

KAZAGROFINANCE – 18 YEARS OF LEADERSHIP!

SPECIAL  
ISSUE

WWW.KAF.KZ

# Annual

2017

R E P O R T

MANAGEMENT REPORT

IMPLEMENTING  
THE KEY  
OBJECTIVES

41

8

STEPS

OF MACHINERY  
LEASING

24

OUTSTANDING  
EVENTS  
OF 2017

06



KAZAGROFINANCE





# ANNUAL REPORT

KAZAGROFINANCE JSC **AT YEAR-END 2017**

18 YEARS OF LEADERSHIP!

# Content

COMPANY PROFILE

## 05



05 - About Us in Brief

06 - **What is the Year of 2017 Remarkable for?**

08 - Address of the Chairman of the Board of Directors

10 - Address of the Chairman of the Board

ABOUT US

## 12



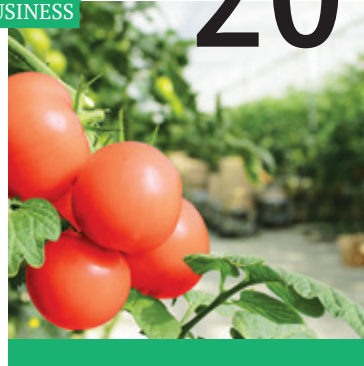
14 - 18 Years of History

16 - Business Model

18 - Going Upward

AREAS OF BUSINESS

## 20



20 - It is Favourable with Us!

20 - Financing Directions

22 - Special Leasing Programs

24 - **It is Easy with Us!**  
*(8 Steps of Machinery Leasing)*

26 - It is Reliable with Us!

26 - Cooperation with Suppliers

28 - Is it True?

MARKET SURVEY

## 30



30 - Sector Tendencies: Threats and Opportunities  
33 - Analysis of the Kazakhstani Leasing Market

34 - **'Leasing Market Needs Changes'**

Interview



Deputy Chairman of the Board  
R. Karagoishin

37 - SWOT-Analysis

38 - PEST-Analysis

PERFORMANCE

## 40



40 - Main Achievements of 2017

Management report

41 - **Implementing the Key Objectives**

42 - Financing of Agricultural Machinery and Equipment

44 - **'Leasing in Success'**

Interview



Managing Director - Member of the Board,  
M. Sergaleyev

46 - Client Structure by Regions and Extent

48 - Implementation of Investment Projects

50 - Geography of Implemented Projects

52 - Implementation of the Strategy

56 - Financial and Economic Performance

58 - Future Outlook

CORPORATE GOVERNANCE

## 60



62 - Corporate Governance Rating

63 - Compliance with the Corporate Governance Code

66 - Interaction with the Shareholder

67 - Board of Directors

72 - Committees of the Board of Directors

74 - Activity of the Board of Directors and Committees

76 - Evaluation of the Board of Director's Activity

77 - Remuneration of Members of the Board of Directors

78 - Board

80 - Board Activity

82 - Internal Control System

84 - Internal Audit Service

86 - Equity holding structure

87 - Dividends

88 - Major Corporate Events of 2017

RISK MANAGEMENT

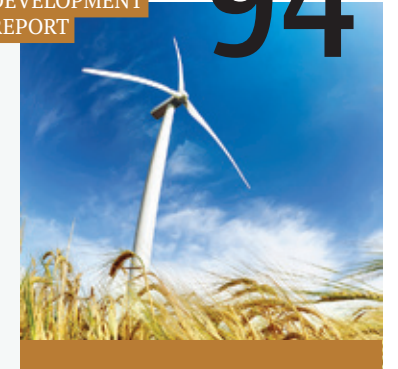
## 90



90 - Applying the Precautionary Principle

SUSTAINABLE DEVELOPMENT REPORT

## 94



94 - Building the Quality Dialogue  
96 - Environment Protection  
97 - Information Policy  
98 - People as a Main Asset  
102 - Sponsorship and Charity

FINANCIAL STATEMENTS

## 104

111 - Glossary  
112 - Contacts

**DEAR READER,**

We are pleased to provide you with our 15th issue of Annual Report prepared at year-end 2017. Disclosing information in each annual report we aspire to adhere the best world practices, international and Kazakhstan standards and norms, as well as take into account the opinions and wishes of the concerned parties. In this Annual Report, we have, in particular, applied the GRI standards when addressing the sustainable development issues regarding the human resources management (namely, GRI standards 401 'Employment', 404 'Training' and 405 'Equal Opportunities', as well as GRI 103 'Management Approaches'). Moreover, when preparing this Report we have complied with the recommendations and requirements of the Kazakhstan Stock Exchange.

This Annual Report is drawn up as a magazine presenting our performance, achievements and success, as well as plans and strategic tasks for nearest future in a fascinating and exciting form. Broadly speaking, the standard structure of information disclosing in the Annual Report has been preserved, however, it is disclosed as articles, interviews, reviews, advertising blocks and other interesting presentation of the information peculiar to the magazines.

The topic of the Annual Report is a motto '18 Years of Leadership'. In December, 2017 the Company celebrated its 18-year anniversary at the leasing market in the agricultural sector. During this period, the Company has been holding the domain position at the market and is recognized by the majority of domestic farmers, suppliers of agricultural machinery and public.

**AR2017.KAF.KZ**

# About Us in Brief

KazAgroFinance JSC has been rendering the leasing services to the domestic farmers for purchase of agricultural machinery and equipment for the development of the country's agricultural sector for over 18 years yet.

Over its history, the Company has been holding the leading positions in the leasing sector. For the last four years the Company annually purchased from 3.1 thous. up to 4.5 thous. units of agricultural machinery, which is about 50% of the total agricultural machinery being purchased in the country annually.

The Company maintains the strong competitive advantages, such as high sector expertise, decades of experience in the market, developed branch network, smart personnel, reliable credit ratings and access to fund raising in the leasing sector.

# What is the Year of 2017 Remarkable for?

## 03 ON MARCH 15-17

The Company for the 12th time took participation in the International Specialized Agricultural Exhibition 'AgriTek/FarmTek Astana 2017'.



## 06 FROM JUNE 10 THROUGH SEPTEMBER 10

The Company as a part of the Holding participated in the International Specialized Exhibition 'EXPO-2017' held in Astana city.

## 04 ON APRIL 12

The reputable international magazine 'EMEA Finance' recognized the tenge bond debut issue by KazAgroFinance among the wide range of investors to be a winner in 'Best Bond Issue in Local Currency in Europe, Middle East and Africa'.



## ON APRIL 24

The research by the independent company on assessment of the services accessibility and satisfaction of the Company's clients was summarized. The level was 88.8%.

## 05 ON MAY 2

The rating agency 'Fitch Ratings' confirmed the long-term foreign and local currency issuer default ratings of KazAgroFinance JSC at 'BB+'.

## ON MAY 16

The terms of financing under the scoring program 'Express Leasing' were improved for the farmers.

## ON MAY 31

The Managing Holding 'KazAgro' (Holding) carried out the diagnostics of the Company's corporate management.

THE CORPORATE MANAGEMENT LEVEL OF

# 82.8%

WAS ASSIGNED.



## 07 FROM JULY 10 THROUGH SEPTEMBER 9

The photo contest 'Made in Kazakhstan' took place. Financed by KazAgroFinance under the sponsorship of the domestic agricultural producers. Approximately 800 people took part in the contest.

## ON JULY 31

The interest rate on leasing products was reduced up to

# 14.5%

P.A.

## ON OCTOBER 16

The Development Strategy of KazAgroFinance JSC for 2017-2026 (the Strategy) was approved.



## ON OCTOBER 25-27

KazAgroFinance JSC participated in the International Specialized Agricultural Exhibition 'KazAgro/KazFarm-2017'.

## ON OCTOBER 28

The Company arranged the Open Day for the clients in the branch in Almaty city.



## ON NOVEMBER 2

KazAgroFinance JSC successfully passed the re-certification and transition to the new ISO 9001:2015.

## ON NOVEMBER 28

On the occasion of celebration of the Agricultural Employees Day the Company arranged the Open Day in Astana city, within which the unified information platform for the clients and the agricultural machinery and equipment suppliers was established.

## ON DECEMBER 8

The KazAgroFinance JSC Annual Report for 2016 ranked in the top 5 in the financial sector under the results of VII Annual Report Competition by the Rating Agency RAEX (Expert RA Kazakhstan). The Company's Annual Report took the 15th position in the hundred of the best reports by all Kazakhstani companies.

15 POSITION  
IN OVERALL RATING

4 POSITION  
IN FINANCIAL COMPANY RATING

# ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

DEAR COLLEAGUES AND PARTNERS, I WOULD LIKE TO WELCOME YOU ON BEHALF OF THE BOARD OF DIRECTORS OF KAZAGROFINANCE JSC!

**T**he agricultural sector of Kazakhstan always remains to be one of the most important sectors of economy, since it defines the food and economical safety of the country. Understanding the importance of this sector, the Company aspires to support the growth and development of the agriculture by ensuring the agricultural producers with the access to the financing, as well as agricultural machinery and technological equipment on leasing.

The important corporate event for the Company in the accounting year was the approval of the Development Strategy of KazAgroFinance JSC for 2017–2026 elaborated taking into account the priorities of the State Agricultural Sector Development Program for 2017–2021.

The Company's Mission is to facilitate the renewal of the agricultural machinery and equipment of the Republic of Kazakhstan by means of rendering the quality and competitive leasing services.

The Strategy is based on the expected transition of the Company into the competitive environment and search for the strategic investor. To that end, the first of the strategic trends for the upcoming period is to improve the investment attractiveness of the Company, including for the account of increase in the effective use of equity and borrowings.

The second strategic trend is to improve the leasing services. The Company will intensify its efforts on extension of the product range, improvement of access to the leasing of machinery and equipment for the farmers of Kazakhstan, as well as quality of the services rendered.

The third strategic trend is to improve the corporate management system. When building the corporate management system, we will aspire to comply with the interest of all concerned parties, improve the Company's efficiency and lay the groundwork for the long-term sustainable development.

As to the corporate management development, in 2017 the Company carried out the activity assessment of the Board of Directors in accordance with the best practice recommendations. This effort allowed defining what extent the Board of Directors is balanced in the experience and expertise, as well as the compliance of the set tasks with the achievements.

In conclusion, I would like to mention that thanks to the cohesive activity of the Board of Directors, the Board and dedicated work of the Company's whole team, we will definitely make great advances in achievement of the goals set towards us!

Sincerely,  
Aigul Mukhamadiyeva –  
Chairman of the Board of Directors  
of KazAgroFinance JSC



# ADDRESS BY THE CHAIRMAN OF THE BOARD

DEAR COLLEAGUES AND PARTNERS,  
LET ME WELCOME YOU AND PRESENT THE PERFORMANCE  
OF KAZAGROFINANCE JSC AT YEAR-END 2017.

**T**he last year was productive and eventful for all our team. KazAgroFinance JSC is continuously intensifying its efforts on ensuring the effective support to the domestic agrarians, aspiring to make receiving our services ultimately easy and convenient. For instance, last year owing to the optimization of the internal procedures a set of documents for the clients, as well as the response time for the leasing applications by 8 business days were reduced.

In 2017 the Company proceeded with implementation of the leasing programs on financing of the agricultural machinery and equipment. For the last year, the Company invested KZT44.7 mlrd. in the development of the agricultural sector of Kazakhstan and leased 2 400 units of agricultural machinery and equipment.

The Company, being aware of the importance of its activity for the country, as well as for the support of the domestic

agrarians, takes efforts within establishment and extension of the platform for discussing the issues of the technical reequipping of the agricultural sector between the states, farmers, domestic machine builders and machinery suppliers annually. In 2017, in particular, a number of events under the auspices of the Open Day for all agrarians of the country took place.

All achievements of KazAgroFinance JSC are primarily the team's merit. We aspire that all employees to share the Company's success, be aware their engagement in the business values and proud that they are a part of great and friendly professional team.

**I would like to express gratitude to our partners, clients and employees of the Company! Together we could make great advances! Have fun reading!**

Sincerely,  
Kanysh Izbastin –  
Chairman of the Board  
of KazAgroFinance JSC



JOINT STOCK COMPANY  
 'KAZAGROFINANCE'  
 WAS REGISTERED ON  
 DECEMBER 28, 1999  
 IN ACCORDANCE  
 WITH THE DECREE OF  
 THE GOVERNMENT  
 OF THE REPUBLIC OF  
 KAZAKHSTAN NO.1777  
 'ON SOME ISSUES OF  
 AGRICULTURE' DATED  
 NOVEMBER 24, 1999



**KEY OBJECTIVE**

**I**s to facilitate in solving one of the main challenges of agriculture — renewal of the country's technical fleet by providing the quality and competitive leasing services.

