shareholder	On March 20, 2020, additional agreement No. 2 to the loan agreement dated July 24, 2018 No. 86 was signed.
2.	KazAgro NMH JSC	Sole shareholder	On April 8, 2020, loan agreement No. 22 was signed.
3.	KazAgro NMH JSC	Sole shareholder	On June 24, 2020, additional agreement No. 1 to the framework loan agreement dated June 24, 2013 No. 63 was signed.
4.	Agrarian Credit Corporation JSC	Affiliate	On August 7, 2020, additional agreement No. 1 to the framework agreement on the opening of a credit line dated November 28, 2019 No. 159595-ЦА-АБ was signed.
5.	KazAgro NMH JSC	Sole shareholder	On December 7, 2020, additional agreement No. 1 to the loan agreement dated April 08, 2020 No. 22 was signed.

## REMUNERATION TO MEMBERS OF THE MANAGEMENT BOARD

The policy and the amount of remuneration for executive employees are regulated by the Regulation on the conditions of remuneration, bonuses and social security for the Chairman and members of the Management Board.

Payment of remuneration based on the results of work for the reporting year is carried out by decision of the Board of Directors, subject to the availability of net consolidated profit for the reporting year, after the results of financial and economic activities are approved in the prescribed manner based on the audited financial statements of

the Company for the reporting year, depending on the results of achieving strategic and individual KPIs and performance assessment results.

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

**The amount of remuneration in the form of salaries and bonuses to members of the Management Board for 2020 amounted to 122,294 thousand KZT, including taxes and social security contributions – 10,393 thousand KZT.**

## EQUITY STRUCTURE

As of the end of the last year, the Company had 82,837,204 outstanding common shares with a par value of 1,000 KZT. As of December 31, 2020, the Company has no repurchased shares or shares owned by its subsidiaries.

During the reporting period, shares were not placed, including primary. There were no changes in the composition of shareholders holding shares in the amount of 5 percent or more of the number of offered shares.

Number of authorized common shares:	82,837,204 shares
Number of offered common shares:	82,837,204 shares
Par value of one ordinary share:	1,000 KZT
Price of placement of one 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 principles of the dividend policy are determined by the Regulations on the Dividend Policy.

The dividend policy is based on the principles of:

1. strict observance of the rights of the Sole Shareholder stipulated by the legislation of the Republic of Kazakhstan, the Charter of KazAgroFinance JSC, its internal documents and the 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 his/her assets;
4. compliance with the restrictions established by the legislation of the Republic of Kazakhstan and the Charter of KazAgroFinance JSC when deciding on the payment of dividends;
5. development of a medium-term 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 the motivation of the Management Board of KazAgroFinance JSC to achieve the planned net income and dividends.

### Dividends paid

Item	Unit of measurement	2018 (for 2017)	2019 (for 2018)	2020 (for 2019)
Net income (loss)*	thous. KZT	3,572,220	6,728,372	9,210,964
Dividends declared during the year	thous. KZT	3,572,220	6,728,372	9,210,964
Dividends paid during the year	thous. KZT	3,572,220	6,728,372	9,210,964
Earnings per share**	KZT	43.12	81.22	111.19
Book value of the share ***	KZT	1,234.41	1,277.14	1,311.95

\* Net income for the year for which the dividend payment was made.

\*\* Profit for the year for which the dividend payment was made.

\*\*\* Book value of the year for which the dividend payment was made.

## ANTI-CORRUPTION MEASURES

**The management of the Company and its employees adhere to the fundamental principles of openness and transparency in their work. The company strives to ensure maximum publicity. First of all, this work is designed to ensure the prevention of illegal actions, as well as the timely detection and prevention of corruption.**

The Company and its branches have created an internal control system to prevent the involvement of the Company and its employees in the implementation of transactions related to the legalization (laundering) of proceeds from crime or the financing of terrorism. Thus, a compliance system has been introduced in the Company, which ensures control over compliance with the legislation of the Republic of Kazakhstan, internal and external rules and procedures, basic moral and ethical principles of doing business and the corporate governance system.

### The Company's activities in the field of combating corruption in the reporting year.

**In accordance with the Law of the Republic of Kazakhstan "On Combating Corruption" (hereinafter referred to as the Law), the Company implements measures to prevent corruption, including the formation of an anti-corruption culture, anti-corruption monitoring, internal analysis of corruption risks, the development of anti-corruption standards and other measures to minimize the causes and conditions conducive to the commission of corruption offenses by:**

- establishing organizational and legal mechanisms to ensure accountability, controllability and transparency of decision-making procedures;
- compliance with the principles of fair competition;
- preventing conflicts of interest;
- adoption and adherence to the norms of business ethics;

- taking measures to form an anti-corruption culture;
- interaction with government bodies and other organizations on corruption prevention issues.

**For these purposes, the Company has approved the following internal documents:**

- Anti-corruption policy;
- Anti-corruption standards;
- Code of corporate ethics;
- Instruction on the organization of a hotline in the field of combating corruption;
- Rules for the settlement of corporate conflicts and conflicts of interest.

In accordance with the requirements of the Law, a working group was created to conduct an internal analysis of corruption risks. In 2020, the internal analysis covered several structural units that provide lending and leasing activities, asset examination, collateral, rehabilitation, and work with problem projects, as well as human resource management.

**Internal analysis of corruption risks was carried out in the following areas:**

- identification of corruption risks in internal documents;
- identification of corruption risks in organizational and management activities.

In the course of the analysis of internal documents, the norms contributing to the commission of corruption offenses were not identified. However, rules have been established that create discretionary powers, that is, enable the employees of the Company to act at their own discretion. Such norms can create grounds for abuse. Basically, they do not affect the proper operation of the Company and can be classified as ancillary norms. Nevertheless, for all the identified shortcomings, appropriate recommendations were made to eliminate them. Based on the results of the analysis, analytical reports were drawn up and recommendations were made to eliminate the identified comments.



Regarding corruption risks in organizational and managerial activities, it should be noted that the procedure for recruiting personnel is regulated and carried out in accordance with the Rules for Personnel Management of the Company and the Qualification Requirements for Positions. During the reporting period, employees were dismissed only on their own initiative. There are no persons dismissed for negative reasons, as well as those brought to responsibility for corruption, criminal and administrative offenses. The facts of occupying vacant positions that are directly subordinate to the position occupied by close relatives, spouses and in-laws have not been revealed.

The company has implemented measures in accordance with the Action Plan of the Ministry of Agriculture of the Republic of Kazakhstan to implement the Anti-Corruption Strategy of the Republic of Kazakhstan for 2015–2025 and eliminate corruption risks in agriculture for 2020, approved on May 19, 2020.

As part of the implementation of the Roadmap for the Implementation of the Cooperation Agreement between the Anti-Corruption Agency and Atameken NCE (as agreed with the Ministry of Agriculture of Kazakhstan and KazAgro Holding JSC), it took part in anti-corruption monitoring of the issuance of loans by subsidiaries of KazAgro Holding JSC, Automating the processes of filing and passing applications.

In accordance with the order "On Additional Anti-Corruption Measures in the Company" dated November 29, 2019, No. 133, which determined the procedure for the heads of the Company's structural divisions in the event of a notification of a corruption offense committed by the Company's employees, information was provided to the Compliance Manager of KazAgro Holding JSC for referral to the authorized state bodies.

**In the reporting year, the Company implemented the Action Plan to improve the risk culture for 2020, approved by the order of the Chairman of the Management Board on January 31, 2020, No. 162. In particular, the Company carried out the following activities:**

- On a quarterly basis, lectures on combating corruption are held in the structural divisions and branches of the Company. In 2020, all employees of the Company are familiarized with the internal documents on anti-corruption issues, as well as anti-corruption measures and responsibility for non-compliance with the requirements of anti-corruption legislation and the Anti-Corruption Policy of the Company;
- training was carried out on information security and access control in office buildings of the central office;
- a review of the shortcomings identified when the structural divisions and branches of the Company sent applications for the safety analysis of the applicant and affiliated companies.

The Compliance Service of the Company conducted a customer survey to identify the facts of corruption offenses and other violations by the Company's employees. In total, the survey covered 252 clients. During the survey, a pre-developed call script in Kazakh and Russian was used. The respondents were asked to independently name the violations in the actions of employees of the Company's branches that they encountered and were asked specific questions. Based on the survey results, no corruption offenses by the Company's employees were revealed.

In order to mitigate risks and protect the interests of the Company, criminal conviction checks were carried out on a regular basis among managers and founders of enterprises who applied for project financing. Borrowers and suppliers of leased items were checked for negative information, the stability of their activities, the legality of constituent and financial documents.

As part of information security, measures were taken to control local resources and communication channels, analyze transmitted data, identify types of extensions of malicious files, 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, once every six months, a corresponding report was submitted for consideration by the Management Board and the Board of Directors.

Feedback was organized with the general public, borrowers and lessees by posting information about the Compliance Service, hotline and mailboxes "For citizens' requests" in the Headquarters 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 it. With the help of feedback, it is possible to inform management about known facts of inappropriate behavior of the Company's employees, which may harm the interests or damage the reputation of the Company. Such facts can be reported by calling the hotline or sent to the e-mail indicated on the Company's website, which will make it possible to effectively respond and take countermeasures.

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### **The Company's activities in the field of combating the legalization (laundering) of proceeds from crime and financing of terrorism**

According to the internal documents of the Company, the Compliance Service is responsible for the organization, control and monitoring of the internal control system for the purpose of countering the legalization (laundering) of proceeds from crime and financing of terrorism (hereinafter – AML/CFT). In order to minimize compliance risks in this area, special attention is paid to automating customer due diligence and risk assessment. This year, work on updating the automated information system in terms of automation of AML/CFT processes will continue.

For the purpose of proper implementation of internal control over AML/CFT in the Company, the Compliance Service updated and approved the list of internal AML/CFT controllers by order of the Chairman of the Management Board dated September 14, 2020, No. 238. For continuous implementation of internal control on AML/CFT, the order also includes persons replacing internal controllers during the period of their temporary absence. Feedback has been established with these employees, they are consulted and coordinated.

In pursuance of the Internal Control Rules for AML/CFT purposes, the Compliance Service prepared training material in the form of introductory and basic courses and test tasks to test knowledge based on the results of training.

The introductory course contains basic knowledge about proceeds from crime, their legalization, about the system and methods of countering this activity, about international organizations and the regulatory framework of the AML/CFT system, about the basics of financial monitoring, as well as examples of violations and responsibility for their commission.

The main course is a methodological guide that includes methods of customer verification, risk assessment, typologies of money laundering and terrorist financing, criteria for suspicious transactions, the procedure for actions of officials and structural units, etc.

Within cooperation, the prepared educational material was sent for analysis to the International Training and Methodological Center for Financial Monitoring (Moscow).

**Reference:** The International Training and Methodological Center for Financial Monitoring (ITMCFM) was established in 2005 in accordance with the order of the Government of the Russian Federation. The center's activities are the organization and conduct of educational and methodological activities on the issue of AML/CFT, including through the implementation of educational programs for additional professional education, as well as the organization and conduct of research, assessment and expertise in the field of AML/CFT.

As a result of the analysis, the training material on AML/CFT KazAgroFinance received a positive expert review of the said center as making a significant contribution to improving the effectiveness of measures implemented for AML/CFT purposes, and covering the main aspects of the activity of the primary financial monitoring entity.



In 2020, distance learning was carried out for the Company's employees for the full cycle of the training program. In total, the training covered 214 people. As a result of testing, all employees scored threshold points. In the future, training on this material will be carried out only when a new employee is hired or with an internal transfer, if the employee has not previously completed training, as well as additional courses if necessary.

The Internal Control Rules were updated for the purpose of countering the legalization (laundering) of proceeds from crime and the financing of terrorism. The rules were developed in a new edition and approved by the Board of Directors. The development of a new version of the document is due to significant changes made to national legislation, as well as the optimization of the internal control mechanism. According to this edition, the three-tier protection system has been retained, but the functionality of the units and employees involved has been changed.

Thus, the role of the Compliance Service has been strengthened, which now independently makes decisions on recognizing customer transactions as threshold, suspicious, on classifying customer transactions as complex, unusually large and other unusual transactions, as transactions that have characteristics that correspond to ML/TF typologies, schemes and methods. As before, decisions to suspend or refuse to carry out customer transactions, to establish, continue or terminate business relations with customers are made by the head of the executive body of the Company. The concepts of "front office" and "middle office" have been introduced, the range of their responsibilities has been delimited. The list of suspicious transactions has been updated. Other changes are envisaged to improve work in this direction.

**In 2020, the Internal Audit Service carried out an audit of the effectiveness of the internal control system in order to counter the legalization (laundering) of proceeds from crime and the financing of terrorism for the period from October 1, 2019 to October 1, 2020. Based on the results of the audit, the audit team assigned an "average" rating to the Company's internal control system.**

Thus, the Company is taking extensive measures aimed at reducing corruption risks, increasing public confidence in the activities of KazAgroFinance JSC. In 2020, no facts of corruption were revealed in the Company.

## CORPORATE ETHICS

KazAgroFinance is guided by the Code of Corporate Ethics, according to which each employee of the Company is not only a professional in own field, but also a part of a single corporate culture.

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

The norms of the Code of Corporate Ethics apply to all employees of the Company, regardless of their position.

### Basic goals:

- determination and consolidation of the corporate values of the Company;
- regulation of the principles of conduct, rules and norms of business ethics, its further promotion among employees;
- uniform understanding and implementation of the norms of business ethics by all employees of the Company, regardless of the position held, in order to achieve a high quality of professional activity and fulfill the mission of the Company.