**TYPES OF ACTIVITIES:**

1. Leasing of agricultural machinery.
2. Crediting of the agricultural sector entities.
3. Financing of the Investment Projects (finalizing type of activity due to the Company's transition to the only leasing services. The Investment Projects are financed within the previously approved projects).

**RATINGS**

- long-term foreign and local currency issuer default ratings — 'BB+' / outlook 'Negative'.
- corporate management rating under the scale by the Rating Agency 'Expert RA Kazakhstan' — RKU-7.

**COMPETITIVE ADVANTAGES**

- SHARE OF THE AGRICULTURAL MACHINERY LEASING MARKET — OVER **90%**
- APPLYING OF TWO FINANCIAL INSTRUMENTS — CREDITING AND LEASING
- EXPERIENCE IN LEASING SECTOR FOR OVER **18 years**
- IDENTIFIABLE BRAND AND GOODWILL
- HIGH CREDIT RATING
- SUCCESSFUL EXPERIENCE IN RAISING FUNDS APPLYING THE MARKET INSTRUMENTS
- HIGH EXPERTISE OF PERSONNEL
- AVAILABILITY OF THE LARGE BASE OF THE WORLD LEADING SUPPLIERS AND MANUFACTURERS OF AGRICULTURAL MACHINERY
- LISTED AT THE KAZAKHSTAN STOCK EXCHANGE FOR MORE THAN **10 years**
- HIGH ACTIVITY TRANSPARENCY
- CONTINUOUS IMPROVEMENT OF THE CORPORATE MANAGEMENT SYSTEM

**REGIONAL NETWORK**



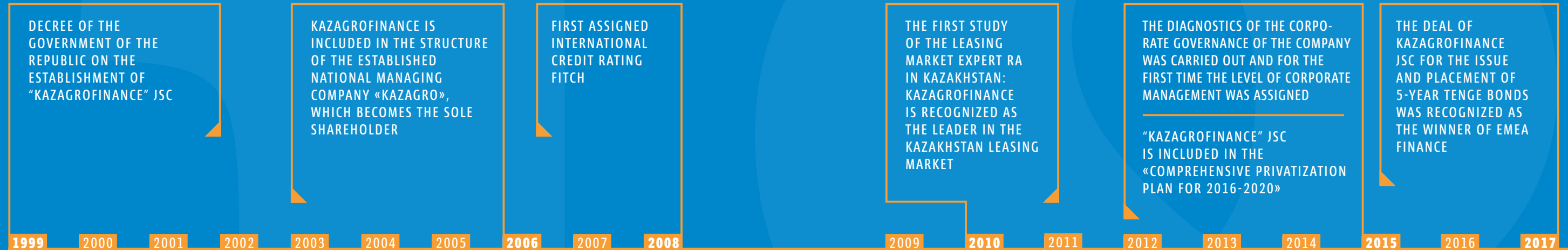
**LICENSES**

- License by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations to carry out the banking borrowings in local currency (obtained on March 31, 2006).
- Certified according to Quality Management System ISO 9001-2015.

**SOLE SHAREHOLDER**

Is National Managing Holding 'KazAgro' JSC ('Shareholder', 'Sole Shareholder').





# 18 YEARS of History

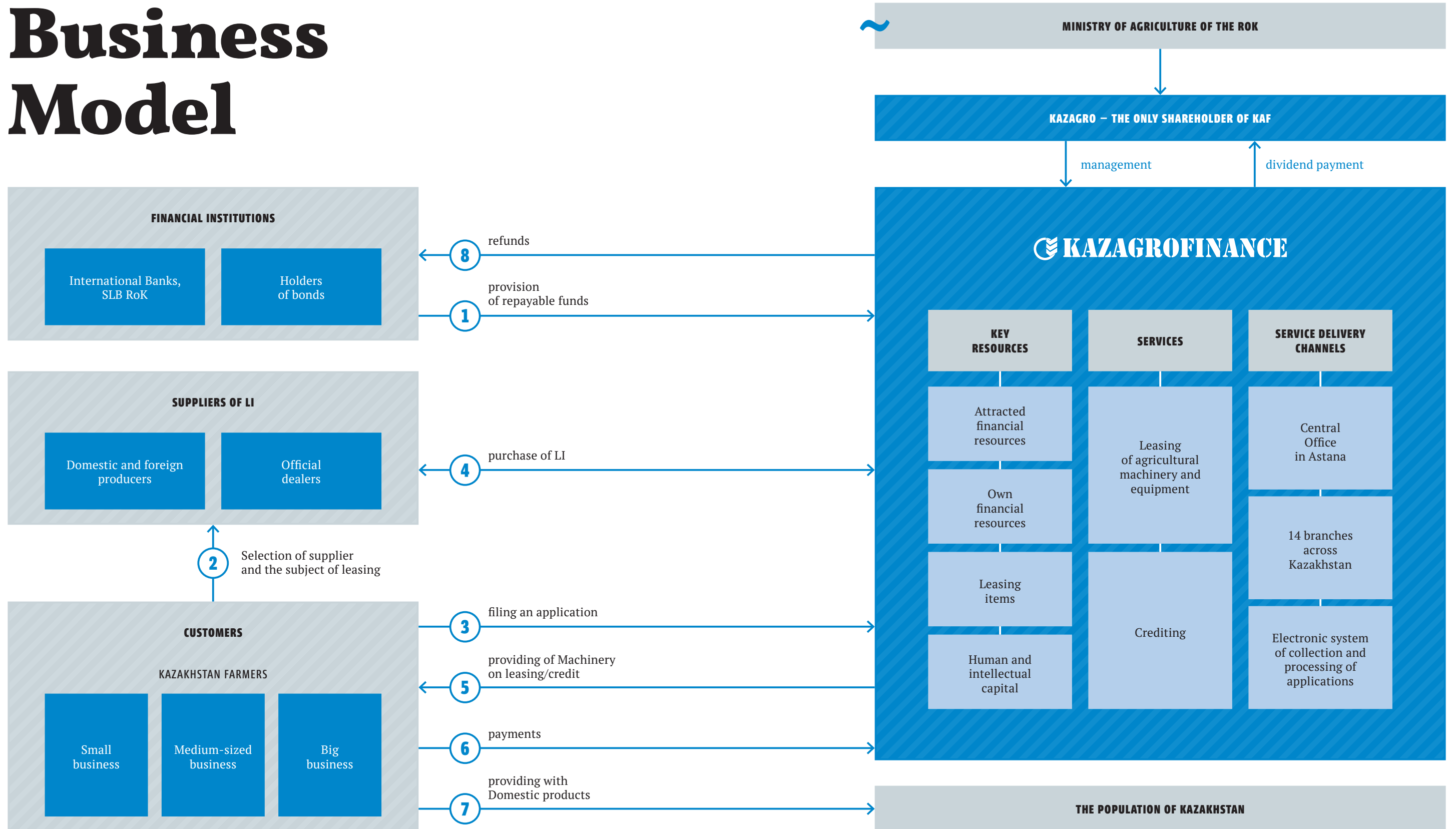


ТОО «ХИМ Тонкерс»

• History of development

• History of development

# Business Model



• Business model

• Business model

# Going Upward

YEAR OF 2017 FOR KAZAGROFINANCE JSC WAS MARKED WITH THE ELABORATION OF A NEW DEVELOPMENT STRATEGY FOR 2017-2026.



## STRATEGIC TREND 1.

### IMPROVEMENT OF INVESTMENT ATTRACTIVENESS

**Objective** — increase in long-term shareholder value of the Company by raising the activity's profitability while complying with the acceptable risk level.

**GOAL 1.**  
Improvement of the loan portfolio quality.

**GOAL 2.**  
Improvement of utilization efficiency of equity and assets.

**GOAL 3.**  
Efficient raising of borrowings from banks and other institutional investors.

The Strategy defines three strategic trends of activity:



Within the framework of the expected transition of KazAgroFinance JSC to the competitive environment and search for a strategic investor, in this Strategy the Company focuses on improvement of the investment attractiveness, leasing services, as well as further development of the corporate management.

The Company's Mission for the upcoming 10 years is to facilitate the renewal of agricultural machinery and equipment of the Republic of Kazakhstan by providing the quality and competitive leasing services.

## STRATEGIC TREND 2.

### IMPROVEMENT AND DEVELOPMENT OF LEASING SERVICES

**Objective** — improvement of the current clients' loyalty and attraction of new ones increasing the total number of clients by 1.5 times by 2026.

**GOAL 1.**  
Increase of access of services for clients.

**GOAL 2.**  
Improvement of the leasing service quality.

**GOAL 3.**  
Extension and development of the Company's product range.

## STRATEGIC TREND 3.

### CORPORATE DEVELOPMENT

**Objective** — improvement of the Company's corporate management system and obtaining rating of 91.5% by 2026.

**GOAL 1.**  
Adherence to the corporate management principles.

**GOAL 2.**  
Improvement of efficiency of the Board of Directors and improvement of the institute of independent directors.

**GOAL 3.**  
Building of executive succession planning institution and efficient assessment system for the Board and employees of the Company.

**GOAL 4.**  
Increasing the Company's activity transparency.



THUS, IN 2026 KAZAGROFINANCE JSC VIEWS ITSELF AT THE LEASING MARKET OF KAZAKHSTAN AS A NATIONAL LEADER WITH THE HIGH INVESTMENT ATTRACTIVENESS AND THE BEST PARTNER FOR THE AGRICULTURAL SECTOR ENTITIES IN RENEWAL OF AGRICULTURAL MACHINERY AND EQUIPMENT.

Photo of Project 'BRB-APK' LLP



'Each Client for us is a great success! We respect and appreciate hard efforts of the farmer, who 24 hours a day takes care of the food safety of our country, our families. KazAgroFinance JSC takes all the efforts for the sake of the Client – his great cause.

Being focused on the needs of our clients, our team improves the financing programs and reduces the list of application documents, thus raising the attractiveness of its services among the republic's agrarians'.

Deputy Chairman of the Board R. Karagoishin

# IT IS FA- VOURABLE WITH US!

## FINANCING DIRECTIONS OF KAZAGROFINANCE JSC

### FINANCING OF LEASING PROJECTS



CREDITING FOR REPLENISHMENT OF WORKING CAPITAL AND CIVIL AND INSTALLATION WORKS



SPECIAL LEASING PROGRAMS



**SPECIAL LEASING PROGRAMS**

**MASTER-LEASING**



Collection of documents once a year to open a leasing credit line



No obligation for the client to fully disburse the limit



Prompt decision-making on concluding the leasing agreements within the approved line

**EXPRESS-LEASING**



The period of consideration of projects is 5 business days



Minimum number of reviews: legal and credit analysis



Maximum amount of the application – KZT20 000 000

**HARVEST**



Subject of leasing: harvesters and grain dryers assembled and/or manufactured in the Republic of Kazakhstan



Reduced advance payment – from 10% of the value of the subject of leasing



Possibility to pay advance payment after receiving machinery and harvesting, but not later than November 15 of the current year

**MADE IN BELARUS**



Subject of leasing: agricultural and reclamation machinery, equipment made in the Republic of Belarus



2/3 of the current interest rate is compensated by the Republic of Belarus



It is still possible to receive subsidies from the state in case of renewal of the State Program

**A RELIABLE FARMER**



Target group: bona fide clients of KazAgroFinance



Leasing without an advance payment!



Maximum amount of the application – KZT100 million

**OWN FEED**



Subject of leasing: hay and forage equipment and forage harvesting machinery



Reduced advance payment – from 10% of the value of the subject of leasing



Obligatory availability of own livestock

# IT IS EASY WITH US!

## 8 STEPS OF MACHINERY LEASING

Leasing procedure

Leasing procedure



### CHOICE OF SUBJECT OF LEASING AND SUPPLIER

The farmer should choose the necessary subject of leasing either tractor, harvester, seeder, machinery for off-season works and etc., as well as its supplier. It stands to mention that the client chooses the supplier and subject of leasing on its own before submission of an application: 'KazAgroFinance' JSC in no case may influence the client's decision.



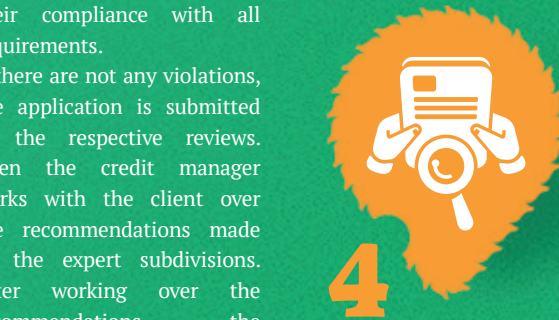
### PREPARING OF DOCUMENTS

It is necessary to have a consultation of the specialist of 'KazAgroFinance' JSC before applying. The list of documents required depending on the form of incorporation of the farm you may found at the Company's website [www.kaf.kz](http://www.kaf.kz) in the tab 'Company's Products' or visit office of the Company. 'KazAgroFinance' JSC is represented in all regions of Kazakhstan. Their addresses are available at the Company's website [www.kaf.kz](http://www.kaf.kz) in the tab 'About Us'.