In the performance of duties, employees of the Company are guided by the following corporate ethical principles that apply to all employees of the Company:

1. **legality** – strict observance of the norms of 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 observance of the moral principles of a social society, ethical norms and rules, as well as business customs, timely fulfills its obligations and values its team and its reputation;
3. **subordination or rationality and fairness** – the relationship between the employees of the Company is based on the direct subordination of one employee to another in the process of performing their official duties, taking vertical subordination into account. All employees of the Company, regardless of their position, in their actions must be guided by the principles of rationality and justice;
4. **objectivity** – the principle establishes for all employees of the Company, without exception, the possibility of performing their functions and fulfilling official duties without any pressure from the outside, infringement of their rights and interests, as well as an objective and fair attitude towards themselves from the management;
5. **decency** – fair relationship, 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. **cooperation and efficiency** – joining efforts to solve strategic and daily tasks, working in a close-knit team to achieve set goals;

8. **confidentiality** – a responsible attitude to the confidential information of the Company and its partners, taking measures to protect it and prevent unauthorized distribution.

The activities of KazAgroFinance are built on mutual obligations between the Company and its employees, management and subordinates, employees to each other. Accurate adherence to mutual obligations is a prerequisite 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 over litigation.

Company employees do not provide hidden preferences and benefits to business partners.

In relations with the media, the Company is guided by the requirements of the law and does not allow the dissemination of inaccurate or distorted information.

**In the event of conflicts, they are resolved in accordance with the norms established by the internal documents of the Company 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, the Board of Directors to ensure effective internal control over the financial and economic activities of the Company and aimed at achieving the Company's goals and minimizing risks in the implementation of activities.**

The Company has a Policy on the internal control system of KazAgroFinance, approved by the decision of the Board of Directors of the Company dated September 6, 2019, No. 9. The policy defines the concepts, goals and objectives of the ICS, principles of its functioning, key areas and main components of internal control procedures, as well as competence and responsibility subjects of internal control for the implementation of procedures and assessment of the internal control system of the Company.

Moreover, in order to determine the procedure for ensuring effective functioning of the ICS in the Company, by the decision of the Management Board dated August 5, 2019 No. 24, the Rules for the implementation of the Policy on the Company's internal control system were approved.

The competence of the participants in the internal control system is delimited depending on their roles in the processes of development, approval, application and evaluation of the effectiveness of the internal control system.

Ensuring the functioning of the internal control system is entrusted to all owners of business processes, however, first of all, the responsibility is borne by the heads and employees of the structural unit of the Company responsible for the internal control system, which are delegated the appropriate responsibilities to maintain effective internal control on a daily basis.

The Board of Directors and the Management Board, being one of the participants (entities) of the internal control system, within their powers, are responsible for the formation and maintenance of the information support and information exchange system, which includes the organization of effective channels and means of communication that provide vertical and horizontal communication links within Companies and third parties.

Information and its transfer is a process of identification, documentation and timely delivery of the necessary and relevant information to the attention of officials, and also provides the availability of an information support system for the Company.

**In order to carry out internal control, the Company has built a three-line protection:**

- the first line of protection, in the structural divisions of the Company, by order of the Chairman of the Management Board, internal controllers are appointed from among the employees of the Company;
- the second line of protection, structural divisions of the Company performing control functions;
- the third line of protection is provided by the Internal Audit Service by assessing the effectiveness of the Company's internal control system.





## Internal Control System



Thus, 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.

In order to ensure the effective functioning of the internal control system, the Company approved the Action Plan to improve the internal control system of KazAgroFinance JSC for 2019–2021. The plan includes activities for five components: control environment, risk assessment, control procedures, information and communication channels, monitoring.

**In 2020, as part of the implementation of this plan, the following activities were implemented:**

- on a quarterly basis, educational trainings on ICS were conducted for the Company's employees to strengthen the role of the internal control system in the corporate culture and in the minds of employees, and to increase the level of employees' knowledge about the internal control system;
- certain types of management reporting are automated;
- the analysis of the ICS communication channels was carried out for efficiency;
- a communication map of the ICS was created;
- ongoing monitoring of the ICS was carried out, the corresponding report was reviewed and approved by the Board of Directors.

In the future, the Company will continue to develop the internal control system and ensure its effective functioning.



## INTERNAL AUDIT SERVICE

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

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

Annual risk-oriented audit plans are reviewed and approved by the Board of Directors. During 2020, IAS performed 12 audit engagements. The inspections covered 10 structural divisions of the Company's central office and 1 branch (audit of credit and leasing activities, work with problem debts, and others).

Based on the results of the inspections carried out by the IAS, 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 an IAS Quality Assurance and Improvement Program, in accordance with which internal auditors carry out continuous professional development on an ongoing basis. In 2020, IAS specialists were trained under the Diploma in International Financial Reporting (Diploma in International Financial Reporting) program (Diploma in International Financial Reporting established by the British Association of Certified Chartered Accountants (ACCA)). The internal documents of the Company provide the assessment of IAS activities, including internal and external assessment of its activities. Internal assessment of the activities of IAS and its employees is carried out on a quarterly and annual basis.

An external assessment (independent assessment) of the activities of the Internal Audit Service is carried out at least once every five years by an independent external expert or in the form of a self-assessment with independent external confirmation. So, in the fourth quarter of 2019, Crowe Audit KZ LLP conducted an external independent assessment of the quality of IAS activities, based on which results it was established that the activities of the Internal Audit Service generally comply with the International Professional Standards of Internal Audit and the IAS staff are qualified, have sufficient professional knowledge and skills for the performance of their official duties.

## EXTERNAL AUDIT

**BDO Kazakhstan LLP was designated as the auditing organization for auditing the financial statements of KazAgroFinance for 2020. In the reporting period, this organization did not provide services not related to the audit of financial statements.**

Based on the results of the audit, the auditor's opinion is "Certainly positive". The financial statements faithfully reflect, in all material respects, the financial position of the Company as of December 31, 2020, as well as its financial results and cash flows for the year in

accordance with International Financial Reporting Standards (IFRS).

With regard to the appointment and rotation of the external auditor and key personnel of the audit organization, for the approval of the services of the audit organization not related to the audit of financial statements, the Company is guided by the External Audit Policy approved by the decision of the Board of Directors dated December 9, 2016 and published on the corporate website of the Company [www.kaf.kz](http://www.kaf.kz).

### Auditor's remuneration, thousand KZT

Services	2018	2019	2020
Annual audit	25,227	30,240	29,008
Semi-Annual Review	10,612	12,736	-
Employee training services	1,555	899	-
Share of non-audit services in the total amount of remuneration (in%)	4.16	2.05	-
<b>Total</b>	<b>37,394</b>	<b>43,875</b>	<b>29,008</b>



04

# RISK MANA- GEMENT

**KAZAKHSTAN**

**AGRO INNOVATION**

**CORPORATION LLP**

The company that assembles and supplies agricultural, specialized and municipal equipment. At the production facilities of the enterprise, a wide range of equipment is produced by UKH Bobruiskagromash OJSC, Rostselmash LLC Combine Plant, Rubtsovskiy Plant CJSC, Minsk Tractor Plant OJSC.

**MADE IN  
KAZAKHSTAN**



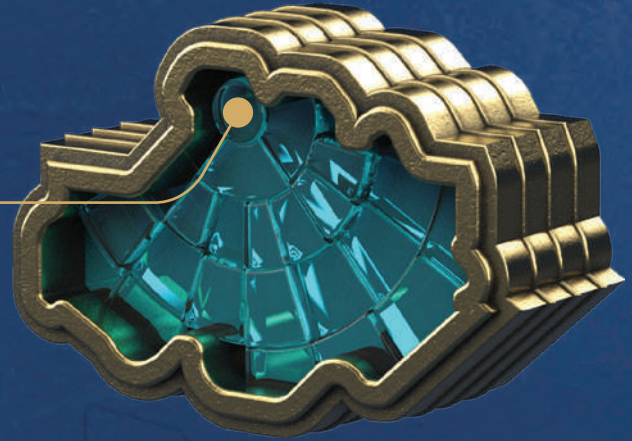
Total  
produced

**5,000** **UNITS OF  
EQUIPMENT**



Location

**KOKSHETAU**



Type of equipment

- seeders of the Amity brand,
- harvesters of the Akros, Torum 750 brands,
- tractors of the Buhler Versatile 2375, Belarus brands,
- trailed and mounted equipment since 2016



Sold through  
KazAgroFinance

**1,324** **UNITS OF EQUIPMENT**



Sold in  
the amount of

**16.5** **BLN KZT**

26.5% of the issued volume



## RISK MANAGEMENT SYSTEM

A formalized, detailed risk management system, which is designed to ensure clear identification, effective management and constant monitoring of risks and is aimed at ensuring the stability of activities by limiting the impact of negative factors on the Company's activities operates in KazAgroFinance.

Risk management in KazAgroFinance JSC is an ongoing, 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:

- creation and protection of the value of the share capital;
- consistency, structuredness and timeliness;
- awareness;
- work with uncertainty;
- adaptability;
- transparency and complexity;
- responsiveness and iteration;
- continuous improvement.

Board of Directors

Management Board

Risk management

Structural units

Internal Audit Service

## The main elements of the organizational structure of risk management

### Audit Committee

Ensuring the application of the risk management system, setting the levels of risk appetite and risk tolerance

### Strategic Planning and Risk Committee

### Risk Committee

Implementation of the management policy through the development of the Risk Management Regulations, methods, rules, compliance with limits and approved levels of risk appetite and risk tolerance

### Credit Committee

Identification and assessment of risks, taking measures to manage, control, monitor risks, control compliance with the approved levels of risk appetite and risk tolerance

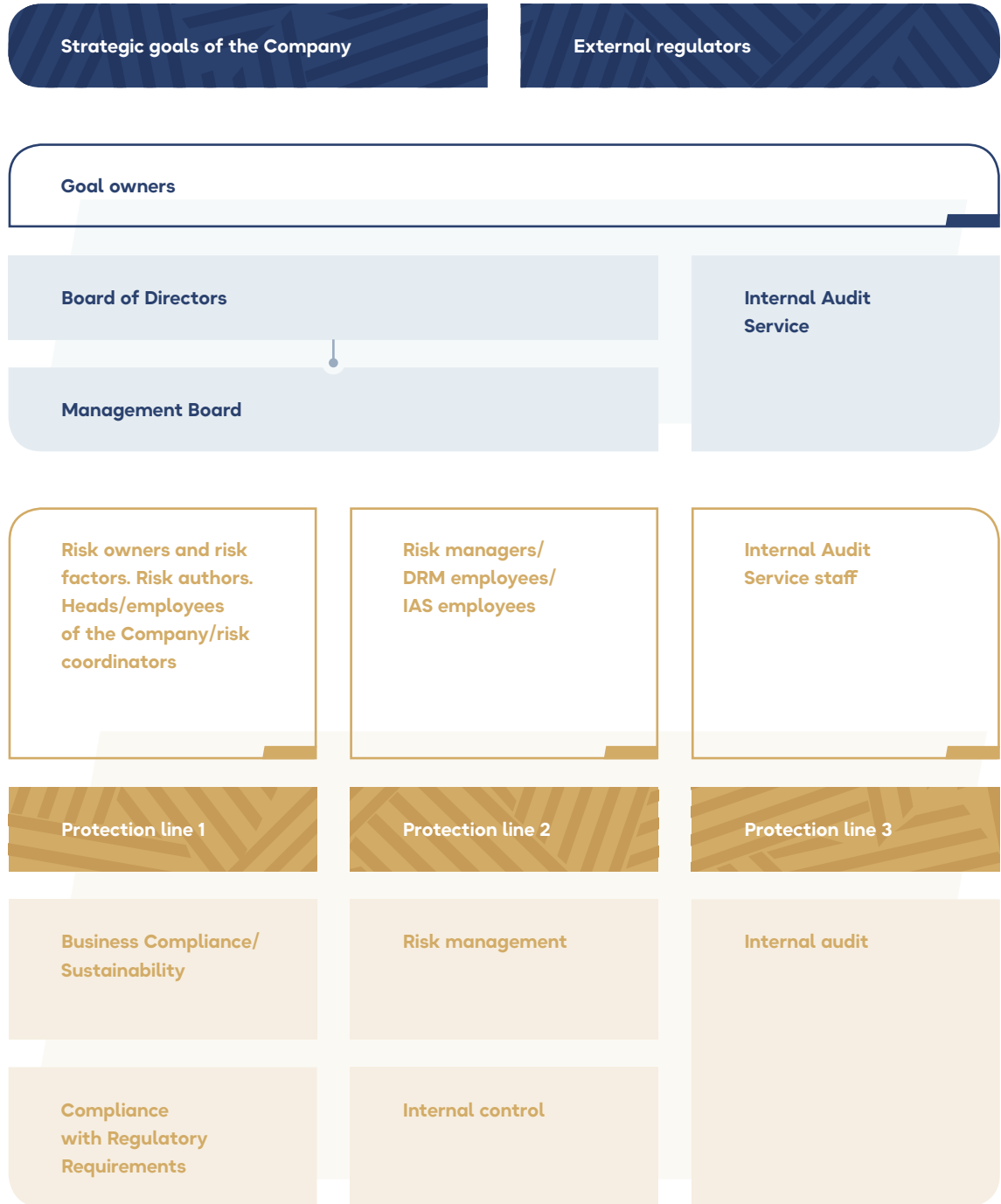
Identification and assessment of risks within its competence, implementation of measures to comply with the levels of risk appetite and risk tolerance

Monitoring and evaluating the effectiveness of the corporate risk management system





To enable the development of the corporate risk management system, three lines of protection have been introduced.