### APPLYING

You can submit an application both in the Company's office and at website [www.credit.kazagro.kz](http://www.credit.kazagro.kz). The procedure for preparation and submission of online application is simplified at most, and most importantly, it saves the precious time.



### APPLICATION PROCESSING

The credit manager receives an application, who within one business day from the date of submission of the complete set of documents verifies their compliance with all requirements. If there are not any violations, the application is submitted to the respective reviews. Then the credit manager works with the client over the recommendations made by the expert subdivisions. After working over the recommendations, the application is submitted to the authorized body of 'KazAgroFinance' JSC.



### EXECUTION OF CONTRACT

The next step is to sign a financial leasing contract between the client and 'KazAgroFinance' JSC according to the prescribed form stating the main terms of leasing and supply of machinery.



### COOPERATION WITH THE SUPPLIER

After signing of the financial leasing contract and making the first payment, the client of 'KazAgroFinance' JSC signs an agreement on purchase of subject of leasing with the supplier. The main leasing convenience is that 'KazAgroFinance' JSC undertakes all 'paper' works on purchase, execution and supply of machinery.



### ADVANCE PAYMENT

After signing of the financial leasing contract, the client shall make a first leasing payment, which is 0% to 25% of the machinery value depending on the chosen financing program.



### SUPPLY AND TRANSFER OF SUBJECT OF LEASING

The machinery shall be supplied to the delivery point specified in the agreement. The subject of leasing is transferred to the client after customs clearance by 'KazAgroFinance' JSC and registered by the respective act.

# IT IS RELIABLE WITH US!



*'One of the most important tasks for KazAgroFinance JSC is to support the mutually beneficial partnership with the key world manufacturers of the agricultural machinery and equipment. The longstanding experience of cooperation with a wide range of suppliers allows KazAgroFinance JSC to provide the agricultural producers with all necessary agricultural machinery promptly and at minimum prices, and this is the important factor taking into consideration the seasonality of works in agriculture.'*

**Executive Director,  
B. Ospanov**

**T**he cooperation with the supplier starts from the submission of the application by the lessee stating the certain supplier and subject of leasing.

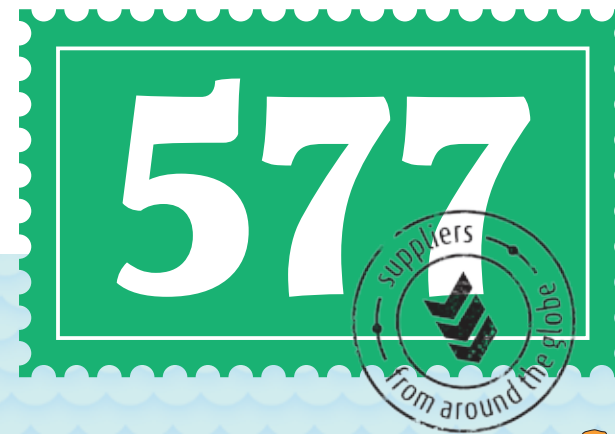
Since 2013 the automated base of suppliers of agricultural machinery, equipment and cattle had been introduced at the Company's corporate website [www.kaf.kz](http://www.kaf.kz) for convenient search by the clients of the necessary suppliers.

Any supplier may register in this base irrespective of experience of cooperation with the Company. To date, this base contains 577 suppliers from around the globe.

The requirements to the suppliers and subjects of leasing are unified for everybody and published at the Company's website that simplifies the cooperation with the Company for the suppliers.

After making decision on the project and entering into the financial leasing contract, the arrangements on entering into the agreement on purchase of subject of leasing are made.

Then the supplier delivers the subject of leasing, and the Company accepts this subject of leasing, makes payment to the supplier and transfers it to the lessee. The Company's employees are fully responsible for logistics of the subject of leasing, customs clearance and other issues concerned with the delivery that protects the clients' interest at most.



**KAZAGROFINANCE JSC COOPERATES WITH THE MANUFACTURERS AND SUPPLIERS FROM OVER 20 COUNTRIES WORLDWIDE**



*'As you know, the client satisfaction is an important factor in ensuring the profitable and stable activity of the Company. The Company's employees, at each step of their efforts, seek to perform their duties in a good manner and as soon as possible. We constantly pay attention to our advanced training and practicing new skills in our job.'*

Director of Project Administration Department  
Y. Moldashev

# IS IT TRUE?

## ASSESSMENT OF SERVICE SATISFACTION LEVEL

The client satisfaction level is an important factor in establishing the long-term relationships and ensuring the sustainable activity of the Company. To improve the quality of the leasing services the Company through the independent company annually holds the opinion poll of the current and potential clients, which allows monitoring the change behaviour of the client satisfaction level, as well as revealing the key problem areas in the client servicing and their attitude to the standards and procedures of the Company's servicing.

## SERVICE AVAILABILITY LEVEL WAS ASSESSED ACCORDING TO SUCH COMPONENTS AS:

### INFORMATION AVAILABILITY

availability of complete, up-to-date and reliable information about the company's activities and the order of providing services

### PERSONNEL SECURITY

availability of the necessary number of employees with sufficient qualifications from the service provider

### ADMINISTRATIVE AVAILABILITY

absence of administrative barriers and corruption, clarity and transparency of requirements and processes of rendering services

### FINANCIAL AND ECONOMIC AVAILABILITY

the opportunity to receive the service taking into account the real financial position of the client

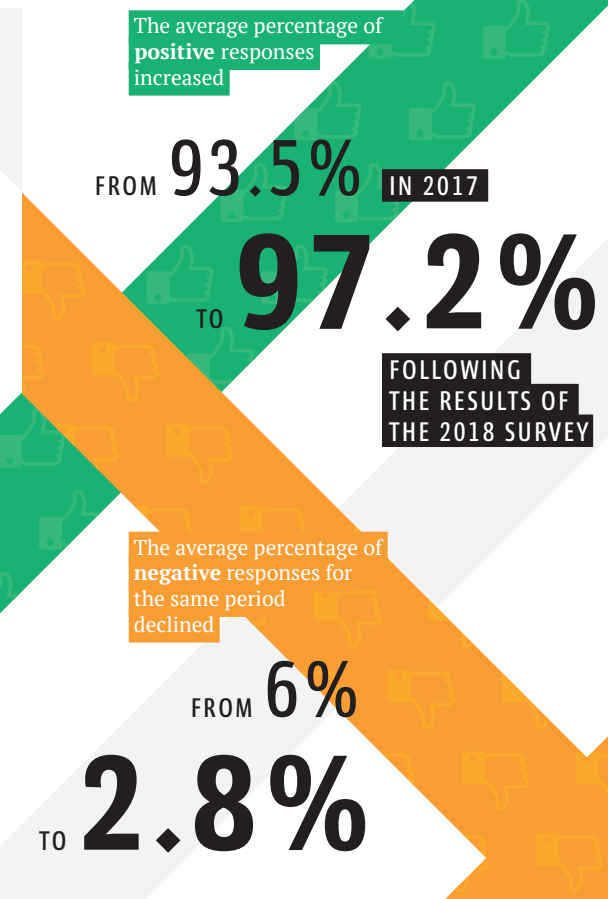
### GEOGRAPHIC AVAILABILITY

the opportunity to get the service in the immediate vicinity of the actual location, or within the radius of optimal transport accessibility



IN 2017, THE SERVICE AVAILABILITY LEVEL AND CLIENT SATISFACTION LEVEL WAS 92.9 %, WHICH IS HIGHER BY 4.1% THAN THE PREVIOUS PERIOD.

According to the survey results, the client satisfaction with the service quality is high enough and is tending to increase. The surveyed current and potential clients highly appreciated the Company employees' efforts on all aspects of interaction with them.



82% of respondents consider the possibility of recurrent appliance, and 31% called the circle of their acquaintances as one of the main sources of information on KazAgroFinance JSC's activity. Thus, investing in the client satisfaction is an important component of the Company's efforts and brings the obvious results.

The recommendations and comments by the clients in the course of survey are taken into account upon further improvement of service rendering and optimization of business processes.

Within these efforts, in 2017 the amendments were made to the document regulating the application processing as to:

- reduction of a set of documents for the clients, including owing to the possibility of obtaining by the Company of the applicant data via the information portal 'Government for Citizens';
- reduction of processing time for leasing applications by 8 business days due to the procedure optimization.

The document regulating the non-performing debt activities was updated. In particular, the transfer of the project to the problem block was optimized, the measures with the strictly regulated terms were systemized, the points of control when dealing with the non-performing debt were defined. To improve the performance within the recovery of the non-performing projects in 2017 the efforts on development of the automated information system as to the non-performing debt activities were made as well.





Director of Project Analysis Department, T. Kadyrov

'One of the topic issues in agriculture is to increase the labour efficiency, however, applying the old technologies and old-fashioned fleet of agricultural machinery, it is not achievable. Meanwhile, introduction of the world up-to-date practice in cropping and livestock farming requires the essential financial investments, which are to be cheap and accessible.

To date, the terms of financing of KazAgroFinance JSC in combination with the state support programs are unique for many years. We witness that year by

year the bureaucratic barriers are eased, the activity transparency in all fields of agricultural sector is raising. The major efforts for improving the attractiveness of the agricultural machinery financing were made. And the result is not to be late in coming — more and more machinery with logo 'KazAgroFinance' JSC appears in the fields across the Republic of Kazakhstan'.

# Sector Tendencies: Threats and Opportunities

The agricultural sector is one of the important sectors of economy, which takes part in ensuring the national safety through the food safety of the country.

The agricultural sector of the Republic of Kazakhstan has prospects for further development: there are the sales markets, plough lands, prospect of development of irrigated lands; the export positions of oil and meat sectors are strengthened; and Kazakhstan promptly joined the ranks of the world largest exporting counties in grain and flour.

Taking into consideration the factors above, the State Program for Agricultural Sector Development for 2017–2021 is being implemented. Broadly speaking, the state support measures being implemented have a positive behaviour. This year, this Program has been adjusted,

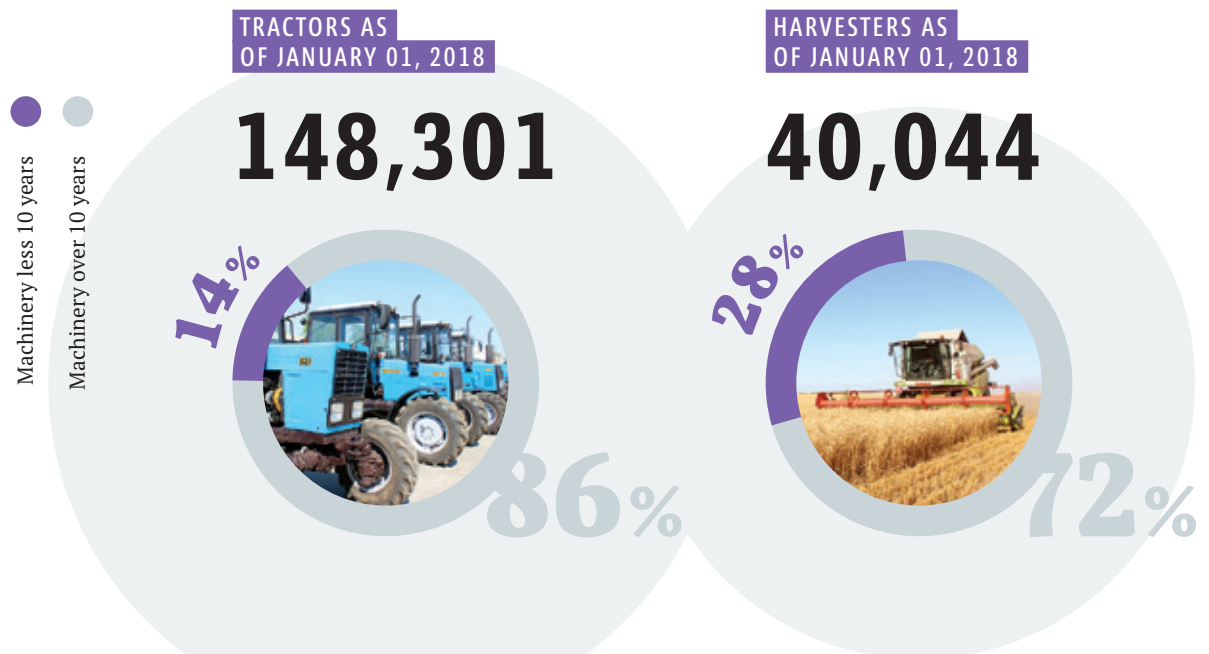


Photo of Farm "Zhatva" Project (Karaganda region)

the tasks are updated and supplemented with the following trends:

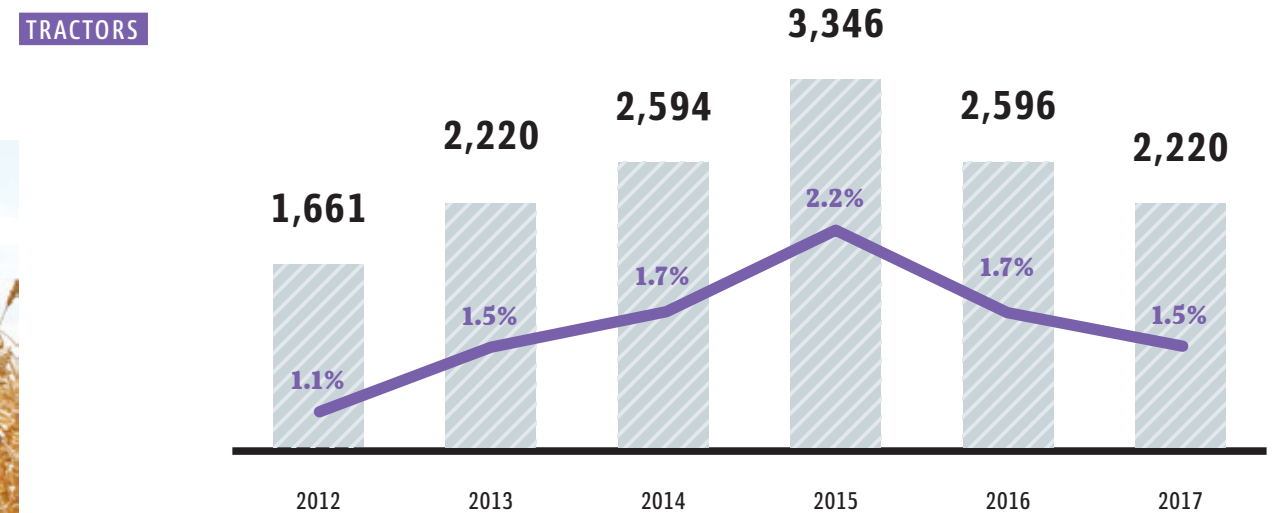
- Ensuring the agricultural science development, transfer of technologies and skills of the agricultural sector entities;
- Improving the technical equipping and intensifying the production in agricultural sector;
- Improving the quality of the state service rendering and digitalization of agricultural sector.

One of the topic issues of the agricultural sector development continues to be technical equipping of the agricultural producers. According to the Ministry of Agriculture of the Republic of Kazakhstan, to date, the service life of many tractors and harvesters available with the farmers exceeds 10 years. A great number of machinery is subject to utilization and writing-off.



## RENEWAL OF AGRICULTURAL MACHINERY

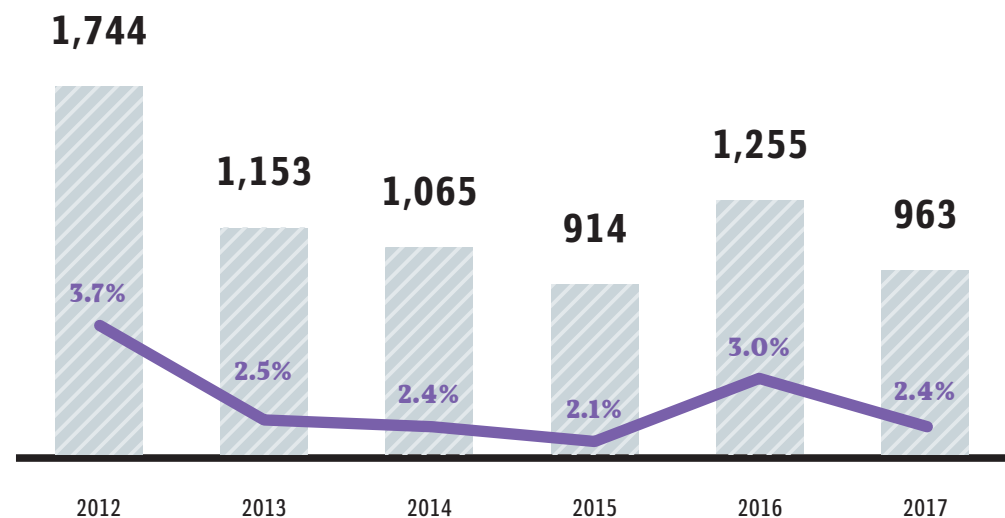
In 2017, totally 2 220 units of tractors were purchased. At that, the pace of renewal was 1.5%.



## RENEWAL OF AGRICULTURAL MACHINERY

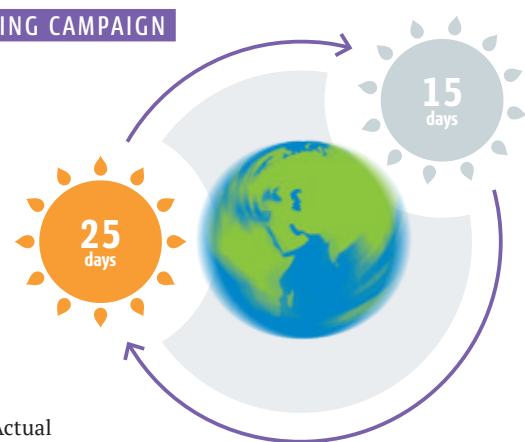
### HARVESTERS

In 2017, totally 963 units of harvesters were purchased. At that, the pace of renewal was 2.4%.

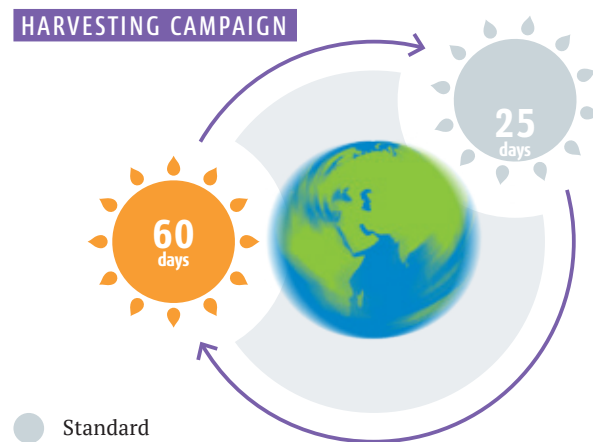


## CONSEQUENCES OF USE OF OLD-FASHIONED MACHINERY

### SOWING CAMPAIGN



### HARVESTING CAMPAIGN



● Actual terms

● Standard terms

#### Use of the worn machinery leads to:

- Increased consumption of fuel and lubricant materials and spare parts;
- Crop loss due to shedding;
- Costs for the wet grain drying;
- Grain quality deterioration due to drying;
- Idle time of the machinery due to breakdowns.

According to the Ministry of Agriculture, the annual crop losses due to the worn machinery are about KZT200 mlrd.,

and losses on additional spare parts and fuel and lubricant materials are about KZT100 mlrd.

In 2017, the Company signed the three-party cooperation agreements on the domestic agricultural machinery building development between 'KazAgroFinance' JSC, 'Gomselmash' JSC, 'AgromashHolding' JSC, as well as between 'KazAgroFinance' JSC, 'Combine Factory Rostselmash' LLC and 'Combine Factory 'Vector' LLP.

# Analysis of the Kazakhsatni Leasing Market

~ LEASING IS ONE OF THE KEY INSTRUMENTS GLOBALLY RECOGNIZED TO BE THE MOST FAVOURABLE FOR RENEWAL OF KEY ASSETS. THIS TYPE OF SERVICES SHOULD BE DEEMED AS RELATIVELY NEW, WHICH ONLY FOR THE LAST 10 YEARS HAS BEEN TRENDING UPWARD.

The leasing activity in Kazakhstan is governed by the law of the Republic of Kazakhstan No.78-II 'On Financial Leasing' dated July 5, 2000, Civil Code of the Republic of Kazakhstan (Special Part) and Code of the Republic of Kazakhstan 'On Taxes and Other Obligatory Payment to the Budget'.

According to the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan, there are over 30 companies represented at the leasing market, which mainly are non-diversified and specialized in its certain area. Only the subsidiaries of second-tier banks may be attributed to the diversified ones. The financial leasing market for 2017 had jumped by 34.4 % against the increase in the contractual value. The leasing service market developed under the support of demand from the logistics companies. At that, the number of financial leasing contracts signed for a year dropped by 12%.

The demand for purchase of new property by means of leasing from the main clients of leasing companies – agricultural entities increased to a lesser extent, totally by 4% for a year.

It stands to mention that the majority of leasing companies, as of the beginning of 2017 as compared to the previous year, did not make essential changes to the leasing terms. However, in terms of increase in the value of the leasing contracts the lessors initiated the active search for raising the additional financing.

In this regard, in the structure of sources of financing of leasing activity the extent of foreign investments raised had the

most rapid growth. Thus, the dynamics of the leasing market development in 2018 will be probably defined by the extent of financing, including the funds raised.

At year-end 2017, the average financing rate in all leasing companies was 14.7%, the average financing schedule was 5 years and 1 month. The analysis data showed that, in general, the leasing terms offered at the Kazakhsatni market had been relatively improved for the last year: the financing rates became lower, and the schedules were extended.

As opposed to the other domestic leasing companies, only 'KazAgroFinance' JSC has a grace period for the principal repayment of up to 2 years, and the leasing term is the longest at the market (up to 10 years).

To date, 'KazAgroFinance' JSC holds the leading position at the leasing market, and, despite of lack of budget financing, proceeds with provision of financing to the agricultural sector entities on more favourable terms as compared to other companies. As dynamics showed, during the last four years the Company annually purchased from 3.1 thous. up to 4.5 thous. units of agricultural machinery, which is 50% of the total agricultural machinery being purchased annually in the country.

In the meantime, the private leasing companies, taking into consideration the opening of access to the favourable funding, may start providing the leasing services on the favourable terms as well, that means a more strong competition for the Company.

'THE AMALGAMATION AND CONSOLIDATION OF THE LEASING COMPANIES WILL LAY FOUNDATION FOR MOVEMENT AT THE MARKET, AND IT WILL BECOME ACTIVE.'

Deputy Chairman of the Board  
of 'KazAgroFinance' JSC  
R. Karagoishin



# « LEASING MARKET NEEDS CHANGES »

Interview

## – What issues are topical for the Kazakhstani leasing market today?

– The country's leasing companies have a number of systematic problems. First-of-all, there is not any union or association of lessors in Kazakhstan, which would protect the leasing companies' interest. That's why, to solve this task I believe it is necessary to establish such an association for the market development, establishment of the unified information platform for discussion of the topical issues of the market participants and submission of consolidated proposals on the leasing instrument improvement to the legislative and supervisory bodies.

Secondly, no consolidation of the leasing companies takes places at the market. In accordance with the law, if the lessor is changed, all taxes for the previous years are additionally charged, which does not allow purchasing by one leasing company of the other company's loan portfolio. And to purchase a legal entity and maintain it as a subsidiary it is not appropriate with regard to expenses and management.

## – What advantages would the market gain as a result of integration and consolidation of the leasing companies?

– Owing to consolidation, the leasing companies could be highly rated by the rating agencies, hold negotiations with the international trade agencies and second-tier banks. It is easier for the large

companies to conduct a dialogue and they gain more trust. As a result, the large leasing companies could have a quite another ratings of their bonds, raise more funding and cheapen the cost of funding raised for the account of its extent.

The large business in Kazakhstan is well-known, and it is serviced by the second-tier banks. In long run, these large companies may enter and borrow the funds at the international market. That's why, the leasing companies need to transit to the retailing, i.e. small and medium business, and to that end it is necessary to have a more wide range of products available. It is possible to develop a new types of products, once again, subject to easing of the applicable legal restrictions. The clients of the leasing companies shall have a choice, for example, to be entitled to refinance, early repay the leasing deal and etc.

The amalgamation and consolidation of the leasing companies will lay foundation for movement at the market, and it will become active. The participants are interested in their activity development, but due to the legal restrictions, the leasing companies sometimes do not see any prospects for development. These restrictions are existing in particular for fight against the pseudo-entrepreneurship due to the tax privileges on leasing deals, and that is right. But, on the other hand, we need to think how we could divert from these restrictions in order to start developing the Kazakhstani leasing market properly.

— What was the last year distinguished by for the lessors from the previous ones?

— The major trend of the last year was a search for the funding. The local currency devaluation led to the liquidity reduction at the market and increase in the funding cost, and this, in its turn, affected the leasing companies' activity very profoundly. The lessors need the long-term tenge resources very much. The sources of these resources are the second-tier banks, shareholders, bond instruments, trade financing abroad. Over the last three years, the leasing market had undergone the compression. I believe that many leasing companies had problems with their loan portfolios and their clients had undergone their loan restructuring.

— How, in your opinion, the problem of raising the long-term funding may be resolved?

— As I had already said through consolidation. The banks reluctantly provide financing because they don't see anybody to finance. If there are bigger leasing companies with the solid portfolios, they will provide the loans at favourable terms.

purchase of agricultural machinery, equipment and livestock.

It should be assumed that the agrarians' preference of the leasing scheme of financing upon renewal of agricultural machinery and equipment is stipulated by the following factors:

- firstly, initially more flexible terms and schemes of leasing financing become the most acceptable for the agrarians. No additional pledge is required upon leasing, since the subject of leasing is a pledge itself;
- secondly, the leasing companies specialized in agricultural leasing align their terms to the specific nature of agribusiness. For instance, KazAgroFinance provides for the flexible principal repayment schedule taking into account the seasonality of spring field and harvesting works, i.e. the principal is repaid once a year after harvesting. In the meantime, the leasing financing schedules are long-term that is very important for agrarians, since the sector itself is long-term in payback;
- one more advantage in favour of the leasing financing scheme is availability of tax

ACCORDING TO THE SURVEY DATA BY RAEX, DURING THE LAST YEARS THE PURCHASE OF AGRICULTURAL MACHINERY, EQUIPMENT AND LIVESTOCK REMAINS TO BE THE KEY DIRECTION BEING FINANCED THROUGH FINANCIAL LEASING.

— Is a leasing efficient as a financial instrument, in particular, in the agricultural sector?

— As to the leasing system in the agricultural sector, this instrument is the most acceptable for the agricultural producers. This is illustrated by the fact that according to the survey's data by RAEX, over the last years the key trend being financed through the financial leasing continues to be a

privileges. It can be said that the banks provide crediting of agricultural machinery reluctantly believing it to be high risk with the long production cycle, that is less acceptable for the lenders.

In conclusion, I would like to say that despite of the relatively new nature of leasing as a type it became the most acceptable instrument for renewal of machinery and tractor fleet of Kazakhstan'.

# SWOT-Analysis

STRONG ASPECTS	WEAK ASPECTS
<ul style="list-style-type: none"> <li>• Solid experience in leasing and crediting in agricultural sector.</li> <li>• Essential share in leasing market both on extent of annual deals and portfolio.</li> <li>• High expertise in provision of leasing services.</li> <li>• Wide customer base of agricultural producers in the republic.</li> <li>• Established partnership relations with domestic and world producers of agricultural machinery and equipment.</li> <li>• Availability of product line with the advantageous terms (long-term leasing, convenient repayment schedule).</li> <li>• Skilled personnel.</li> <li>• Experience in raising the funds at the international market for extension of the scope of financing.</li> <li>• Developed regional network.</li> <li>• Identifiable brand for agricultural producers.</li> <li>• Transition to new international standard ISO 9001:2015.</li> <li>• Focus on satisfaction of the clients and improvement of the service quality within the Company's Development Strategy for 2017–2026.</li> <li>• Continuous optimization of business processes.</li> <li>• Introduction of automated application processing system.</li> </ul>	<ul style="list-style-type: none"> <li>• Focus of the loan portfolio on one sector of economy.</li> <li>• Availability of collaterals with less liquidity due to the nature of agricultural sector.</li> <li>• Increase in labour turnover.</li> <li>• Long processing of the clients applications and low quality of documents provided by the clients for financing due to the low legal and financial competence of rural population.</li> <li>• Difficulties upon monitoring of location of the subject of leasing (movable property).</li> </ul>
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> <li>• Improvement of terms for conducting the agribusiness due to the governmental policy's orientation at the support of agrarians.</li> <li>• Availability of unsatisfied demand for renewal of agricultural machinery and equipment.</li> <li>• Extension of product line of leasing services in accordance with the agribusiness needs.</li> <li>• Strengthening of the brand 'KazAgroFinance' JSC positioned as the best partner for the agricultural sector entities in renewal of agricultural machinery and equipment.</li> <li>• Reduction of application processing time and optimization of a set of documents for the clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial instability at the international market that affects the fall in the paying capacity of clients and decrease in demand for machinery due to its rise in price.</li> <li>• Possible downgrade of credit rating due to decrease in the governmental influence on the Company.</li> <li>• Increase in number of leasing companies, appearance of competitors with more favourable terms of leasing.</li> <li>• Instability due to the change in Shareholder, withdrawal of skilled specialists.</li> <li>• Increase in price for agricultural machinery and equipment.</li> </ul>

# PEST-Analysis

	OPPORTUNITIES	THREATS
POLITICAL FACTORS	<ul style="list-style-type: none"> <li>• <b>Deliberate state policy on the development of agriculture.</b> The State Program for Agricultural Sector Development was elaborated. Within implementation of this Program, the facilities for the maximum reach of the agricultural producers with the state support are provided for.</li> <li>• <b>Import substitution policy, growth in demand for the domestic products.</b> The particular attention by the state offers the additional opportunities for the agricultural producers to increase the volumes of the competitive agricultural products.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dependence on the state policy.</b> The frequent amendments to the state programs for the agricultural sector development</li> <li>• <b>The extent governmental regulation</b> creates a welfare mentality with the agricultural producers.</li> </ul>
ECONOMICAL FACTORS	<ul style="list-style-type: none"> <li>• <b>Sector saturation with agricultural lands,</b> sustainable raw material base.</li> <li>• <b>Inflation level.</b> Increase in the total price of goods and services has a direct impact on the agriculture development.</li> <li>• <b>Sector crediting.</b> Improvement of the accessibility of lending for agricultural entities.</li> <li>• <b>Investment business environment.</b> Investments in agriculture for 2017 increased by 29.3% and amounted to KZT352.5 mlrd. as compared to the previous year. Over 87% of fixed investment in agriculture were allocated for cultivation of seasonal crops (62.1%) and livestock farming (25%).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Dynamics of the agricultural product market</b> and sector standing. The agriculture is one of the most developing sectors of the Kazakhstani economy and showing the high paces of growth. The quantity index for 2017 showed the growth by 2.9%, while the GDP's growth countrywide achieved 4% in the previous year.</li> <li>• <b>Continuous changes</b> in the external and internal prices for equipment, fertilizers, feed, veterinary preparations and power sources, which the success of the farmers' activity is dependent on.</li> <li>• <b>Dependence of Kazakhstan</b> on import of many types of agricultural machinery and equipment adversely affects the economical accessibility of the agricultural producers.</li> <li>• <b>Low income.</b> The average salary of the agricultural employees in 2017 as compared to 2016 was increased by 1.6%, though the inflation level was 7.1%.</li> </ul>

	OPPORTUNITIES	THREATS
SOCIAL AND DEMOGRAPHICAL	<ul style="list-style-type: none"> <li>• <b>Key tendencies of the agricultural product consumption by the population related</b> to the healthy nutrition propaganda, promotion of the organic products across the population, as well as essential share of population in villages.</li> <li>• <b>Constant need in agricultural products</b> in terms of increase in the population creates the assumptions for maintaining the long-term growth in the agricultural sector focusing on production and sales of organic agricultural products.</li> <li>• <b>Education level.</b> This factor is important for provision the institution with the highly skilled specialists. There are the state agrarian universities in Kazakhstan, which annually train the specialists for work at the agricultural sector entities in various fields.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Lack of personnel.</b> Young specialist do not aspire to work in sector due to its low attractiveness (hard working conditions, low mechanization level, bad infrastructure and low salary). According to the data by the Statistics Committee, the need in employees in crop farming and livestock farming in 2017 (taking into account the vacancies) was 974 persons.</li> <li>• <b>Seasonality.</b> The different labour force is required for performing the agricultural works in the different seasons. As a result, there is an unequal need in labour force. During the season 1.4 mln. people are employed, and in the rest time it is about 1.2 mln. people.</li> </ul>
TECHNOLOGICAL	<ul style="list-style-type: none"> <li>• <b>Production efficiency and technical upgrading,</b> speed of mastering the manufacture of new types of products and attraction of innovative agro technologies.</li> <li>• <b>Improvement of the adaptability</b> of the domestic agricultural production will unexceptionally entail increase in demand of agricultural producers.</li> <li>• <b>Introduction of new technologies, innovations.</b> The state within the Agricultural Sector Development Program supports the IT-technologies development, introduction of innovative technologies at the agricultural sector enterprises, automation of technological processes, as well as scientific researches.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Material and technical base standing.</b> More than a half of agricultural machinery and equipment are used beyond the amortization periods. According to the Ministry of Agriculture of the Republic of Kazakhstan, to date the operating life of many tractors and harvesters available with the agricultural producers exceeds 10 years.</li> <li>• <b>Dependence on the imported machinery.</b> The obvious threat was the dependence of the domestic agricultural sector on the suppliers of the foreign agricultural machinery. Thus, according to the Ministry of Agriculture of the Republic of Kazakhstan, in 2016 the specific weight of the imported tractors in the total ones purchased by the farmers was 65.1%, grain harvesters – about 23%, and in some regions – 70% and 40% accordingly.</li> </ul>



*'We have achieved a great deal this year! We have a lot to be proud of! I would like to thank my colleagues for the dedicated service, which allowed showing high performance. I also would like to thank our clients for commitment and dedication towards the Company. You make us better.'*

**Chairman of the Board,  
K. Izbastin**

**KEY ACHIEVEMENTS OF KAZAGROFINANCE JSC IN 2017:**



Investments of KZT44.7 mlrd. in the agricultural sector



Leasing of 2 400 units of agricultural machinery and equipment for KZT40.2 mlrd



Commissioning of 17 Investment Projects across Kazakhstan



Rate of client satisfaction with the Company's services was 92.9%



Net income amounted to KZT3 572 mln



Training of 369 employees of the Company



Reduction of interest rate on leasing by 2.8%



Reduction of application processing time by 8 business days



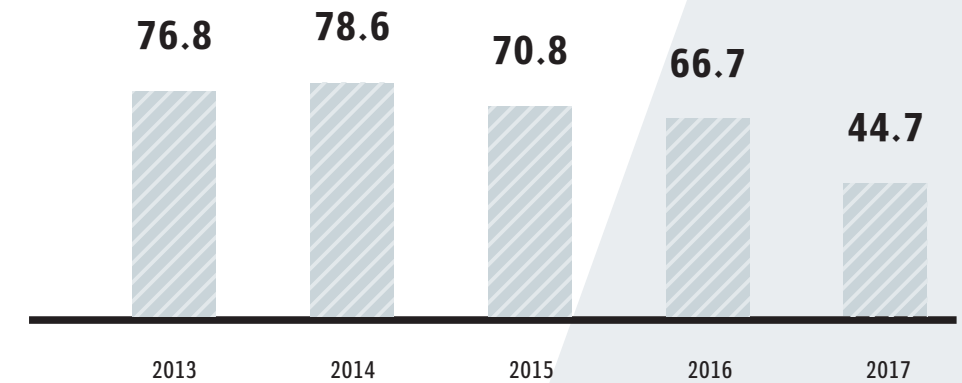
Creation of 326 working places

Top Management:

# IMPLEMENTING THE KEY OBJECTIVES

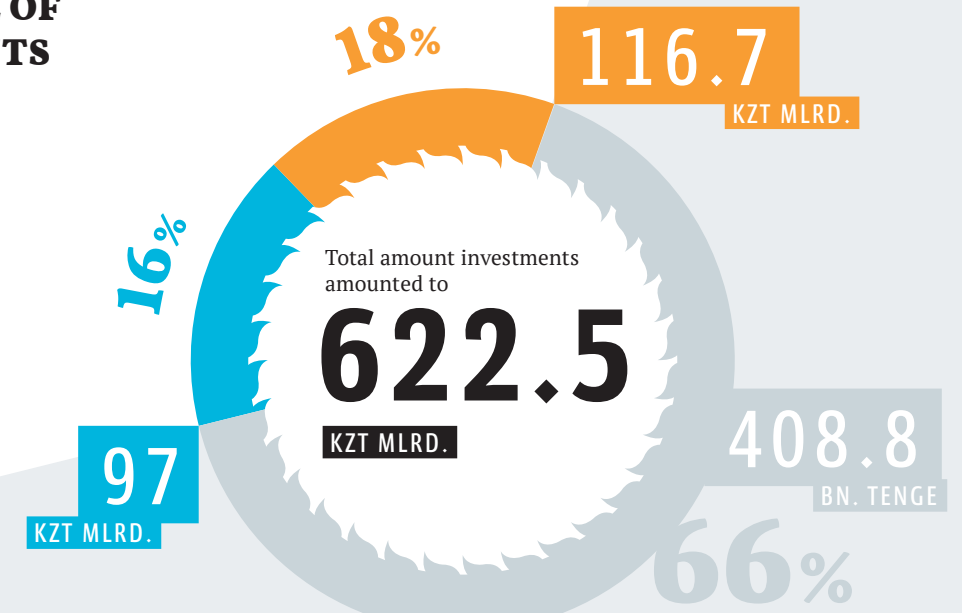
**VOLUME OF INVESTMENTS IN 2000-2017**

KZT MLRD.