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### The first line of protection

is represented by the level of operational leadership and risk management. Consists of heads of structural divisions and branches, risk coordinators: main responsibility – identification of risks, participation in risk assessment, risk minimization. The heads of structural divisions and branches are the owners of risk factors.

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### The second line of protection

is determined by the functions of control and monitoring of risks from achieving the strategic goals of the Company. Represented by the structural unit for risk management: the main responsibility is risk management, monitoring the effectiveness of the CRMS, compliance with legislative/administrative rules and regulations, investigating problems and violations that block the achievement of strategic goals. The Board of Directors and the Management Board are the owners of the objectives.

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### The third line of protection

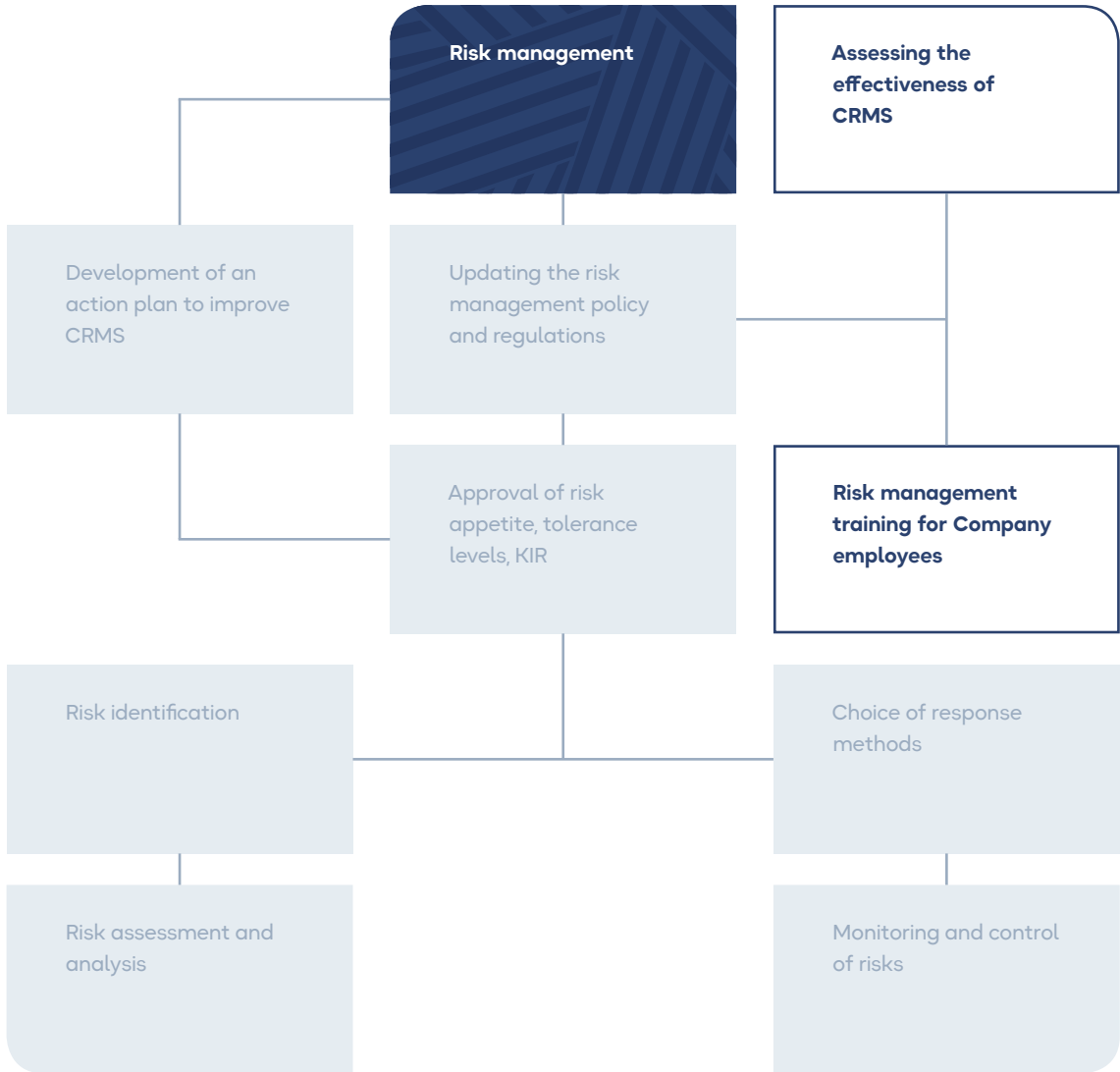
is the function of evaluating the effectiveness of the developed methods and processes of risk management. Submitted to IAS: main responsibility is to confirm to the Board of Directors and the Management Board the performance indicators of risk management, including the effectiveness of the first and second lines of protection.

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

- goal owner – the first head of the Company, responsible for the formation of the control environment, provision of conditions for the effective functioning of the risk management system in accordance with the goals of the development of the Company;
- risk owners – top managers (managing directors) who oversee one or another area of activity or a set of any business processes and are focused on achieving the goal;
- risk factors owners – heads of structural divisions (and/or branches) who directly implement measures to reduce the likelihood of a risk factor and, as a consequence, the realization of the risk itself;
- risk coordinators – employees of the Company who collect information on identified risks faced by a structural unit (and/or branch).



**Risk management organization architecture of KazAgroFinance JSC**



The risk management system of KazAgroFinance JSC is a set of interrelated components combined into a single process, within which the Board of Directors, Management Board and employees of the Company, at their own level, participate in identifying potential

negative events and opportunities that may affect the activities of KazAgroFinance JSC and in managing these events within the acceptable level of risk for key stakeholders.

**In order to implement systemic development and improve the corporate risk management system, the Company has elaborated and approved an Action Plan to improve the corporate risk management system of KazAgroFinance for 2019–2025. In order to implement this plan, the following activities were carried out in 2020:**

- a number of internal documents have been updated, such as the Methodology for setting limits on direct and contingent liabilities of banks, the Matrix of risks and controls for the main and auxiliary business processes, the Risk Management Regulation, regulations governing the activities of credit committees;
- on a quarterly basis, control of risk factors affecting the change in risk appetite is carried out, with the provision of a report on accepted risks for consideration by the Board of Directors;
- on an ongoing basis, work is carried out to manage risks, including analysis of seized machinery and equipment for the period from 2015 to 2019, analysis of the loan portfolio of branches in order to determine the rating of the branch, monitoring and control of insurance of leased items and the Company's pledges;
- on a periodic basis, key risk indicators are monitored in order to detect the likelihood of risks early and monitor performance indicators. The Board of Directors quarterly reviews the risk map and register, as well as the implementation of measures under the Risk Mitigation Plan, the Action Plan to improve the corporate risk management system;
- in order to increase the risk culture, measures were taken to train the Company's employees to improve their skills in terms of risk management;
- Certification of employees of the risk management division was carried out, they received ISO certificate of the International Organization for Standardization.





## RISK ANALYSIS

KazAgroFinance carries out constant identification of risks, their assessment and development of risk management measures. The Company conducts its business taking into account a wide range of risks associated with business and has categorized: strategic risks, credit risks, financial risks, operational risks and legal risks.

### The main risks to which KazAgroFinance was exposed in 2020

- **Increasing NPL**

On a regular basis, the Company takes measures for problem projects, including work with current overdue debts, for the timely recognition of projects as problematic and transferring them to the divisions dealing with debt collection, in accordance with the procedures and the established deadlines. Work is underway to increase the loan portfolio by attracting good faith borrowers. As of December 31, 2020, the NPL level was 13.51%. Risk appetite for 2020 is approved at 15.5%.

- **Concerning reputational risk**

On an ongoing basis, the Company discusses the reputation risk in the team and carries out work to familiarize employees (including newly hired ones) of the Company with internal documents regarding behavior and ethics. The Company monitors electronic and print media, as well as the Internet, and produces annual content analysis. According to the report "Analysis of mentions in Kaznet", the population of Kazakhstan mentions KazAgroFinance mainly in a positive way. Also, preventive measures (training, lectures, etc.) are carried out to prevent corruption crimes of the Company's employees.

Currently, the Compliance Service conducts work on an ongoing basis to analyze customer requests

(complaints) and identify their causes. This work contributes to more effective risk assessment and mitigation.

- **Concerning the risk of loss of collateral and leased items**

As part of the work carried out with suppliers of leased items, the reliability of suppliers is assessed on an ongoing basis at the selection stage in order to prevent the realization of the risks of late delivery of leased items; in the future, it is planned to work on advance notification of suppliers about the onset of obligations.

- **Concerning HR risks (staff turnover, non-compliance with internal documents of the Company/ incompetence of employees)**

On a regular basis, the Company takes measures to improve the qualifications of employees at the expense of the employer. Improvement (automation) of business processes takes place annually in order to create an effective consistent business process. The provision of replacement of personnel in case of unforeseen circumstances is carried out (personnel reserve). As part of the action plan to improve the risk culture, approved on an annual basis, every six months, employees involved in lending and leasing activities are tested for their knowledge of the Company's internal documents.

- **Concerning the impact of the pandemic on the Company's activities**

In connection with the spread of coronavirus infection (Covid-19/CVI), a state of emergency was introduced from March 16, 2020 to May 11, 2020 in all regions of the Republic of Kazakhstan. In order to protect life and health, prevent the spread of CVI among employees, as well as ensure the continuity of processes, the Management Board elaborated and approved a Business Continuity Plan, according to which most of the Company's employees were transferred to a remote mode of work, business trips were limited. This

plan allowed the Company to perform its functions and tasks without interruption.

For the period of the state of emergency in the Republic of Kazakhstan, the Company provided short-term technical restructuring (deferred payments) to customers whose activities were suspended during the period under review.

- **Concerning IT risks**

The Company carries out external data backup. A data processing center (DPC) is a geographically distributed cluster (duplicate) configuration of existing servers connected to a shared storage network. The distributed cluster nodes are located at a backup site, forming a single system. This ensures continuous service availability even in the event of a loss of the primary data center. The Company has also developed an Information Systems Continuity Plan. Currently, the Committee on Automation has been established under the Board of Directors.

- **Concerning the change of shareholder**

According to the State-of-the-Nation Address of the Head of State "Kazakhstan in a new reality: time for action" dated September 1, 2020, an event is planned to reorganize Baiterek NMH JSC by joining KazAgro NMH JSC to Baiterek NMH JSC. The transformation process of holdings is carried out within the framework of the relevant roadmap.

The Company held discussions in working groups to assess the impact of the reorganization on the activities of KazAgroFinance to develop measures to minimize the effect of the transformation of KazAgro Holding JSC.

- **Other issues on risk management**

Work on risk management is carried out on an ongoing basis, including analysis of seized machinery and equipment for 2015–2019, analysis of the loan portfolio of branches to determine the rating of branches,

monitoring and control of insurance of leased items and pledges of the Company.

A number of internal documents were updated, such as the Methodology for setting limits on direct and contingent liabilities of banks, matrices of risks and controls for main and auxiliary business processes, regulations governing the activities of the Company's credit committees.

Key risk indicators are monitored on a periodic basis for early detection of the likelihood of risks and performance indicators. The Board of Directors quarterly reviews the Map and the Risk Register, as well as the implementation of measures within the Risk Mitigation Plan, the Action Plan to improve the corporate risk management system. The company is taking measures to train, improve skills in terms of risk management in accordance with the Action Plan to improve risk culture.

**In the future, work on the implementation of measures to manage the risks of the Company will continue.**



05

# MARKETING ACTIVITY

**SEMAZ**
**LLP**

A large operating manufacturer of agricultural and cargo equipment in Kazakhstan. The world's leading conglomerates are among the partners of the plant: Minsk Tractor Works, UralAZ, GAZ, Shaanxi, and FOTON.


**Total  
produced**
**MADE IN  
KAZAKHSTAN**
**9,400**
**UNITS OF  
EQUIPMENT**



Location

**SEMEY**



Type of equipment

- tractors of the Belarus brand,
- agricultural trucks since 2009



Sold through  
KazAgroFinance

**5,644** **UNITS OF EQUIPMENT**



Sold in  
the amount of

**29.8** **BLN KZT**

60% of the issued volume





## INFORMATION POLICY

**Disclosure of information is one of the most important tools for the Company's interaction with stakeholders, contributing to the formation of long-term, transparent and trusting relations with all stakeholders, as well as increasing the investment attractiveness of the Company.**

KazAgroFinance is committed to ensuring high-quality disclosure of information for various stakeholders and increasing the level of transparency.

To comply with the interests of interested parties, the Company timely and reliably discloses information provided by the legislation of the Republic of Kazakhstan, and information on activities, including financial condition, performance results, ownership and management structure.

The Company has approved and applies the Policy of Disclosure of Information on Activities, which defines the goals and principles, forms and methods of disclosing information, the circle of persons (bodies) responsible for disclosing information, a list of publicly available information to be disclosed to interested parties, as well as a list of information constituting commercial, official and other secrets protected by law (in March 2021, this Policy was approved in a new edition).

### Principles of information disclosure by the Company:

**1. the principle of regularity and timeliness of information disclosure** – the responsibility of the Company in respect of compliance with the terms and consistency of the provision of information provided for legislation and internal documents. The Company realizes the importance of regularly providing information to stakeholders as a prerequisite for their understanding of the Company's activities. The

information is provided in accordance with the fact of the occurrence of an event according to the degree of its significance and considering the timeliness of its public disclosure;

**2. the principle of openness and accessibility of information** – the choice by the Company of such channels for the dissemination of information, access to which is free, easy and low-cost, as well as the intention of the Company to ensure maximum transparency of information about its activities, taking into account the observance of the confidentiality regime in relation to information constituting commercial, official and other secrets protected by law;

**3. the principle of reliability and completeness** – responsibility of the Company in providing the interested parties with information that is relevant to reality and sufficient to fully understand the disclosed fact or event. The company makes sure that the information provided is not distorted by third parties, and if such a fact is discovered, it takes measures to eliminate distortions and errors.

The company does not shy away from disclosing negative information about itself if such information is not confidential and is capable of influencing the adoption of investment and other decisions by interested parties.

The Company, in addition to information, which disclosure is mandatory in accordance with the law, provides information about its current and planned activities, as well as other information for a more complete understanding by all stakeholders of the Company's activities;

**4. the principle of balance** – ensuring a reasonable balance of openness and transparency by the Company on the one hand and confidentiality on the other hand in order to ensure the maximum realization of the rights of interested parties to receive information, but subject to strict observance of the interests of the Company, its Sole Shareholder in terms of restricting access to information, constituting a commercial, official or other secret protected by law.

The principle of transparency and objectivity in disclosing information on activities is also enshrined in the Corporate Governance Code of the Company. The Company, to ensure that the Sole Shareholder can make informed decisions, as well as bring information about its activities to the attention of stakeholders, ensures timely disclosure to the Sole Shareholder and stakeholders of reliable information about the Company, including about its financial position, economic indicators, performance results, structure of ownership and management.

**Main channels of information disclosure:**

- website of the Financial Reporting Depository;
- website of the Kazakhstan Stock Exchange;
- corporate website of the Company;
- social networks Facebook, Instagram, Twitter.

**During the reporting period, no violations were recorded in posting information on corporate websites.**



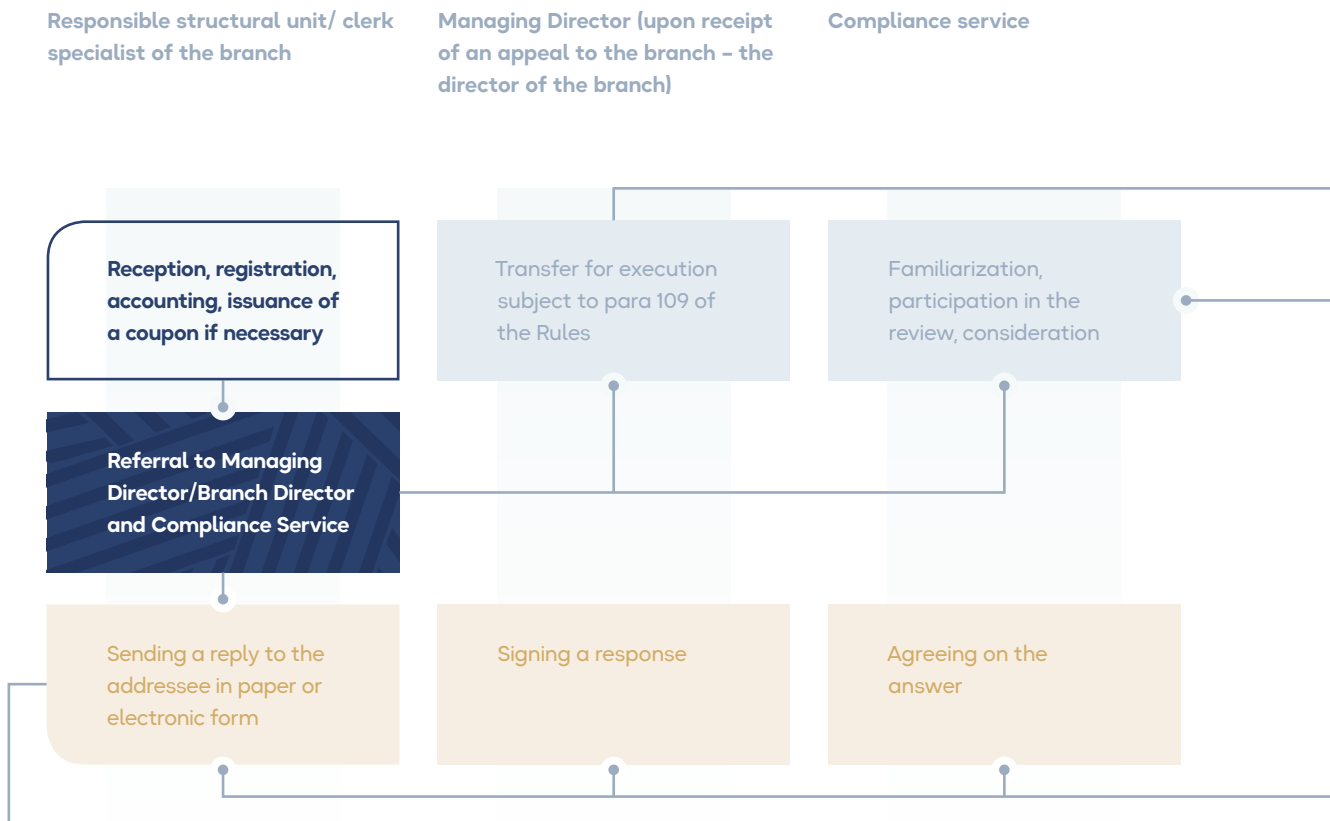
## Complaints and Issues Reporting Mechanism

The company adheres to the principle of transparency in its business and is open to receiving feedback. The Company's activity in this area is one of the priorities.

In order to ensure economic and information security and to combat corruption, feedback was organized with the population, borrowers and lessees of the Company.

Appeals are an indicator by which weaknesses in the Company's activities are determined; it is a signal to take immediate measures to eliminate violations and the reasons that contribute to them.

### Procedure for handling applications from individuals and legal entities



**For the proper consideration of applications from individuals and legal entities in 2020, a number of changes were made to the existing procedure for working with applications, namely:**

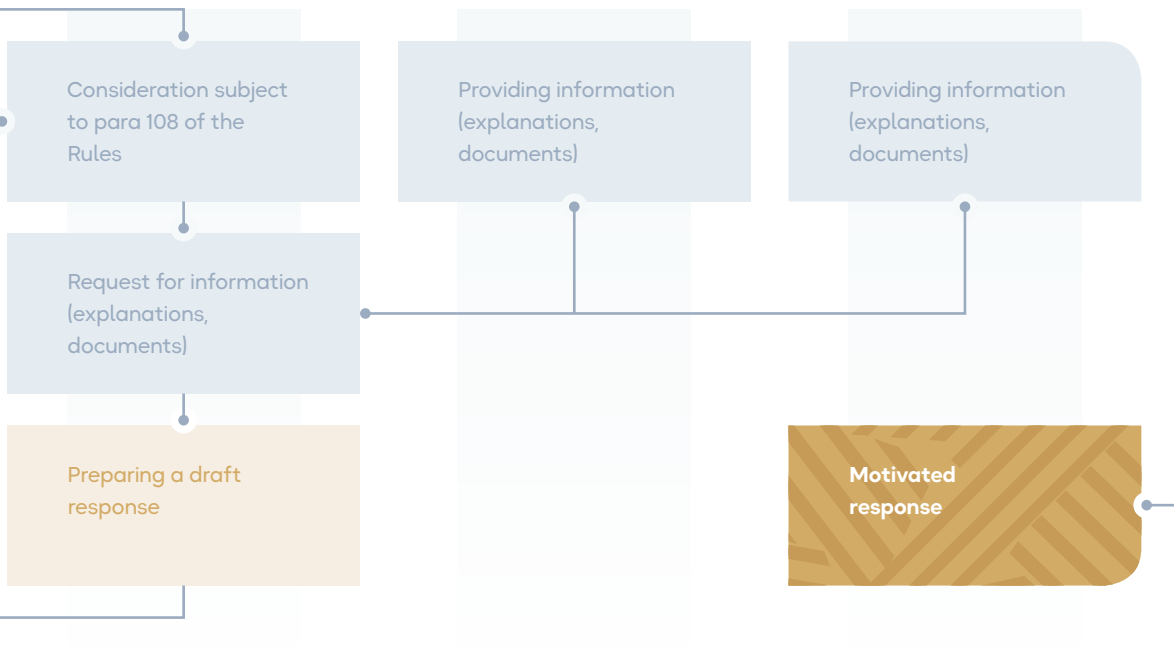
- the rules for receiving, registering, considering appeals have been determined;
- a separate accounting of calls was introduced in the electronic record keeping system;
- the procedure for determining the performer has been regulated in order to prevent the consideration of the appeal by the person whose actions are appealed or not interested in its objective consideration;

- fixed the terms for consideration of appeals;
- formalized the exclusive consideration by the Compliance Service of appeals on the facts of corruption, fraud, and other abuse of authority by the employees of the Company;
- there is a duty to analyze and summarize appeals, critical remarks contained in them, in order to develop recommendations for improving the Company's activities and eliminating the reasons giving rise to complaints;
- a scheme for processing appeals has been elaborated.

**Structural unit (upon receipt of an appeal to the branch – an employee of the branch)**

**An employee, unit (branch) whose actions are being appealed.**

**Addressee (applicant, state agency or organization)**





Corresponding changes were made to the Documentation Rules approved by the Management Board. Currently, measures are being taken to introduce mechanisms, including IT solutions, aimed at the effective implementation of the changes enshrined in the new edition of the Documenting Rules.

In order to improve the work and eliminate the reasons giving rise to complaints from individuals and legal entities, the Compliance Service analyzed and summarized the critical remarks contained in the appeals. Based on the analysis of complaints about corruption, fraud, or other abuse of authority by the Company's employees, there were no reports.

In the event of violations in the activities of the Company and (or) its employees, shortcomings in business processes, and if necessary to take prompt action, the Compliance Service prepares a conclusion with recommendations to eliminate the causes of the identified violations.

The Company has introduced a hot line and installed mailboxes "For citizens' requests" at the Headquarters and branches of the Company. In addition, the "Callback" function has been launched on the corporate website of the Company, which is actively used by clients.

**To ensure the proper functioning of the proactive communication line in the Company as a tool for identifying compliance risks in the activities of the Company and its employees (including anti-corruption monitoring), the following measures were taken:**

1. a separate telephone number has been allocated for the hotline +7 (7172) 580-411. Calls to the hotline are made without the need to dial an internal number, waiting for an operator's answer, automatic forwarding to responsible persons is configured in the following sequence:
  - **Security department**
  - **Compliance Officer**
  - **Compliance manager**
2. delivery of messages to the hotline e-mail is configured: **hotline@kaf.kz**. Messages are simultaneously sent to the corporate mail of the responsible employee of the Security Department, the head and manager of the Compliance Service;
3. information on the activities of the Compliance Service on AML/CFT procedures, on channels of proactive information, information confidentiality has been updated on the corporate website;
4. a form for sending messages to the Compliance Service e-mail has been configured on the corporate website.

**These measures are aimed at the timely detection and prevention of offenses by means of the Compliance Service's control over requests through all available channels of proactive information.**

## BRANDING AND PR ACTIVITIES

**In 2020, in order to strengthen a positive image and inform clients about financing opportunities, the Company held a wide information campaign in the media and social networks.**

During the year, as part of the Company's communication strategy, informational posts were posted on the official pages on Facebook, Instagram, Twitter. Materials and articles about the Company's activities have been published on republican Internet portals and in regional publications.

Information about the financing of KazAgroFinance agricultural machinery was published in the media, materials on the preparation for the sowing campaign through the prism of the Company's activities were published in some regional newspapers. Publications were also posted on a set of measures aimed at supporting borrowers during a state of emergency in the country, as well as farmers affected by floods in the Maktaaral district of the Turkestan region.

On the corporate website of the Company there is a memo of KazAgroFinance on the readiness to provide support to its customers and considering the issue of granting a deferral for payments due from March 16 to June 15, 2020, without charging a penalty due to the introduction of a state of emergency in the territory of the Republic of Kazakhstan. Answers to the main questions of clients about deferred payments have been prepared and published. The "Callback" function on the Company's website is actively used, which allows customers to contact with questions of interest and receive a prompt response and advice.

The Company, represented by the managing director – member of the Management Board, took part in the live broadcast of the "Agrarly Kazakhstan" program on Kazakh radio. The Company also organized press tours for the commissioning of a greenhouse complex with an area of 2 hectares in Kyzylorda, as well as in the Osakarovsky district of the Karaganda region.

In 2020, KazAgroFinance took part in specialized agricultural exhibitions and fairs, such as the 15<sup>th</sup> International Agricultural Exhibition "Agritek/Farmtek-2020" and "Agro Kostanay – 2020."

In the media (republican and regional newspapers and television) and social networks (Facebook, Instagram, Twitter), 194 mentions of the activities of KazAgroFinance were noted, the majority of which are neutral or positive.



06

# SUSTAINABLE DEVE- LOPMENT

**KOSTANAY**
**TRACTOR PLANT**
**LLP**

Official manufacturer of Kirovets brand equipment in the Republic of Kazakhstan. KTP organizes its own production of energy-intensive tractors of the fifth traction class and more in the Republic of Kazakhstan.

**MADE IN  
KAZAKHSTAN**

**Total  
produced**
**120** **UNITS OF  
EQUIPMENT**



Location

**KOSTANAY**



Type of equipment

- tractor of Kirovets brand from 2020



Sold through  
KazAgroFinance

**72** **UNITS OF EQUIPMENT**



Sold in  
the amount of

**3.5** **BLN KZT**

60% of the issued volume





## MESSAGE FROM THE CHAIRMAN OF THE MANAGEMENT BOARD

### on sustainable development

Sustainable development issues are gaining more attention in the world. Formation of new business approaches to the management of resources, risks and all types of impact on the economy, society and the environment are becoming key tasks in determining the development strategy of many companies.

KazAgroFinance realizes the importance of sustainable development goals and strives to effectively implement the principles of sustainable development by balancing the interests of stakeholders.