**STRUCTURE OF INVESTMENTS 2000-2017**

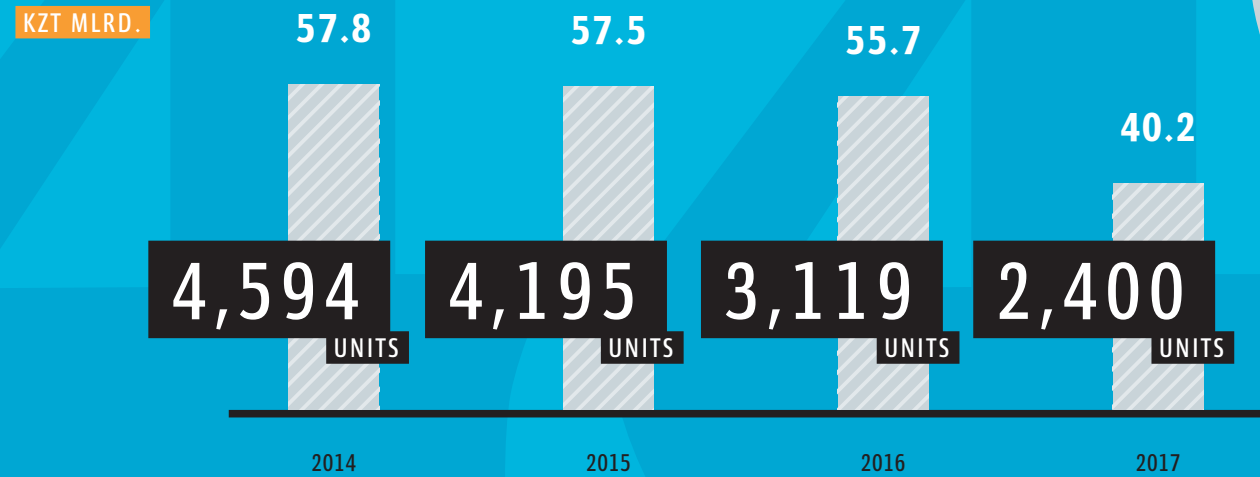
Legend:  
● Budget  
● National Fund of the Republic of Kazakhstan  
● Non-budgetary



• Operating results

• Operating results

**FINANCING OF AGRICULTURAL MACHINERY AND EQUIPMENT FOR 2000-2017**



**TRACTORS**

<b>2014</b>	1,477 Units	11.1 KZT mlrd.	<b>2016</b>	962 Units	11.9 KZT mlrd.
<b>2015</b>	1,334 Units	10.7 KZT mlrd.	<b>2017</b>	788 Units	9.4 KZT mlrd.
<b>TOTAL</b>		<b>11,683 Units</b>	<b>75.6 KZT mlrd.</b>		

**TOTALLY, FOR 2000-2017**

**39.6**

UNITS OF MACHINERY AND EQUIPMENT TO THE AMOUNT

of KZT

**440.7**

**MLRD. WERE FINANCED**



**SEW. COMPLEXES**

<b>2014</b>	130 Units	3.2 KZT mlrd.
<b>2015</b>	52 Units	1.8 KZT mlrd.

**SOWERS**

<b>2014</b>	56 Units	0.1 KZT mlrd.
<b>2015</b>	103 Units	1.5 KZT mlrd.
<b>2016</b>	104 Units	2.8 KZT mlrd.
<b>2017</b>	124 Units	1.7 KZT mlrd.
<b>TOTAL</b>	<b>2,046 Units</b>	<b>8.7 KZT mlrd.</b>

<b>2016</b>	56 Units	1.3 KZT mlrd.
<b>2017</b>	31 Units	0.5 KZT mlrd.
<b>TOTAL</b>	<b>1,184 Units</b>	<b>43.8 KZT mlrd.</b>

**COMBINES**

<b>2014</b>	735 Units	21.7 KZT mlrd.
<b>2015</b>	594 Units	19.2 KZT mlrd.
<b>2016</b>	490 Units	24.1 KZT mlrd.
<b>2017</b>	283 Units	16.9 KZT mlrd.
<b>TOTAL</b>	<b>9,804 Units</b>	<b>189 KZT mlrd.</b>



**EQUIPMENT**

<b>2014</b>	89 Units	10.7 KZT mlrd.
<b>2015</b>	92 Units	16 KZT mlrd.
<b>2016</b>	33 Units	4 KZT mlrd.
<b>2017</b>	24 Units	3.8 KZT mlrd.
<b>TOTAL</b>	<b>452 Units</b>	<b>56.9 KZT mlrd.</b>

**OTHER MACHINERY**

<b>2014</b>	2,107 Units	10.8 KZT mlrd.
<b>2015</b>	2,020 Units	8.2 KZT mlrd.
<b>2016</b>	1,474 Units	11.7 KZT mlrd.
<b>2017</b>	1,150 Units	7.8 KZT mlrd.
<b>TOTAL</b>	<b>14,404 Units</b>	<b>66.7 KZT mlrd.</b>

• Operating results

• Operating results

« IN 2017, KZT 44.7 MLRD. WERE INVESTED IN THE DEVELOPMENT OF THE AGRICULTURAL SECTOR OF KAZAKHSTAN, WHERE KZT40.2 MLRD. WERE ALLOCATED FOR PURCHASE AND LEASING OF 2 400 UNITS OF AGRICULTURAL MACHINERY AND EQUIPMENT. »

IN THE CURRENT YEAR FOR HARVESTING CAMPAIGN 'KAZAGROFINANCE' JSC FINANCED THE PURCHASE OF

891

UNITS OF MACHINERY

TO THE AMOUNT OF KZT

20.7

MLRD.

Managing Director —  
a member of the board of  
'KazAgroFinance' JSC  
M. Sergaleyev



# LEASING IN SUCCESS

— What was the main objective for the Company in 2017?

— The company focused its activity on leasing of agricultural machinery and equipment, sending 90% of investments in this area. At the same time, the Company completed consideration of new Investment Projects, financing is now carried out only in the framework of previously approved projects.

In 2017, 'KazAgroFinance' JSC invested KZT44.7 mlrd. in the development of the agricultural sector of Kazakhstan, KZT40.2 mlrd. of which were used to purchase and transfer 2,400 units of agricultural machinery and equipment. In total for the entire period of activity, the Company leased 39,573 units of equipment for the amount of KZT 440.7 mlrd.

In order to achieve its goals in 2018, 'KazAgroFinance' JSC plans to increase the amount of financing for the purchase of equipment. In accordance with the approved State Agricultural Sector Development Program, it is expected that by 2018 the level of renewal of the country's machinery and tractor fleet will be 2.2%, while last year this indicator was about 1.6%.

— How does the Company support the spring-field work of farmers?

— Preparation for carrying out spring-field work for agrarians is an essential task: it is necessary to conduct spring sowing qualitatively and in optimal agrotechnical terms. Without a comprehensive implementation of all activities, it is impossible to obtain a high yield. The main factors for the timely and effective conduct of spring field work are the availability of personnel, quality seed, mineral fertilizers, fuel and lubricant materials supply and, of course, the availability of machinery. Therefore, it is very important to apply for financing in time, taking into account the delivery time, in order to start seeding in time.

To carry out spring field work, the Company leased 1,163 units of equipment to the amount of KZT13.7 mlrd., for off-season works — 308 units of equipment worth KZT 2.1 mlrd. to Kazakhstani farmers.

— What features should be taken into account when financing harvesting campaigns?

— For the timely conduct of harvesting work, it is necessary to solve in time the issues of preparation of equipment and material and technical base of elevators. To avoid losses and in the optimal agrotechnical terms to remove the grown products, high-performance equipment is needed. Therefore, farmers are trying to update the fleet of harvesters as much as possible. Thus, the average loss of grain during harvesting is from 1% to 4%, depending on the type and condition of the machinery.

This year, 'KazAgroFinance' JSC financed the purchase of 891 units of equipment to the amount of KZT20.7 mlrd. for harvesting. In the current year, 287 harvesters, 115 headers, 203 balers and so on were leased to the Kazakhstani agricultural producers. At the same time, the largest quantity of harvesting equipment this year was used by the West-Kazakhstan region — 177 units of agricultural machinery for a total of KZT 529.5 mlrd.

In general, the leased harvesters cover 9.5 mlrd. ha of sowing lands.

— What additional measures are taken by the Company to support the renewal of the fleet of vehicles?

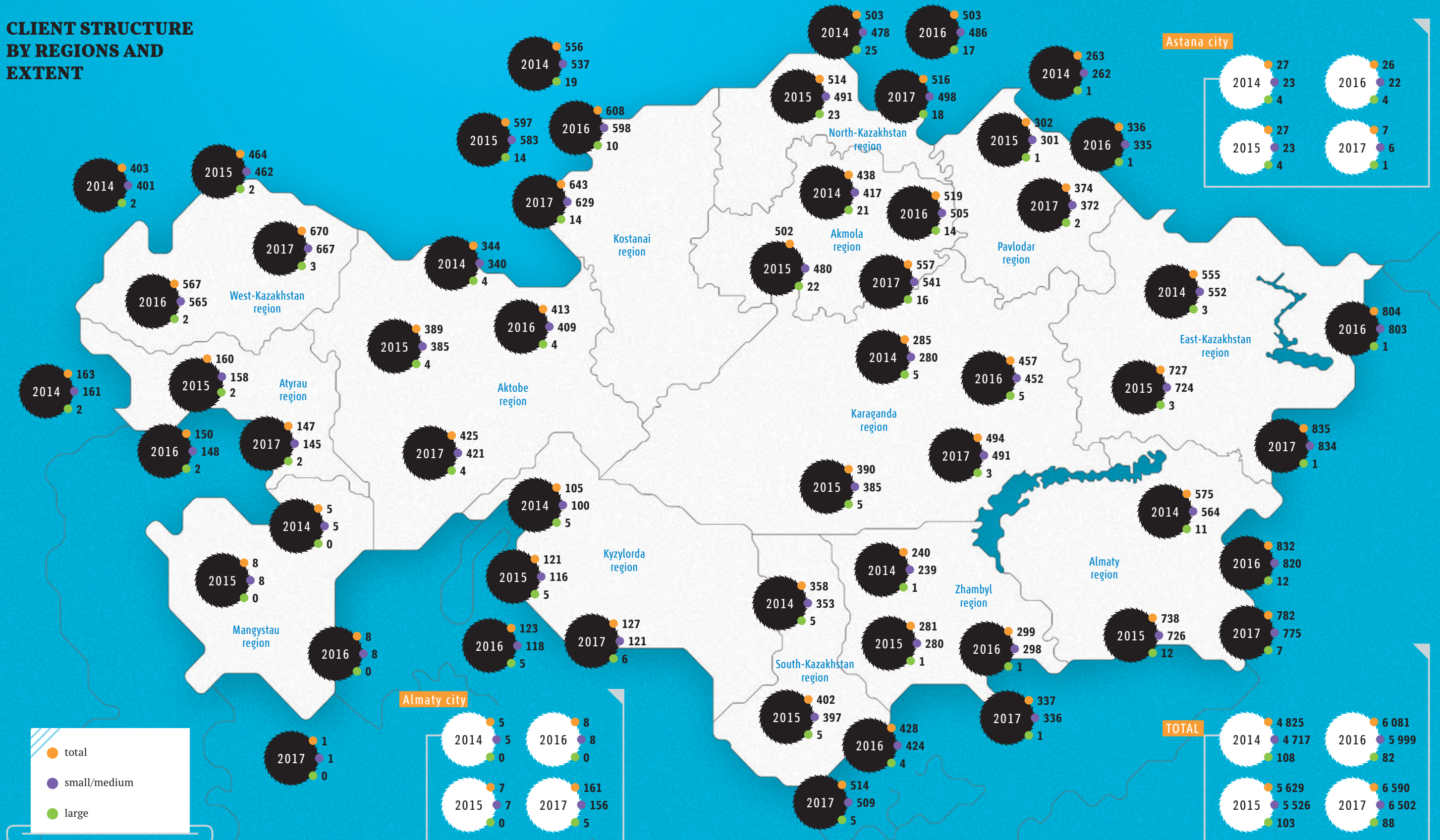
— In 2017, in order to fulfill the tasks set and to increase the availability of the Company's products, agreements were reached with a number of the Kazakhstani agricultural machine builders on cooperation in the development and modernization of the machine-tractor fleet of Kazakhstan. 9 agreements were signed with domestic agricultural machinery producers, including 2 trilateral and 7 bilateral.