The Company's sustainable development activities are aimed at complying with the best international standards. This is achieved by making decisions considering the interests of stakeholders, as well as by building a dialogue aimed at long-term cooperation with stakeholders.

We preserve the key characteristics of the Company: ensuring the availability of financial services provided, attentive attitude to customers, their needs and safety, concern for the quality of our services. The Company ensures a high level of social protection of personnel, maintains and develops a system of continuous training and advanced training. Also, charitable and sponsorship assistance is provided to socially unprotected segments of the population.

The approach of responsible, thoughtful, and rational interaction with stakeholders will contribute to the sustainable development of the Company.

The Company responsibly reacts to environmental factors and their consequences. In the reporting year, the Company took a number of post-pandemic measures to

support customers affected by the COVID-19 coronavirus pandemic during the state of emergency in the country. The procedure for considering customer applications was optimized, payment deferrals were provided, and financing conditions were improved. Along with this, to ensure the safety of employees, the Company has taken sanitary and anti-epidemic (preventive) measures, 80% of employees were transferred to a remote work format with the provision of computer equipment necessary for work.

An integrated and systematic approach to managing ESG factors will further develop the practice of responsible management and investment, become a successful and attractive company in the global market.

**KANYSH**

**TEMIRTAYEVICH**

**IZBASTIN**

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

## SUSTAINABLE DEVELOPMENT POLICY

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

Solving tasks in the field of sustainable development, the Company relies on its mission, the provisions of the Development Strategy of KazAgroFinance, and also uses international norms of behavior and principles enshrined in international standards in sustainable development.

The Company considers the use of international standards in the field of sustainable development as a necessary condition for ensuring the compliance of its activities with the best international practice and achieving the goals and objectives in the field of sustainable development.

**Sustainable development in the Company consists of three constituent categories: economic, environmental and social, aspects of which are taken into account by the GRI Standards.**

**The economic component of sustainable development contains the following goals:**

1. assistance in the technical equipment of the AIC;
2. ensuring financial stability;
3. ensuring the interests of the Sole Shareholder and investors;
4. improving the efficiency of processes;
5. increase in investment in the leasing of agricultural machinery and equipment;
6. increase in labor productivity for financed investment projects.

**The environmental component of sustainable development contains the following goals:**

1. minimizing the impact on biological and physical natural systems;

2. optimal use of limited resources;
3. use of environmentally friendly, energy- and material-saving technologies;
4. creation of environmentally friendly products, minimization, processing and disposal of waste.

**The social component of sustainable development is focused on the principles of social responsibility and includes the following goals:**

1. ensuring labor safety and preserving the health of employees;
2. fair remuneration and respect for the rights of employees;
3. individual development of personnel;
4. implementation of social programs for personnel;
5. creation of new jobs;
6. sponsorship and charity;
7. carrying out environmental and educational campaigns.

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

In accordance with the Corporate Governance Code, the Board of Directors and the Management Board must ensure the formation of an appropriate system in the field of sustainable development and its implementation. All employees and officials at all levels contribute to the sustainable development of the Company.

To ensure clarity and transparency of its activities for stakeholders, the Company annually publishes information on its activities in the field of sustainable development in its annual report.

The Company will continue to adhere to the balanced development of all components of sustainable development.



## STAKEHOLDER ENGAGEMENT REPORT

**In the course of carrying out its activities, the Company influences and experiences the influence of stakeholders.**

Stakeholders can have both positive and negative impact on the Company's activities, namely on the effective implementation of the development strategy, sustainable development, reputation and image, create or reduce risks. The Company places great emphasis on proper stakeholder engagement.

KazAgroFinance, when identifying and interacting with stakeholders, uses international standards for identifying and interacting with stakeholders.

The Company takes measures to build effective dialogue and long-term cooperation with stakeholders.

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

The process of interaction with stakeholders is based on the principle of involvement, which implies considering the interests of stakeholders at all stages of the activity management process and involving stakeholders in the discussion of significant topics and important issues, potential risks and boundaries of responsibility.

**Engagement is achieved by adhering to the following three principles:**

- **materiality:** identification of significant interests both for the Company and for stakeholders;
- **completeness:** awareness and understanding of the significant consequences of their activities, opinions and needs of stakeholders in connection with the activities of the Company, as well as their expectations;

- **responsiveness:** reacting objectively and taking adequate action on issues of relevance to stakeholders.

Participation of all stakeholders in the observance of common interests is a fundamental condition for the successful operation of the Company.

**Effective interaction with stakeholders will allow:**

- combine resources (knowledge, personnel, money and technology) to solve problems and achieve goals;
- evaluate the external environment, including the development of markets, and also determine new strategic opportunities;
- improve business processes;
- pursue a policy of openness and transparency of activities.

**Main mechanisms of interaction with stakeholders:**

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

The executive body of the Company, its structural divisions directly interact with stakeholders within their powers and competence. Control and supervisory functions over the process of interaction of KazAgroFinance JSC with stakeholders are carried out by the Board of Directors.

The Company identified internal and external stakeholders and analyzed their requirements and expectations.

Stakeholders	Requirements and expectations	How do we interact?	What are we doing?
<p><b>Lenders/investors. The Company is interested in its creditors and ensures the fulfillment of its obligations.</b></p>	<ul style="list-style-type: none"> <li>Investment safety, solvency and profitability of the Company with subsequent profit.</li> <li>Compliance and timely fulfillment of the obligations assumed.</li> </ul>	<ul style="list-style-type: none"> <li>The presence of a structural unit that carries out work to attract investors.</li> <li>Participation in bilateral, trilateral business negotiations.</li> <li>Signing contracts, memoranda.</li> </ul>	<ul style="list-style-type: none"> <li>The borrowing department of the Company is working to attract investors.</li> <li>The Company adheres to the policy of diversifying funding sources and investor base and has a wide investor base with whom it has been cooperating for many years.</li> <li>Effective capital and asset management allows the Company to maintain a high level of financial stability, which is confirmed by ratings from rating agencies.</li> </ul>
<p><b>State bodies and regulators are strategically important institutions in the country. The Company responsibly fulfills the requirements of the legislation.</b></p>	<ul style="list-style-type: none"> <li>The implementation by the Company of its activities in accordance with the legislation, compliance with requirements and standards.</li> <li>Timely payments to the budget.</li> <li>Fulfillment of prescriptions based on the results of the inspections carried out.</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with the requirements of Kazakhstani legislation.</li> <li>The presence of a separate structural unit that interacts with regulatory authorities.</li> <li>Timely consideration of appeals and execution of prescriptions.</li> </ul>	<ul style="list-style-type: none"> <li>The internal control system ensures effective supervision of financial and economic activities and is aimed at achieving the Company's goals and minimizing risks in its activities.</li> <li>The management system in the Company ensures strict observance of the legislation.</li> </ul>
<p><b>Competitors (leasing companies). The Company respects its competitors and adheres to the principles of fair competition.</b></p>	<ul style="list-style-type: none"> <li>Adherence to the principle of fair competition in accordance with the Code of Corporate Governance and the Code of Business Conduct. Market monitoring and analysis.</li> </ul>	<ul style="list-style-type: none"> <li>Analysis of the competitive environment.</li> <li>Adherence to the principle of fair competition.</li> </ul>	<ul style="list-style-type: none"> <li>The Company actively interacts 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 in demand in the interests of all market participants.</li> <li>The Company conducts marketing research and analytical reviews on the study of sectors of the agro-industrial complex, including in accordance with the regional specification and in the areas of the Company's activities, as well as on the market of leasing and other financial services in Kazakhstan.</li> </ul>



Stakeholders	Requirements and expectations	How do we interact?	What are we doing?
<p><b>Consumers (borrowers), clients are the key stakeholder of the Company. KazAgroFinance is interested in expanding the client base and improving the quality of services provided.</b></p>	<ul style="list-style-type: none"> <li>• Increase in the list of proposed equipment.</li> <li>• Simplification of procedures for obtaining the Company's services.</li> <li>• Decrease in interest rates.</li> <li>• Reducing the time for consideration.</li> <li>• Improving the quality of service from the Company.</li> <li>• Obtaining funding.</li> <li>• Consulting assistance in the formation of a package of documents.</li> <li>• Timely maintenance and replenishment of the official website of the Company with information necessary for consumers.</li> <li>• Increasing the availability of information about services, offers, promotions.</li> <li>• An increase in the number of branches in other cities.</li> </ul>	<ul style="list-style-type: none"> <li>• The presence of a structural unit for working with clients.</li> <li>• Improvement of business processes and their automation.</li> <li>• Feedback on the corporate website.</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the availability of services and customer satisfaction is an important strategic direction for the Company. We continue to work on improving the product line in order to create the most effective tools. Moreover, work is constantly underway to develop business processes, thanks to which in the past year it was possible to reduce the time for consideration of applications and the package of necessary documents. A callback function has been introduced on the corporate website.</li> </ul>
<p><b>Suppliers. Building partnerships is one of the main tasks of effective interaction. Suppliers. Building partnerships is one of the main tasks of effective interaction.</b></p>	<ul style="list-style-type: none"> <li>• Conclusion and maintenance of long-term partnerships.</li> <li>• Increase in the volume of purchased machinery and equipment.</li> <li>• Full and timely receipt of payment for goods and services in accordance with the agreed conditions.</li> <li>• An exact description of the brand, model of the requested leasing item and its specification.</li> </ul>	<ul style="list-style-type: none"> <li>• Formation of a mutually beneficial partnership by concluding contracts and fulfilling contractual obligations.</li> <li>• Availability of a procurement system.</li> <li>• Participation in forums, exhibitions.</li> <li>• Implementation of joint projects.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company's requirements for suppliers of leased items are the same for everyone and are posted on the Company's website, which simplifies the process of interaction with the Company for suppliers.</li> <li>• The procedure for the acquisition of leased items by the Company is carried out in accordance with the approved internal documents.</li> <li>• For the convenience of customers finding the right suppliers, the corporate website of the Company <a href="http://www.kaf.kz">www.kaf.kz</a> has published a database of suppliers of agricultural machinery, equipment and cattle, with which the Company has experience of cooperation.</li> <li>• The Company ensures transparency of the system of working with suppliers and is open to feedback, ensures timely consideration and settlement of concerns and claims of suppliers.</li> <li>• The Company annually participates in international and domestic exhibitions and takes part in forums.</li> </ul>

Stakeholders	Requirements and expectations	How do we interact?	What are we doing?
<p><b>Organizations performing external audit (Accounts Committee, independent auditor, etc.). External evaluation institutions are one of the key elements in the stakeholder list.</b></p>	<ul style="list-style-type: none"> <li>• Efficient use of cash and other assets of the Company.</li> <li>• Compliance with legislation, international, national standards.</li> </ul>	<ul style="list-style-type: none"> <li>• The presence of a structural unit that interacts with the party.</li> <li>• Conclusion of contracts for the provision of consulting and audit services.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company has built an effective system of financial management and risk management, which makes it possible to timely identify, reliably assess and minimize credit, currency, price and liquidity risks.</li> <li>• An independent audit of financial statements is carried out annually. Internal control and internal audit services operate.</li> </ul>
<p><b>Sole shareholder, management bodies (Board of Directors, Management Board). Ensuring the interests of the Sole Shareholder is one of the priorities of the Company.</b></p>	<ul style="list-style-type: none"> <li>• Growth of profitability and value of the Company.</li> <li>• Investment security.</li> <li>• Contribution to the economy.</li> <li>• Building potential for the development of the Company in the future.</li> <li>• Stable growth and development of the Company, achievement of target indicators.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring the rights of the Sole Shareholder under the Charter, the Corporate Governance Code of the Company.</li> <li>• Execution of decisions of the Sole Shareholder.</li> <li>• Provision of reliable information on the results of financial and economic activities in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Charter, and internal documents.</li> </ul>	<ul style="list-style-type: none"> <li>• The expansion of the scale of activities in support of farmers and high-quality financial management have a positive effect on the financial performance of the Company. In 2020, the net profit for the year amounted to 9.6 billion KZT, the profitability indicators were exceeded.</li> <li>• 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.</li> </ul>
<p><b>Employees are the most important asset of the Company and the basis of its effective activity.</b></p>	<ul style="list-style-type: none"> <li>• Stable and timely payment of wages and bonuses.</li> <li>• Satisfactory social package, comfortable and safe working conditions (working hours, vacations), observance of the legal rights of employees.</li> <li>• The opportunity for career growth and professional development.</li> </ul>	<ul style="list-style-type: none"> <li>• Conclusion of employment contracts with employees.</li> <li>• Execution of official duties aimed at achieving the goals and objectives of the Company.</li> <li>• Consideration by the Conciliation Commission of complaints about labor practices and negotiations.</li> <li>• Communications with employees are also carried out through corporate mailing.</li> </ul>	<ul style="list-style-type: none"> <li>• The Company ensures an open and transparent HR policy aimed at the formation of qualified and motivated personnel.</li> <li>• Employees are provided with equal opportunities for realizing their potential in the process of work, for an impartial and fair assessment of the results of their work. Selection and career growth of employees solely on the basis of professional skills, experience and knowledge. Conducting employee training, professional development.</li> </ul>



## ECONOMIC IMPACT

### Economic value added

The activities of KazAgroFinance are aimed at supporting the development of the agricultural sector of the Republic of Kazakhstan by providing agricultural producers with access to financial resources, as well as agricultural machinery and technological equipment on a lease 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 ensure the activities of the Company;

4. payment of wages to employees of the Company.

The activities of the Company have an indirect positive impact due to the results of the activities of agricultural producers that have received financing from the Company: payment of taxes and payments, receiving wages, organizing additional jobs, and producing products.