Also, 'KazAgroFinance' JSC launched in early 2018 a number of new leasing products, which are focused on the consumer demand of customers.

In addition, the Company is constantly working to simplify the procedures for obtaining equipment for leasing, reducing the package of documents, the introduction of online systems for filing applications and monitoring of leased items.



### CLIENT STRUCTURE BY REGIONS AND EXTENT



# Implementation of Investment Projects

Implementation of Investment Projects



'2017 was final for the Company in terms of financing Investment Projects. More than KZT8 mlrd. were allocated from the National Fund, which were aimed at financing of 16 projects throughout the country.'

Thanks to the financial support of the Company, the implementation of projects is successful, and in the near future they will be launched, thereby strengthening the republic's food belt and creating new jobs.

In addition, in 2017 we managed to finance, through extra-budgetary funds, the purchase of 2 362 units of equipment worth KZT36.5 mlrd.'

Director of Leasing Project Department  
**B. Sabitov.**

IN 2017, THE COMPANY PUT INTO OPERATION



including:

- 4 GRAIN STORAGE FACILITIES FOR **50** thous. tons
- 3 FEED LOTS FOR 2,600 HEADS WITH A CAPACITY OF **3.2** thous. tons OF MEAT
- 3 GREENHOUSE COMPLEXES FOR 13.5 HECTARES WITH A CAPACITY OF **7.3** thous. tons OF PRODUCTS PER YEAR

1 PROJECT ON DRIP IRRIGATION FOR 40 HECTARES PRODUCING

**419** tons

1 VEGETABLE STOREHOUSE FOR

**1.3** thous. tons

1 INTENSIVE ORCHARD FOR 28.5 HECTARES WITH A CAPACITY OF

**1.4** thous. tons

1 DAIRY FARM FOR 200 HEAD OF CATTLE WITH A CAPACITY OF

**1,900** tons OF MILK

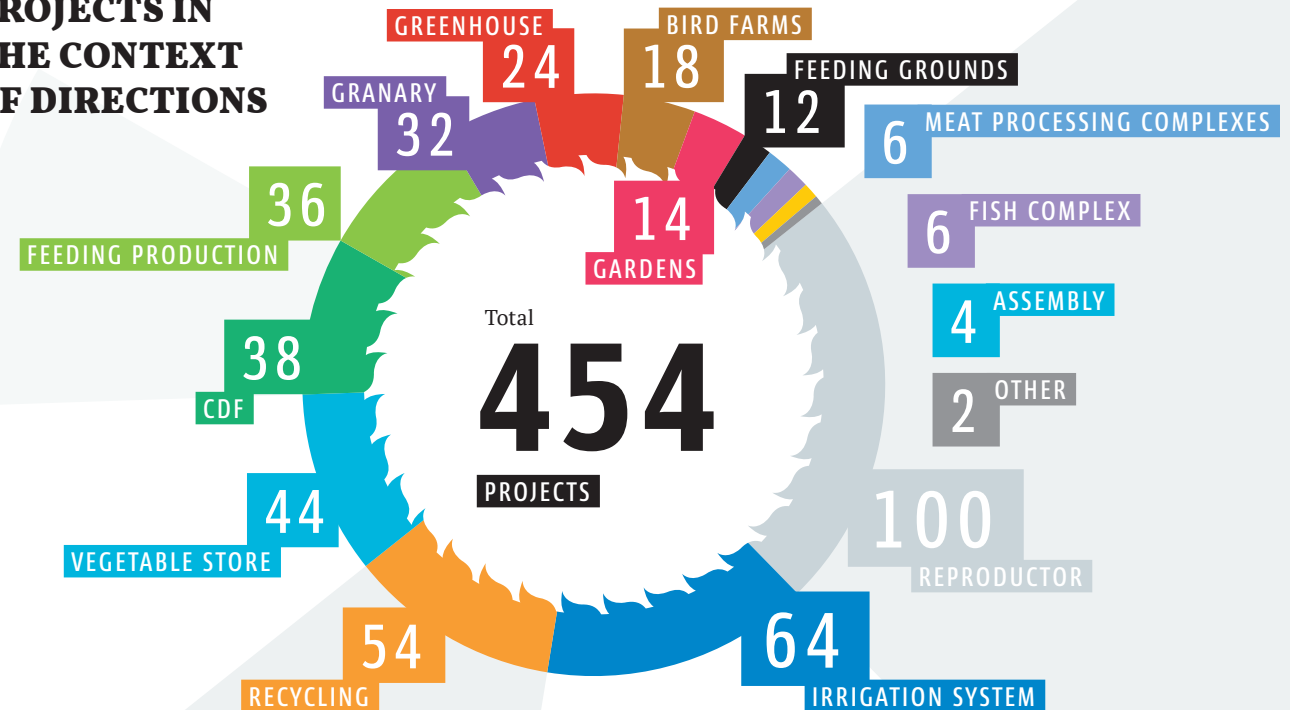
1 REPRODUCER FARM FOR

**197** heads

2 PROJECTS FOR THE PROCESSING OF AGRICULTURAL PRODUCTS

IN TOTAL FOR THE PERIOD 2007-2017, 454 PROJECTS WERE PUT INTO OPERATION FOR A TOTAL OF KZT248.8 MLRD. (THE COMPANY'S FINANCING AMOUNTED TO KZT181.1 MLRD.)

## INVESTMENT PROJECTS IN THE CONTEXT OF DIRECTIONS

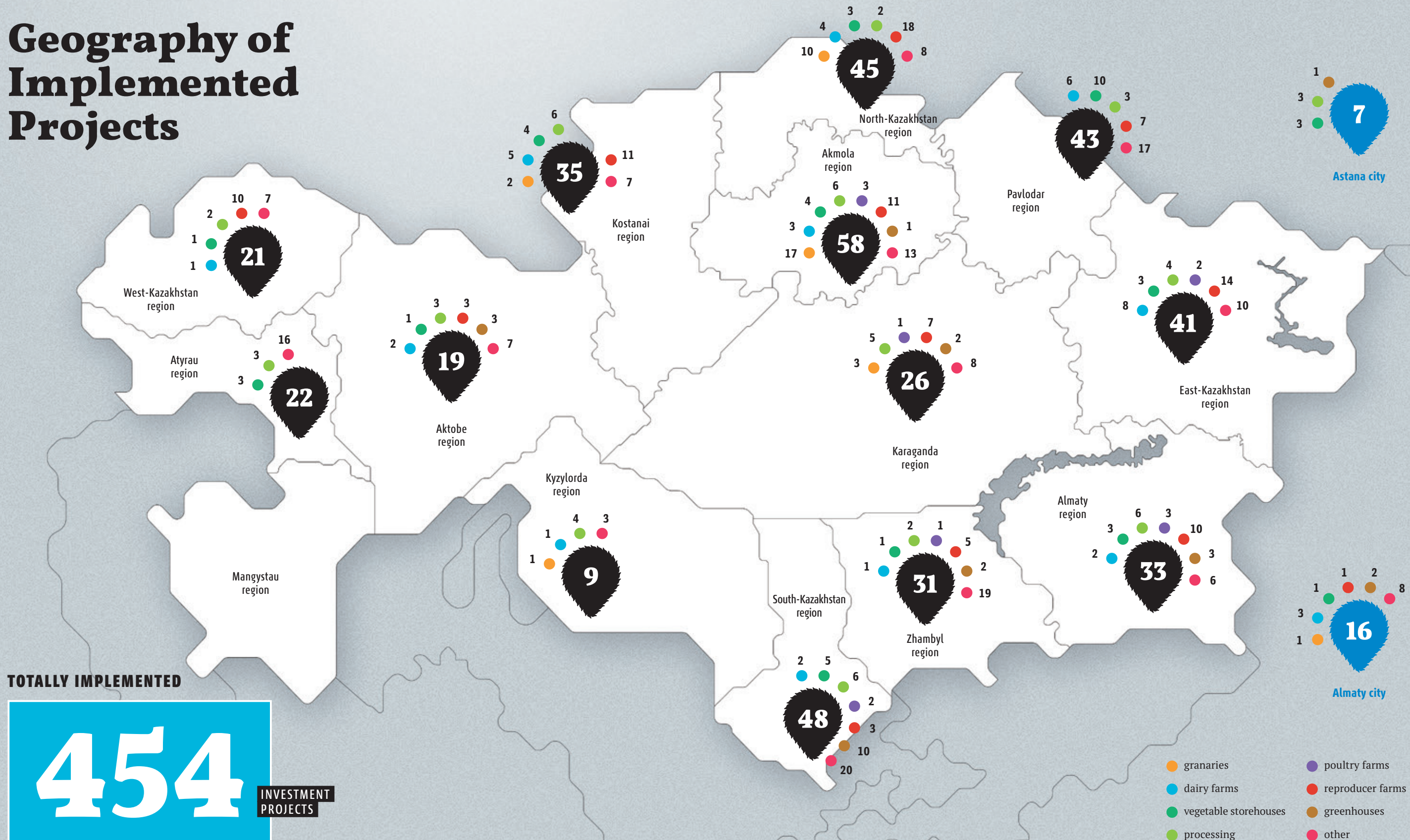


Implementation of Investment Projects

# Geography of Implemented Projects

Implementation of Investment Projects

Implementation of Investment Projects



TOTALLY IMPLEMENTED

# 454

INVESTMENT PROJECTS

- granaries
- dairy farms
- vegetable storehouses
- processing
- poultry farms
- reproducer farms
- greenhouses
- other

# Implementation of the Strategy

THE COMPANY'S DEVELOPMENT STRATEGY FOR 2017-2026 PROVIDES FOR 3 STRATEGIC DIRECTIONS, 3 GOALS, IMPLEMENTATION OF 10 TASKS, AND ACHIEVEMENT OF 7 KEY PERFORMANCE INDICATORS.

AT YEAR-END 2017, THE PLANNED GOALS AND OBJECTIVES, AS WELL AS KEY PERFORMANCE INDICATORS, WERE ACHIEVED IN FULL

## STRATEGIC TREND 1.

1  
INCREASE OF INVESTMENT  
ATTRACTIVENESS.

GOAL

Increase of the long-term shareholder value of the Company by increasing the profitability of the activity while observing an acceptable level of risk.

EFFICIENCY RATE

ROA, ROE and NPL indicators are fully implemented.



In 2017, the Company overfulfilled the planned financial indicators, which is one of the main priorities in the work to improve the investment attractiveness. Due to the excess of the net income over the forecasted values, profitability indicators significantly increased.

At the same time, in order to increase the efficiency of the use of its equity and assets, the Company continuously improves the management of temporarily free funds. As a part of the implementation of this task, the Company improved the corporate risk management system and internal control system in 2017.

Last year, the Company effectively raised the funds at domestic and foreign markets, which completely allowed to abandon budgetary funding for the Company's core business — leasing of machinery and equipment. At the same time, the various instruments for raising funds were used, such as issuing the debt securities on the Kazakhstan Stock Exchange and concluding loan agreements with financial institutions.

At the same time, the assets were formed in a less volume than planned.

The decrease in the assets is explained by the reduction in the Company's investments, which entailed a decrease in the loan portfolio. In addition, the decrease in the loan portfolio was affected by the repayment of the main debt in a larger amount than planned.

As of December 31, 2017, the Company's loan portfolio amounted to KZT237.4 mlrd., which is lower by KZT25.8 mlrd., or by 9.8% in the same period of 2016. The decrease in the loan portfolio is related to the early repayment of the principal debt by a number of clients, including through refinancing the loans, as well as due to a decrease in the total investments in 2017 as compared to 2016 (by 33.7%), due to the Company's transition to financing of leasing only.

However, despite the decrease in the Company's loan portfolio in 2017, the level of overdue debt as a percentage of the loan portfolio continued to decline (1.3% below the NPL in 2016). In absolute terms, the Company's overdue debt decreased by KZT8 mlrd., which shows the effective work on the quality of the loan portfolio.