### Economic value created and distributed

Article	2020	2019	Rev. [2020 to 2019] in%
<b>Direct economic value generated:</b>			
Income	39,237	33,297	+17.8
<b>Distributed economic value:</b>			
Operating expenses	1,127	1,240	-9%
Salary	2,815	2,542	+10.7%
Interest expense	20,258	16,686	+21.4%
Taxes other than income	373	361	+3.3%
Corporate income tax	-9	-474	-98.1
Other expenses	5,075	3,731	+36%
Retained economic value	9,598	9,211	+4.2%

## Production volumes for projects that have received funding from KazAgroFinance JSC since 2007

Name of the released product	Unit of measurement	Product volume
Milk and dairy products	tons	160,089
Egg	million pieces	662
Poultry	tons	96,300
Greenhouse products	tons	52,817
Meat and meat products	tons	15,587
Fruit	tons	21,994

## Purchasing practice

The Company strives to timely provide the central office, branches and customers with quality goods, works and services necessary for conducting operational activities. However, at the same time, KazAgroFinance attaches great importance to an efficient and transparent procurement system.

- fair competition among potential suppliers;
- publicity and transparency of the procurement process;
- optimal and efficient spending of money used for purchases.

The procurement procedures in the Company are based on the following principles:

- providing potential suppliers with equal opportunities to participate in the procurement procedure;

In 2020, the actual volume of purchases of goods, works and services (excluding leased items) amounted to 957.2 million KZT (including VAT), 330 contracts were concluded, while the share of local content in procured GWS was 80.27%, i.e. 768.3 million KZT.

## Purchase volume in 2020

Purchase method	2020	
	Amount, thousand KZT	Share
Tender	382,597.8	42.8%
Request for price proposals	62,618.8	7.0%
From one source	448,887.94	50.2%

At the same time, the volume of equipment purchased in 2020 for subsequent leasing is 6,056 units worth 110.0 billion KZT, including domestic assembly – 2,365 units worth 41.5 billion KZT. It should be noted that

the acquisition of goods for their subsequent transfer to leasing in the implementation of leasing activities in accordance with the legislation of the Republic of Kazakhstan is carried out from a single source.





## PERSONNEL POLICY

### HR policy

**The personnel policy of the Company is a holistic long-term strategy for personnel management, the main goal of which is the complete and timely satisfaction of the Company's needs for labor resources of the required quality and quantity within a specific time frame.**

**The personnel policy in the Company is based on the principles of:**

- relationship of the personnel management system with the results of the financial and economic activities of the Company;
- responsibility of the manager of any level for the development of the labor potential of each employee;
- remuneration of employees depending on the results of work;
- providing employees with opportunities and conditions for the realization of individual abilities;
- openness and accessibility for the personnel of the personnel strategy of the Company;
- compliance with the correspondence between the career development 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, the result of which is the achievement of high labor efficiency.

The social policy of KazAgroFinance is aimed at the development of socio-economic conditions for employees in the framework of the implementation of their constitutional rights in accordance with the legislation of the Republic of Kazakhstan. In case of significant changes related to the activities of the Company (changes in

the organization of production associated with the reorganization or changes in economic, technological conditions, working conditions and (or) a reduction in the volume of work), the employee, in accordance with the Labor Code of the Republic of Kazakhstan, is sent a written notification of the change in working conditions no later than fifteen calendar days. In accordance with the terms of the employment contract, the said notice (proposal to amend the terms of the contract) is considered by the other party within five working days from the date of its submission.

The Company provides its employees with equal opportunities to realize their potential in the process of work, impartial and fair assessment of their results. The selection and career growth of employees occurs solely based on professional skills, experience and knowledge. No form of discrimination or violation of workers' 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 the consideration of individual labor disputes. A labor dispute is subject to consideration by the Commission if the employee, independently or with the participation of a representative, has not resolved the disagreement in direct negotiations with the employer or his authorized representative.

In 2020, the Conciliation Commission of the Company considered one application on an individual labor dispute. Every year, members of the Conciliation Commission undergo training in the application of labor legislation of the Republic of Kazakhstan, the development of negotiation skills and consensus building in labor disputes.

## Personnel structure

At the end of 2020, the average number of employees was 395 people, including men – 51.6% (204 people), women – 48.4% (191 people). All employees have higher education. The reduction in the number of employees compared

to 2019 is due to the approval of a new organizational structure as part of the optimization of staffing and administrative costs.

**The basis for the implementation of personnel policy is the availability of an effective organizational structure and optimal staffing.**

## Number and structure / of personnel

	2016	2017	2018	2019	2020
<b>Staff number</b>	<b>433</b>	<b>433</b>	<b>347</b>	<b>366</b>	<b>353</b>
Average number of employees, units	418	459	450	405	395
<b>Personnel structure by category:</b>					
• managerial positions	70	77	76	76	74
• employees	348	382	374	329	321
<b>Personnel structure by age categories:</b>					
• up to 30 years old	132	134	83	34	30
• from 30 to 50 years old	273	309	350	322	317
• over 50 years old	15	16	17	49	48
<b>Staff gender structure:</b>					
• men	149	236	216	221	204
• women	271	223	234	184	191
Staff turnover, %	17.0	20.3	29.1	18.5	15.7
Number of people employed, people	91	110	76	63	35
Number of employees trained, people	320	364	320	340	88



### Personnel structure by gender and age group

	Indicator	CA	Branches	Total	Leading employees	Administrative employees	Mid-level managers	Administrative employees
	Payroll			395				
Gender	Men	86	118	204	5	1	45	153
	Women	104	87	191	2		25	164
Age groups	Under 30 years old	14	16	30			1	29
	From 30 to 50 years old	158	159	317	7	1	58	252
	Over 50 years old	18	30	48			11	36

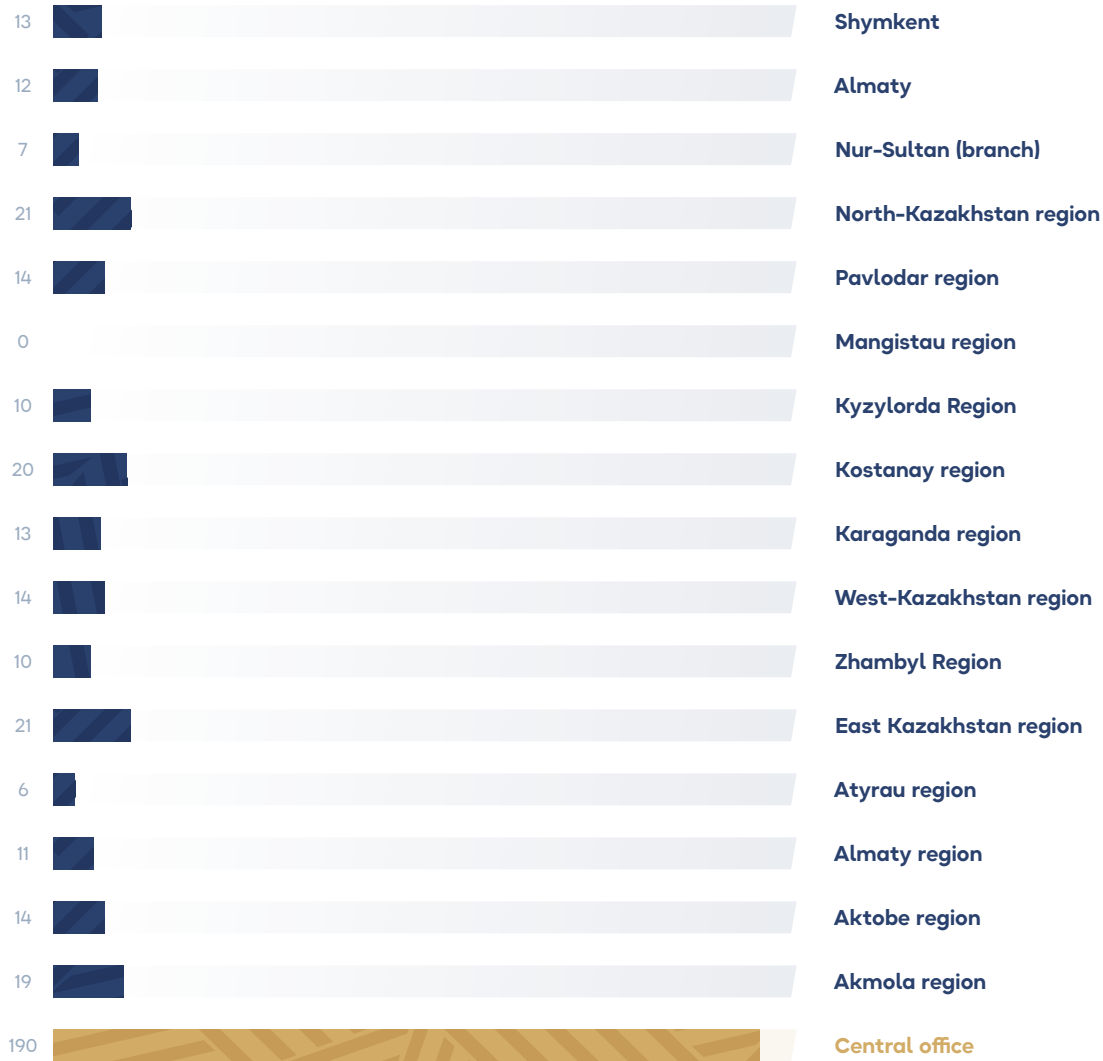
### Staff turnover rate by age category

Age category	Number, people	Level of turnover, %
Average headcount	395	
up to 30 years old	30	1.2
from 30 to 50 years old	317	12.9
over 50 years old	48	1.5
<b>The total number of dismissed</b>	<b>62</b>	<b>15.7</b>

### Number of hired employees by age category

Age group	Number, people	Share of hied, %
Average headcount	395	
up to 30 years old	30	0.2
from 30 to 50 years old	317	8.3
over 50 years old	48	0.2
<b>The total number of hired</b>	<b>35</b>	<b>8.8</b>

**Average headcount for 2020, people**





### Staff turnover rate by region, %

No.	Name of CA / branch	Level of turnover, %	Including %					
			men	women	leading employees	managing employees	mid-level managers	Administrative employees
1.	Central office	21.1	23.3	19.2	14.3	-	15.0	23.2
2.	Akmola region	5.3	5.3	-	-	-	50.0	-
3.	Aktobe region	14.3	14.3	-	-	-	-	16.7
4.	Almaty region	9.1	9.1	-	-	-	-	11.1
5.	Atyrau region	16.7	16.7	-	-	-	-	16.7
6.	East Kazakhstan region	14.3	-	14.3	-	-	33.3	11.1
7.	Zhambyl Region	20.0	-	20.0	-	-	-	25.0
8.	West-Kazakhstan region	0.0	-	-	-	-	-	-
9.	Karaganda region	0.0	-	-	-	-	-	-
10.	Kostanay region	5.0	5.0	-	-	-	-	5.6
11.	Kyzylorda Region	20.0	10.0	10.0	-	-	-	25.0
12.	Mangistau region	-	-	-	-	-	-	-
13.	Pavlodar region	0.0	-	-	-	-	-	-
14.	North-Kazakhstan region	9.5	4.8	4.8	-	-	25.0	5.9
15.	Nur-Sultan (branch)	42.9	14.3	28.6	-	-	-	50.0
16.	Almaty	25.0	16.7	8.3	-	-	-	30.0
17.	Shymkent	7.7	7.7	-	-	-	-	9.1
<b>Total:</b>		<b>15.7</b>	<b>8.1</b>	<b>7.6</b>	<b>0.3</b>	<b>0</b>	<b>2.3</b>	<b>13.2</b>

## Number of people employed, people

No.	Name of CA / branch	Employed in 2020 (date of acceptance in the reporting year), people	Including					Admi- nistrative employ- ees
			men	women	leading employ- ees	managing employ- ees	mid-level mana- gers	
1.	Central office	19	13	6	2	-	3	14
2.	Akmola region	1	1	-	-	-	-	1
3.	Aktobe region	2	2	-	-	-	-	2
4.	Almaty region	-	-	-	-	-	-	-
5.	Atyrau region	-	-	-	-	-	-	-
6.	East Kazakhstan region	2	-	2	-	-	-	2
7.	Zhambyl Region	1	-	1	-	-	-	1
8.	West-Kazakhstan region	-	-	-	-	-	-	-
9.	Karaganda region	-	-	-	-	-	-	-
10.	Kostanay region	1	1	-	-	-	-	1
11.	Kyzylorda Region	1	1	-	-	-	-	1
12.	Mangistau region	-	-	-	-	-	-	-
13.	Pavlodar region	-	-	-	-	-	-	-
14.	North-Kazakhstan region	2	-	2	-	-	-	2
15.	Nur-Sultan (branch)	3	1	2	-	-	-	3
16.	Almaty	1	1	-	-	-	-	1
17.	Shymkent	2	2	-	-	-	-	2
<b>Total:</b>		<b>35</b>	<b>22</b>	<b>13</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>30</b>



## Personnel training and development

The high level of professionalism of the Company's employees is maintained and developed in the system of continuous training and advanced training through the consistent improvement of existing knowledge and skills.

In order to ensure a high level of human resources of the Company, employees undergo training and professional development in the 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 qualifications is supported and stimulated by the management of the Company both morally and financially.

The Company's needs for training and advanced training of personnel depend on internal and external factors: changes in strategic objectives, changes in legislation, introduction of new programs, professional growth and development of employees, setting new tasks and goals for them, etc.

88 employees in 2020 were covered by the training and professional development system. For training, employees who had previously undergone advanced training were involved, with a trip to the regions to transfer practical and theoretical experience, and it was also envisaged to attend seminars on a free basis.

The average number of hours per employee was 24.8, including 7.4 for men and 28.3 for women.

### Employee training data for 2020\*

Employee training in 2020	Total number	Including					
		gender groups		categories of employees			
		men	women	leading employees	managing employees	mid-level managers	administrative employees
Average number of employees	395	204	191	7	1	70	317
Total number of trained employees, people	88	29	59	3	1	23	61
Total hours of employee training	2,178	504	1,674	204	16	304	1,654
Average number of hours per employee	5.5	2.5	8.8	29.1	16.0	4.3	5.2

\* Leading employees – members of the Management Board, management employees – managers or executive directors – not members of the Management Board, middle managers – heads of units, services, departments, divisions, branch directors and their deputies.

### Among the main employee training programs for 2020:

- Seminar "DipIFR-Rus";
- ACCA DipIFR;
- DipIFR (Russian);
- CIMA P1 "Operational Performance Management";
- Seminar CIMA Dip PM (Rus); P2 "Business Performance Management";
- PECB certified risk management manager based on ISO 31000;
- "Power BI Business";
- basic course on risk modeling in ms EXCEL;
- modeling - start: from Excel to R;
- "Comprehensive analysis of financial statements";
- "Export-import currency control. Currency legislation of the Republic of Kazakhstan";
- "Professional financial manager". 1st level;
- "Practice of project management based on PMI PMBOOK Guide 6th Edition";
- "Internal auditor of the quality management system ISO 9001:2015";
- "Diagnostics of corporate governance: the best from international practice";
- MS Excel.PRO. Professional package;
- "Infographics";
- training on the methodology and functionality of the Eurasian electronic portal;
- "Customs declaration";
- 1C: Accounting 8.3: Accounting for cash and accountable amounts;
- "Data processing in Excel using Power Query";
- "Novelties of the labor legislation of the Republic of Kazakhstan in 2020. Electronic labor contract";
- "Practice of application of labor legislation when resolving individual labor disputes in the conciliation commission. Negotiations, conflict management in labor relations";
- "Safety and labor protection of responsible persons";
- "Fire-technical minimum";
- "Electrical safety - PTE and PTB II-III gr".

## Motivation and remuneration

**The development of an effective system of motivation and incentives for personnel ensures a direct and stable interest of each employee in achieving the effectiveness of personal labor activities.**

The main component of the system of motivation and incentives for the Company's employees is the mechanism of monetary remuneration for labor. The procedure and mechanisms for remuneration and motivation of personnel are regulated by the internal acts of the Company.

### Employee motivation factors also include:

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

The Company has introduced a three-level salary scale with the use of a grading system.

The remuneration of employees is made depending on the quantity, quality and complexity of the work performed based on a time-bonus system of remuneration, taking into account the grade of each position within the range/fork (minimum and maximum) of official salaries.





The revision of the official salary of an employee can be carried out once a year in accordance with the Regulations on the conditions of remuneration, bonuses and social security of KazAgroFinance employees. In 2020, 78.7% of the Company's employees were covered by an assessment, according to the results of which official salaries were subject to revision.

Ensuring a fair assessment of the work of women and men and the avoidance of discrimination in pay are essential to achieving gender equality and are a fundamental building block of decent work. 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 the Company's employees was 1:1.

### Personnel assessment in 2020

Indicator	% of those who passed the assessment	Including					
		gender groups		Categories of employees			
		men	women	leading employees	managing employees	mid-level managers	administrative employees
Share of those who passed the assessment	78.7%	84.3%	72.8%	-	-	84.3%	79.5%

### Sports and recreational activities

In order to stimulate and develop team spirit, increase the level of corporate communications and promote a healthy lifestyle and sports, the Company conducts special events for corporate recreation – team building, which is aimed at uniting the team, creating team working methods and is one of the promising models of corporate management that provides full development of the Company.

However, in 2020, the Company was limited in its ability to organize such events due to the anti-epidemic measures related to the coronavirus pandemic. Mass events by the Company were suspended and were not held in 2020.

### Social support

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

## Social leave indicators in 2020

Indicator	Gender	Number of employees, people
Maternity/paternity leave	women	29
	men	1
Return from maternity/paternity leave		5
Study leave		1

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

- implementation of the labor legislation of the Republic of Kazakhstan;
- workplace in accordance with the requirements of safety and labor protection;
- compulsory insurance of the employer's civil liability for harm to the life and health of an employee in the performance of his/her labor duties;
- voluntary medical insurance;
- paid labor leave;
- payment of material assistance to employees at birth (adoption) of a child, marriage of an employee and death of the employee's spouse or close relatives;

- time-bonus system of remuneration;
- payment when employees are on business trips;
- possibility of professional training and advanced training.

Successful implementation of social policy contributes to the motivation of personnel and the growth of competitiveness of KazAgroFinance, as well as strengthening the image of a responsible employer and socially oriented organization.

Social support is provided to the Company's employees in order 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 the creation of appropriate conditions to ensure the protection of the life and health of employees.

In 2020, in connection with the coronavirus pandemic, the Company adopted a number of sanitary and anti-epidemic (preventive) measures aimed at protecting the health of employees. The main ones include: transferring 80% of employees to a remote format, introducing a mask

mode, processing premises using appropriate means, and monitoring morbidity in the Company.

General requirements for occupational safety and health, requirements for ensuring fire safety are enshrined in the Instruction on occupational safety and health of the Company's employees, approved by the decision of the KazAgroFinance Management Board. In 2020, there are no facts of industrial injuries.



## SPONSORSHIP AND CHARITY

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

So, over the past four years, the Company has allocated more than 30 million KZT for charitable and sponsorship assistance, including for 2017 – 18 million KZT, 2018 – 5 million KZT, 2019 – 5 million KZT, 2020 – 2.5 million KZT.

**In 2020, charitable assistance was provided to:**

- Akmola regional charitable foundation “Ashyk zhurek – Open heart” in the amount of 290,000 KZT,
- public fund “Sabi baqyty” in the amount of 300,000 KZT,
- public fund “Where dreams come true” in the amount of 200,000 KZT,
- public fund “Peace and a drop of love” in the amount of 200,000 KZT,
- public fund “Where dreams come true” of the North Kazakhstan region to provide assistance to the KSE “Poludensky orphanage” and KSE “Petropavlovsk children’s social service center “Arman” in the amount of 500,000 KZT,
- as well as to individuals in the amount of 962,000 KZT.

## ENVIRONMENTAL PROTECTION

The Company in its activities does not have a significant impact on the environment. Nevertheless, within its capabilities, the Company strives to support the introduction of "green" technologies into the country's

agriculture that protect the environment and human health, contribute to the conservation of natural resources, and increase production efficiency and, therefore, the competitiveness of products.

Resources	2018	2019	2020
Electricity (kWh)	238,600	252,000	238,646
Heat energy (Gcal)	260.669	244.10	272.32
Water consumption (m <sup>3</sup> )	1,523	1,577	1,051
Municipal solid waste (m <sup>3</sup> )	114.36	114.36	114.36

To implement the policy of economical use of resources, the Company analyzed the use of electricity, water consumption and production of solid household waste for the period from 2018 to 2020.

**In 2020, there is a decrease in water consumption. The rest of the indicators remain unchanged on average. In the future, the Company intends to carry out work aimed at reducing and optimizing resource consumption.**





## GLOSSARY

<b>AIC</b>	agro-industrial complex
<b>GDP</b>	gross domestic product
<b>FL</b>	fuels and lubricants
<b>SE</b>	state enterprise
<b>Company</b>	KazAgroFinance JSC
<b>CSE</b>	communal state enterprise
<b>KPI</b>	key performance indicator
<b>IFRS</b>	International Financial Reporting Standards
<b>ROA</b>	return on assets
<b>ROE</b>	return on equity
<b>NPL</b>	a loan that does not fulfill the terms of the original loan agreement

## CONTACT INFORMATION

### Central office

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**Call-center:** 8/7172/55-77-55; 1429

**Fax:** +7 (7172) 58-04-46

**E-mail:** mailbox@kaf.kz

### Auditor's details

**Name:** BDO Kazakhstan LLP  
Republic of Kazakhstan

**Legal address:** Almaty, Bostandyk district, Gabdullin st. 6, apt. 2

#### Bank details:

**BIN:** 960540000373

**BIC:** HSBKZKXX

**IIC:** KZ956017131000015928

"Kazakhstan Khalyk Banki" AK/  
Halyk Bank of Kazakhstan JSC

**KB:** 17

**Tel.:** +7 (727) 331-31-34

## Branches

### Nur-Sultan

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### Akmola region

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Business Center, office. 702-704, 706,  
712, 713

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### Aktobe region

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### Almaty

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295-93-51, 295-93-52

**e-mail:** credit\_alm2@kaf.kz

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### East Kazakhstan region

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Satpayev avenue 62, 7th floor

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### Kostanay region

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office. 1111

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99-97-72, 99-97-74

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### Kyzylorda region

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### North Kazakhstan region

Petropavlovsk,  
Buketov str. 31A, 2nd floor

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### Shymkent and Turkestan region

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98-40-11, 98-40-12, 98-40-13

Turkestan, Tole bi str. 65B

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### Zhambyl region

Taraz, Suleimenov str. 17

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99-92-22, 99-92-23

**e-mail:** tar@kaf.kz

### West Kazakhstan region

Uralsk, Syrym Datov str. 28

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### Atyrau region

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76-36-22, 76-36-23

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### Karaganda region

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### Pavlodar region

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07

# ANNEXES

**FIRM DAFA****LLP**

Kazakhstan manufacturer of attachments, municipal and agricultural equipment.

**MADE IN  
KAZAKHSTAN****Total  
produced****2,700** **UNITS OF  
EQUIPMENT**



Location

**PAVLODAR**



Type of equipment

- forage equipment (mowers, rakes and KUN loaders)



Sold through  
KazAgroFinance

**1,638** **UNITS OF EQUIPMENT**



Sold in  
the amount of

**1.5** **BLN KZT**

60.7% of the issued volume





## ANNEX 1. ABOUT THE REPORT.

KazAgroFinance has been operating in the agricultural leasing market for over twenty years. During this time, the Company has become a recognized and reliable partner for many domestic farmers, agricultural machinery suppliers, the state and the public. The Company has a wide range of stakeholders, and we strive to ensure effective disclosure of information for them in accordance with international standards and world best practices.

The annual report on the results of the Company's activities for 2020 was prepared in accordance with the GRI Standards (basic level of compliance), which ensures the information transparency of the Company. The financial data are presented in the Report in accordance with the financial statements in accordance with IFRS.

When preparing the document, we also followed the requirements of the Kazakhstan Stock Exchange. This annual report has not been subject to external assurance of non-financial information.

The Company's annual reports are prepared on an annual basis. This annual report reflects the results of the Company's operations from January 1 to December 31, 2020. The previous annual report was published in September 2020.

The report highlights the results of the Company's activities, achievements and successes, work on strategic objectives, reflects issues of corporate governance and activities in the field of sustainable development, as well as further development plans of the Company.



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## Defining the content of the report

When determining the content of this annual report and its quality, the Company was guided by the principles of the GRI Standards. In particular, the content of this annual report 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 a sustainable development context and completeness were respected. The quality of the report is ensured by adhering to the principles of accuracy, balance, clarity, comparability, reliability, and timeliness.

The information in this annual report was disclosed on the most significant aspects of the Company's activities. We consider the issues as significant where, firstly, the impact of the Company on the environment in the broad sense of this term is great, and secondly, there is a significant impact on the 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 point of view of stakeholders, which was presented based on the results of interaction with stakeholders.

In accordance with the analysis, the topics were ranked according to the degree of materiality and put on the Materiality Matrix. In this annual report, the topics that have fallen into the upper right corner of the Materiality Matrix are disclosed, since they were recognized as the most significant. All topics have impacts both internally and externally.



### Materiality matrix



Themes	GRI standard
<b>Economy</b>	
Economic performance	201
Market presence	202
Indirect economic impacts	203
Purchasing practice	204
Anti-corruption measures	205
Obstacle to competition	206
<b>Ecology</b>	
Materials	301
Energy	302
Water	303
Biodiversity	304
Emissions	305
Discharges and waste	306
Compliance with the requirements of environmental legislation	307
Supplier Environmental Assessment	308
<b>Company</b>	
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
Security practices	410
Indigenous and minority practice	411
Assessment of observance of human rights	412
Local communities	413
Assessing the impact of suppliers on the Company	414
Public policy	415
Consumer health and safety	416
Product and service labeling	417
Consumer privacy	418
Compliance with the requirements	419

- Topics deemed significant



## ANNEX 2. FINANCIAL STATEMENTS.

for the year ended 2020  
and Independent  
Auditor's Report

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS AND THE BOARD OF DIRECTORS OF KAZAGROFINANCE JSC**

**Opinion**

We have audited the financial statements of KazAgroFinance JSC (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The financial statements of the Company for the year ended 31 December 2019 were audited by other auditors, whose report expressed an unmodified opinion on those financial statements for 2019.

**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 for the reporting period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Below is the description of how we have addressed each of the below matters in this context in the course of our audit.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report with respect to those matters. Accordingly, our audit included procedures designed in response to our assessment of risks of material misstatement in the financial statements.

The results of our audit procedures, including those performed during addressing the below matters, provide a basis for our audit opinion on the accompanying financial statements.

Товарищество с ограниченной ответственностью "BDO Kazakhstan", зарегистрированное в соответствии с законодательством Республики Казахстан, является участником международного объединения BDO International Limited, британского общества с ответственностью, ограниченной гарантией его участников, и является частью международной сети независимых компаний BDO.

BDO Kazakhstan, a limited liability partnership, registered under the laws of the Republic of Kazakhstan, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



Key audit matter	How the key matter has been addressed during the audit
<p data-bbox="526 480 874 578"><b>Measurement of the Allowance for Expected Credit Losses on Loans to Customers and Accounts Receivable for Finance Lease under IFRS 9 Financial Instruments</b></p> <p data-bbox="526 597 874 833">The matters of initial recognition of an asset, determination of the values of the probability of default and the loss given default are processes that involve significant subjective judgment, assumptions and analysis of various historical, current and forecast information. The use of different models and assumptions can significantly affect the amount of the allowance for expected credit losses on loans to customers and finance lease receivables.</p> <p data-bbox="526 842 874 999">As at 31 December 2020, loans to customers and finance lease receivables comprise 81% of the total assets of the Company. Due to the materiality of the amounts, as well as the significance of judgments involved, measurement of the allowance for expected credit losses was a key audit matter.</p>	<p data-bbox="874 460 1293 519">We have evaluated the consistency in the application of accounting policies in measuring allowances for expected credit losses.</p> <p data-bbox="874 539 1293 617">Our audit procedures with respect to the risk of material misstatement in the measurement of loans to customers and finance lease receivables included the following:</p> <ul data-bbox="874 637 1293 1029" style="list-style-type: none"> <li>- Analysis of the methodology for measuring the allowance for expected credit losses;</li> <li>- Analysis of age of receivables past due, and whether the restructuring has taken place due to the deterioration of the credit quality of the asset is provided for, and testing of controls over the processes for identifying factors of a significant increase in credit risk since the initial recognition of the asset;</li> <li>- Analysis of the assumptions used by the Company in measuring the allowance for expected credit losses on loans to customers and finance lease receivables including statistical data on debt servicing, expected loss recovery in case of default as a result of seizure of the leased property or realisation of collateral and repayment of debt in cash, and remeasurement of allowances;</li> <li>- Analysis of contracts for whether restructuring has been carried out, and evaluation of the impact of the modification on the financial statements.</li> </ul> <p data-bbox="874 1038 1293 1176">Management's approach to recognition of expected credit losses is disclosed in Note 4. Expected credit losses on loans to customers and finance lease receivables are disclosed in Note 8 Loans to Customers, Note 9 Finance Lease Receivables, Note 22 Credit Loss Expense and Note 28 Risk Management.</p>

#### Other Information included in the Company's Annual Report for 2020

Other information includes the information contained in the Annual Report, but does not include the financial statements and our auditor's report thereon. Management is responsible for other information. We expect to receive the Company's Annual Report after the release of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, it is our responsibility to review the other information mentioned above when it becomes available and to consider whether there is a material inconsistency between the other information and the financial statements or our knowledge obtained during the audit, and whether the other information contains other material misstatements.

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

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

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

Those charged with governance are 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 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 International Standards on Auditing 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 the audit in accordance with International Standards on Auditing, 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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





#### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our 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 engagement partner on the audit resulting in this independent auditor's report is




Auditor D.A. Babayeva  
Auditor Qualifying Certificate No. 0000303  
issued by the Qualification Commission  
for Certification of Auditors of the  
Republic of Kazakhstan on 23.12.1996

BDO Kazakhstan LLP  
State license No.15003448 dated 19 February 2015 for  
audit activities as issued by the Committee on Financial  
Monitoring of the Ministry of Finance of the Republic of  
Kazakhstan




Director T.A. Omarov

BDO Kazakhstan LLP  
6 Gabdullin St., Bostandyk district  
Almaty, Kazakhstan

1 March 2021

## **STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

The following statement, which must be read together with the presented independent auditor's report, is made for dividing the responsibilities of the auditors and the management regarding the financial statements of KazAgroFinance JSC (the 'Company').

The management shall be liable for the preparation of the financial statements reliably representing in all material aspects the financial position of the Company as of 31 December 2020 as well as the results of its activity, cash flows and changes in the equity for the year then ended, in accordance with the International Financial Reporting Standards (the 'IFRS').

### **In preparing the financial statements, management is responsible for:**

- Selecting and applying an appropriate accounting policy
- Presentation of relevant, reliable, comparable and intelligible information, including information about the accounting policy
- Compliance with the requirements of the IFRS or disclosure of all material deviations from the IFRS in the notes to the financial statements
- Estimation of the Company's ability to continue to work on a going concern basis.

### **Company management is also responsible for:**

- Designing, implementing, and maintaining effective and reliable internal control within the Company
- Maintaining an accounting system that enables at any time, with reasonable accuracy to prepare the information on the Company's financial position, and ensure compliance of the financial statements with IFRS requirements
- Keeping accounting records in accordance with the legislation of the Republic of Kazakhstan and the IFRS
- Taking actions within the limits of its competence in order to protect the assets of the Company
- Detecting and preventing fraud and other abusive practices.

**These financial statements for the year ended on 31 December 2020 have been approved by the Company's management on 1 March 2021:**

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

Nur-Sultan, Republic of Kazakhstan



## STATEMENT OF FINANCIAL POSITION

### As at 31 December 2020

KZT thousand	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	5	12.235.576	20.580.665
Amounts due from credit institutions	6	39.618.524	8.451.527
Investment securities	7	-	11.179.190
Loans to customers	8	30.701.902	36.929.798
Finance lease receivables	9	258.160.169	226.615.145
Asset held for sale	10	-	511.083
Property held for finance lease	11	4.288.552	7.704.941
Current corporate income tax assets	20	134.115	134.137
Property, plant and equipment	12	939.426	463.556
Intangible assets	13	535.146	581.104
VAT and other taxes recoverable	14	6.127.673	6.137.493
Advances paid	15	1.254.879	5.597.916
Other assets	23	1.083.223	849.024
<b>Total assets</b>		<b>355.079.185</b>	<b>325.735.579</b>
<b>Liabilities</b>			
Amounts due to the Shareholder	16	53.444.325	54.136.402
Amounts due from credit institutions	17	63.549.227	75.934.329
Debt securities issued	18	98.237.807	65.384.934
Payables to suppliers	19	5.212.367	5.861.586
Deferred corporate income tax liabilities	20	1.800.269	754.648
Advances received	21	7.957.142	4.795.803
Deferred VAT liabilities		8.301.324	7.642.894
Other liabilities	23	1.487.935	1.965.997
<b>Total liabilities</b>		<b>239.990.396</b>	<b>216.476.593</b>
<b>Equity</b>			
Share capital	24	82.837.204	82.837.204
Additional paid-in capital	24	31.607.374	26.156.975
Reserve funds	24	1.436.184	1.436.184
Reserve for notional distribution	24	(9.613.442)	(9.605.611)
Retained earnings		8.821.469	8.434.234
<b>Total equity</b>		<b>115.088.789</b>	<b>109.258.986</b>
<b>Total equity and liabilities</b>		<b>355.079.185</b>	<b>325.735.579</b>
<b>Book value per ordinary share (tenge)</b>	24	<b>1.382,88</b>	<b>1.311,95</b>

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

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

1 March 2021

## STATEMENT OF PROFIT OR LOSS

### for the year ended 31 December 2020

KZT thousand	Note	2020	2019
<b>Interest income calculated using the effective interest rate</b>			
Cash and cash equivalents		2,039,768	1,438,785
Loans to customers		2,921,896	4,050,708
Investment securities		940,447	483,446
		<b>5,902,111</b>	<b>5,972,939</b>
<b>Other interest income</b>			
Finance lease receivables		31,495,219	26,492,528
		<b>31,495,219</b>	<b>26,492,528</b>
<b>Total interest income</b>		<b>37,397,330</b>	<b>32,465,467</b>
<b>Interest expense</b>			
Debt securities issued		(9,345,315)	(6,865,312)
Amounts due to credit institutions		(6,996,262)	(5,332,674)
Amounts due to the Shareholder		(3,916,340)	(4,488,460)
<b>Total interest expense</b>		<b>(20,257,917)</b>	<b>(16,686,446)</b>
<b>Net interest income</b>		<b>17,139,413</b>	<b>15,779,021</b>
Credit loss expense	22	(4,276,299)	(1,208,591)
<b>Net interest income after credit loss expense</b>		<b>12,863,114</b>	<b>14,570,430</b>
Net (losses)/gains from foreign currencies		934,056	(390,004)
Other income	26	905,895	831,792
Personnel expenses	27	(3,088,197)	(2,785,088)
Other operating expenses	27	(952,489)	(1,068,777)
Depreciation and amortisation	12, 13	(274,098)	(289,283)
Net loss from modification of loans to customers and finance lease receivables non-resulting in derecognition	8, 9	(272,265)	(1,472,203)
Other impairment and establishing of provisions expenses	22	(526,872)	(660,306)
<b>Non-interest expense</b>		<b>(3,273,970)</b>	<b>(5,833,869)</b>
<b>Profit before corporate income tax benefit</b>		<b>9,589,144</b>	<b>8,736,561</b>
Corporate income tax benefit	20	9,055	474,403
<b>Profit for the year</b>		<b>9,598,199</b>	<b>9,210,964</b>
<b>Basic and diluted earning per share (in tenge)</b>	24	<b>115.87</b>	<b>111.19</b>

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

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

1 March 2021



## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

KZT thousand	Note	2020	2019
<b>Profit for the year</b>		<b>9.598.199</b>	<b>9.210.964</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>9.598.199</b>	<b>9.210.964</b>

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

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

1 March 2021

## STATEMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2020

	Share capital	Additional paid-in capital	Reserve funds	Reserve for notional distribution	Retained earnings	Total
<b>As at 31 December 2018</b>	<b>82.837.204</b>	<b>25.730.293</b>	<b>1.436.184</b>	<b>(9.605.611)</b>	<b>5.951.642</b>	<b>106.349.712</b>
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)	-	-	-	-	-	-
<b>As at 31 December 2019</b>	<b>82.837.204</b>	<b>26.156.975</b>	<b>1.436.184</b>	<b>(9.605.611)</b>	<b>8.434.234</b>	<b>109.258.986</b>
Total comprehensive income for the year	-	-	-	-	9.598.199	9.598.199
Gain on initial recognition of loans due to the Shareholder at below market rates (Note 24)	-	5.450.399	-	-	-	5.450.399
Dividends declared (Note 24)	-	-	-	-	(9.210.964)	(9.210.964)
Provision for notional distribution for the year (Note 24)	-	-	-	(7.831)	-	(7.831)
<b>As at 31 December 2020</b>	<b>82.837.204</b>	<b>31.607.374</b>	<b>1.436.184</b>	<b>(9.613.442)</b>	<b>8.821.469</b>	<b>115.088.789</b>

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

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

1 March 2021



## STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

KZT thousand	Note	2020	2019
<b>Operating activities</b>			
Interest received		34.644.097	28.579.278
Interest paid		(17.988.242)	(13.687.902)
Realised losses less gains from dealing in foreign currencies		(153.657)	(71.523)
Personnel expenses paid		(3.074.683)	(2.798.188)
Other operating expenses paid		(968.500)	(998.588)
Other income received		317.304	695.311
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>12.776.319</b>	<b>11.718.388</b>
<b>Net (increase)/(decrease) in operating assets</b>			
Amounts due from credit institutions		(30.099.858)	(8.397.531)
Loans to customers		5.722.279	4.211.586
Finance lease receivables		(23.151.085)	(28.733.868)
VAT and other taxes recoverable		(220.041)	(2.246.455)
Advances paid		(1.083.739)	(135.629)
Other assets		(407.625)	(279.798)
<b>Net increase/(decrease) in operating liabilities</b>			
Advances received		1.930.735	778.715
Other liabilities		(762.353)	(2.111.137)
<b>Net cash flows used in operating activities before corporate income tax</b>		<b>(35.295.368)</b>	<b>(25.195.729)</b>
Corporate income tax paid		(305.966)	(215.818)
<b>Net cash used in operating activities</b>		<b>(35.601.334)</b>	<b>(25.411.547)</b>
<b>Investing activities</b>			
Proceeds from (purchase of) investment securities		11.180.024	(11.152.666)
Purchase of property, plant and equipment and intangible assets	12, 13	(107.353)	(403.297)
Proceeds from sale of property and equipment		6.837	-
<b>Net cash used in operating activities</b>		<b>11.079.508</b>	<b>(11.555.963)</b>

KZT thousand	Note	2020	2019
<b>Financing activities</b>			
Proceeds from loans due to the Shareholder	32	20.000.000	-
Repayment of loans due to the Shareholder	32	(15.820.436)	(15.531.974)
Receipt of loans due to credit institutions	32	20.416.000	40.225.000
Repayment of loans due to credit institutions	32	(32.578.583)	(6.109.535)
Proceeds from debt instruments issued in tenge	32	33.214.631	10.233.955
Repayments on debt instruments issued	32	-	(9.389.000)
Dividends paid to the Shareholder	24	(9.210.964)	(6.728.372)
<b>Net cash flows from financing activities</b>		<b>16.020.648</b>	<b>12.700.074</b>
Effect of exchange rate changes on cash and cash equivalents		156.143	49.320
Effect of expected credit losses on cash and cash equivalents	5	(54)	476
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(8.345.089)</b>	<b>(24.217.640)</b>
Cash and cash equivalents as of 1 January	5	20.580.665	44.798.305
<b>Cash and cash equivalents as of 31 December</b>	<b>5</b>	<b>12.235.576</b>	<b>20.580.665</b>
<b>Non-cash transactions</b>			
Offsetting of current corporate income tax assets against other tax liabilities		22	41.290

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

Kanysh T. Izbastin

Chairman of the Management Board

Gulnara T. Shodanova

Chief Accountant

1 March 2021





## ANNEX 3. GRI INDEX.

### General disclosures

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## Disclosure on sustainable development topics

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