*'Improving the quality of the loan portfolio is one of the main goals in the activity of 'KazAgroFinance' JSC.*

*The exogenous factors such as the global financial crisis, increasing of funding costs, weakening of the national currency and so on have for several years been affecting not only the financial condition of lenders, but also borrowers of financial institutions, and, to a greater extent, the agricultural sector's entities.*

*In addition, the completion of financing of the Investment Projects due to the change in the Company's Development Strategy affected the decrease in the loan portfolio.*

*Despite the above factors, the Company went to considerable lengths, which resulted in the quality of the working loan portfolio was not deteriorated'.*

**Director of the Recovery and Problem Project Department**  
**A. Ashirbekov**

In order to increase the availability of services for customers, on July 31, 2017 the Company reduced the interest rate on extra-budgetary sources to provide machinery and equipment for leasing.

To ensure the convenience and transparency of the service rendering process, the System for collecting and processing of loan applications has been launched since November 2017, which allows you to apply for the services of the Company online, without leaving your home, and through your «Personal Cabinet» to track the application process, receive feedback.

In order to increase the awareness of the existing and potential customers about the Company's activities and the financial services provided by the Company in 2017, the active advertising and PR strategy campaign was carried out. The Open Days in the southern and central regions were held, as well as a number of activities to promote the Company's services in the mass media and social networks was implemented.

«Kazagronom» LLP



Also in order to improve the quality of the Company's services in 2017, the Inventory of Subjects of Leasing on the basis of 1C ERP was developed and put into operation to conduct a remote automated inspection of leasing items for the availability and technical state of the agricultural machinery and agricultural product processing equipment leased.

The continuous improvement of the quality of services and ensuring their accessibility allowed the Company to exceed its plans for the number of customers and volumes of the leasing financing. As of the end of 2017, the number of customers who were simultaneously in the Company's portfolio reached 6,548.

As a result of the work done, according to the results of an independent study based on the results of 2017, the customer satisfaction with the quality of the Company's services in comparison with the previous study tends to increase. The average percentage of positive responses increased from 93.5% in 2016 to 97.2% following the results of the 2017 survey. The average percentage of negative responses for the same period declined from 6.0% to 2.8%. The overall level of satisfaction with the Company's services in 2017 increased by 4.2% compared to 2016 and amounted to 93%.

At the end of 2017, the analysis of the leasing services market was carried out, and the proposals of the Company's regional branches were considered. These studies formed the basis for a new product line launched in 2018.

### STRATEGIC TREND 3.

## 3 CORPORATE DEVELOPMENT

#### GOAL

Improvement of the corporate governance system of the Company.

#### EFFICIENCY RATE

The corporate governance score for 2017 corresponds to the planned level.

### STRATEGIC TREND 2.

## 2 PERFECTION AND DEVELOPMENT OF LEASING SERVICES

#### GOAL

Increasing the loyalty of existing customers and attracting new customers with an increase in the total number of clients by 1.5 times by 2026.

#### EFFICIENCY RATE

Indicators on the number of existing users of services, the volume of leasing of agricultural machinery and equipment, as well as the level of accessibility of services and customer satisfaction are fully implemented.

As a part of improving the corporate governance system, the Board of Directors reviews the report on adherence to the principles of the Company's Corporate Governance Code on an annual basis. So, by the decision of the Board of Directors dated February 28, 2018 No. 4, the Report on the Company's adherence to the principles of the Corporate Governance Code following the results of 2017 was considered and taken into account.

Bringing information about corporate events to the attention of interested parties in the Company is carried out on the principle of 'one window', that is, through one structural subdivision through placing on the Internet resources of the Kazakhstan Stock Exchange and the Financial Statements Depository, as well as on the corporate Internet resource of the Company [www.kaf.kz](http://www.kaf.kz) and portal of 'Holding 'KazAgro' JSC [www.kazagro.kz/kaf](http://www.kazagro.kz/kaf).

This year, for the first time, an independent diagnostics of corporate governance was carried out according to the results of 2017 by the rating agency 'Expert RA Kazakhstan'. According to the Management Quality Assignment Report, the Company is assigned the CGS 7 'Advanced Corporate Governance Practices' rating, which means: 'The Company complies with the requirements of Kazakhstan's corporate governance legislation and adheres to the specific recommendations of the international best corporate governance practices. The company is characterized by the low risks of loss of owners associated with the quality management'.

The development of corporate governance has a significant impact on the effectiveness of the Company's operations, as well as on the quality of the decisions made by the management bodies in the course of implementation of the planned strategic goals and objectives. Annually, the Company conducts diagnostics of corporate governance.

With a view to the continuous corporate development, the Company is implementing the Corporate Governance System Improvement Action Plan for 2016-2020, which, if necessary, is updated depending on the results of the annual diagnostics. Thus, the Company seeks to respond in a timely manner to the identified factors that affect the possible decline in corporate governance, and also adheres to the latest changes in the world practice.



«Teplichnye technologies of Kazakhstan» LLP

# Financial and Economic Performance



*“The Company’s Financial Strategy is to increase financial stability and market attractiveness in order to ensure the availability of services provided in the agriculture. The company continues to work to diversify, reduce costs and increase the share of market-based fund-ing instruments”.*

**First Deputy  
Chairman of the Board  
A. Seitkassimova**

KZT mln.	2017	2016
<b>Assets</b>		
Cash and cash equivalents	41,239	22,990
Loans to customers	45,067	54,842
Financial lease receivables	183,288	197,402
Property for financial lease	5,132	5,292
Fixed assets	1,040	1,011
Other assets	7,047	5,246
<b>Total assets</b>	<b>282,813</b>	<b>286,783</b>

KZT mln.	2017	2016
<b>Liabilities</b>		
Liabilities to shareholders	75,539	85,639
Amounts due to credit institutions	40,430	39,556
Issued debt securities	46,969	46,841
Other liabilities	17,090	15,379
<b>Total liabilities</b>	<b>180,028</b>	<b>187,415</b>

Equity	102,785	99,368
ROA	1.25	1.13
ROE	3.53	3.31
Book value of one common share (in KZT)	1,234.41	1,196.94

The company continues to perform successfully in the agricultural sector, as a result of which its market positions are strengthened, and financial performance is improving from year to year, ensuring financial stability and consistent development of the Company.

KZT mlrd.	2017	2016	2017 % to 2016
<b>Total income</b>	<b>28.64</b>	<b>27.15</b>	<b>105.5%</b>
<i>including:</i>			
Interest income	27.11	25.31	107.1%
<b>Total expenses</b>	<b>25.13</b>	<b>24.42</b>	<b>102.9%</b>
<i>including:</i>			
Interest expenses	14.23	12.37	115.6%
Provision expenses	3.42	6.14	55.8%
Corporate income tax	-0.07	-0.5	13.1%
<b>Net income</b>	<b>3.57</b>	<b>3.23</b>	<b>110.6%</b>

## 1 HIGH LEVEL OF CAPITALIZATION

The share of equity in the balance sheet structure is 36% of the Company’s assets, which indicates strong support from the Sole Shareholder, the Company’s profitable activity and a high ability to absorb various financial risks. In 2017, the Company received a net profit of KZT3.57 mlrd.

## 2 ACCEPTABLE LEVEL OF LIQUIDITY

The company maintains a sufficient level of liquidity to ensure a stable growth of the loan portfolio, as well as proper performance of obligations to creditors. As of January 1, 2018, the share of liquid assets was 14.6%.

## 3 HIGH CREDIT RATING

April 19, 2018 Fitch Ratings affirmed the long-term rating at ‘BB +’, which is two grades below the sovereign rating. From the point of view of Fitch Ratings, the high rating is assigned in connection with the readiness of the government of Kazakhstan to provide support, at the same time, it is unlikely necessary in the medium term due to the high buffer capital stock.

## 4 EFFECTIVE MANAGEMENT OF FINANCIAL RISKS

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

## 5 COMPLIANCE WITH PRUDENTIAL RATIOS

For the entire history of its operations, the Company has not allowed violation of prudential ratios established by the National Bank of the Republic of Kazakhstan. All ratios have significant reserves.

## 6 DIVERSIFICATION OF LIABILITIES

The company seeks to diversify both sources and funding tools. The share of market funding in the structure of liabilities is increasing. At the same time, the Company is aimed at further extending of the funding base. The high credit rating, as well as efficient operating activities, allow the Company to reduce the cost of funding following the decline in market rates.

# Future Outlook

## DEVELOPMENT PROSPECTS OF KAZAGROFINANCE JSC

Taking into account that 'KazAgroFinance' JSC will carry out its activities in full at the expense of the funds to be raised and without budget financing, as well as the possible increased competition at the leasing market of Kazakhstan, the Company needs, using its competitive advantages (such as experience and

high competencies), to develop and implement the client-oriented standards and new financing mechanisms to increase the flow of customers.

The client-oriented approaches of the Company should be based on the knowledge of the customers' needs, improvement of service and optimization of time expenditures. The key tasks are to increase the number of customers and increase their satisfaction.

The growth in the number of customers will be ensured by increasing the availability of services for customers, improving the quality of leasing services, and expanding and developing the Company's product line. Improvement and development of leasing services with a focus on customer demand will increase the loyalty of existing and attract new customers, as well as provide a valuable contribution to the Company in support of domestic farmers.

Taking into account the trends of the last years related to the global digitization, the Company sees the additional opportunities for itself. In particular, a full transition to an electronic system for the acceptance and tracking of applications and the introduction of a mobile application 'Monitoring of Subjects of Leasing' for the automated recording of leased items.

Conducting optimization of business processes, simplification of procedures and timing of consideration of applications, reduction of the number of required documents, expansion and development of the product line, introduction of a client-oriented approach will improve customer satisfaction with the quality of leasing services provided.

Expansion of information distribution channels, revision of the Company's advertising strategy will allow maximizing the regional coverage and availability of the Company's services for farmers.

The continuous development of corporate governance of 'KazAgroFinance' JSC is one of the important aspects of

ensuring a steady growth of the Company's shareholder value and increasing the investment attractiveness for the existing and potential investors, partners, customers, which is especially important in the context of its transfer to a competitive environment.

Based on the results of the Company's diagnostics, the corporate governance rating has reached the level of 7. At the same time, according to the results of diagnostics, growth zones and opportunities for further development were identified. The Company needs to continue carrying out the planned efforts to improve the level of corporate governance by bringing the management system to the world best corporate governance practice. The develop-

which is an important factor in achieving the strategic and operational goals. The management system should quickly respond to the risks, monitor the main and auxiliary business processes, the Company's daily operations.

The implementation of an effective personnel policy will allow the Company to retain and attract a highly qualified staff that can make a significant contribution to the development and growth of the Company's efficiency, and also to obtain the maximum possible return on investment in human resources.

The Company conducts the activities aimed at maintaining the credit rating and creditworthiness, which will help maintain credibility on the part of creditors,

**EXPANSION OF INFORMATION DISTRIBUTION CHANNELS, REVISION OF THE COMPANY'S ADVERTISING STRATEGY WILL ALLOW MAXIMIZING THE REGIONAL COVERAGE AND AVAILABILITY OF THE COMPANY'S SERVICES FOR FARMERS.**

ment of corporate governance will have a significant impact on improving the effective operation of the Company and will enable it to become a successful company operating in accordance with the recognized world standards.

One of the tasks is the formation and organization of an effective risk management and internal control system,

and will help to reduce the cost of attracted financial resources. The comprehensive work to achieve these goals will ultimately allow the Company to strengthen its competitive advantages, attract a strategic investor, and increase the value of the Company to ensure the interests of the Shareholder.

# Corporate Governance



*“The corporate development level has a great impact on the Company’s successful performance and its investment attractiveness.*

*Since introduction of the corporate governance system we have achieved a great deal: we approved a number of key documents, developed an Action Plan for five years, and established the effective information disclosure process.*

*In 2017, the independent diagnostics was carried out for the first time, which showed that KazAgroFinance adheres to the world governance standards and monitors all tendencies in this field.’*

**Director of Development Department**  
**Z. Akhmedzhanova**

THE CONTINUOUS IMPROVEMENT OF THE COMPANY’S CORPORATE GOVERNANCE IS AN IMPORTANT ASPECT OF IMPROVING THE PERFORMANCE AND INCREASING ITS EFFECTIVENESS.

The Company’s corporate governance system consists of the following components:

**HONESTY**



‘KazAgroFinance’ JSC protects the rights of the Shareholder and takes the effective measures in case of revealing violations of his rights.

**RESPONSIBILITY**



‘KazAgroFinance’ JSC ensures the recognition of the legitimate rights of the Shareholder, encourages the cooperation between the Company and the Shareholder in matters of financial well-being and sustainability of the Company.

**ACCOUNTABILITY**



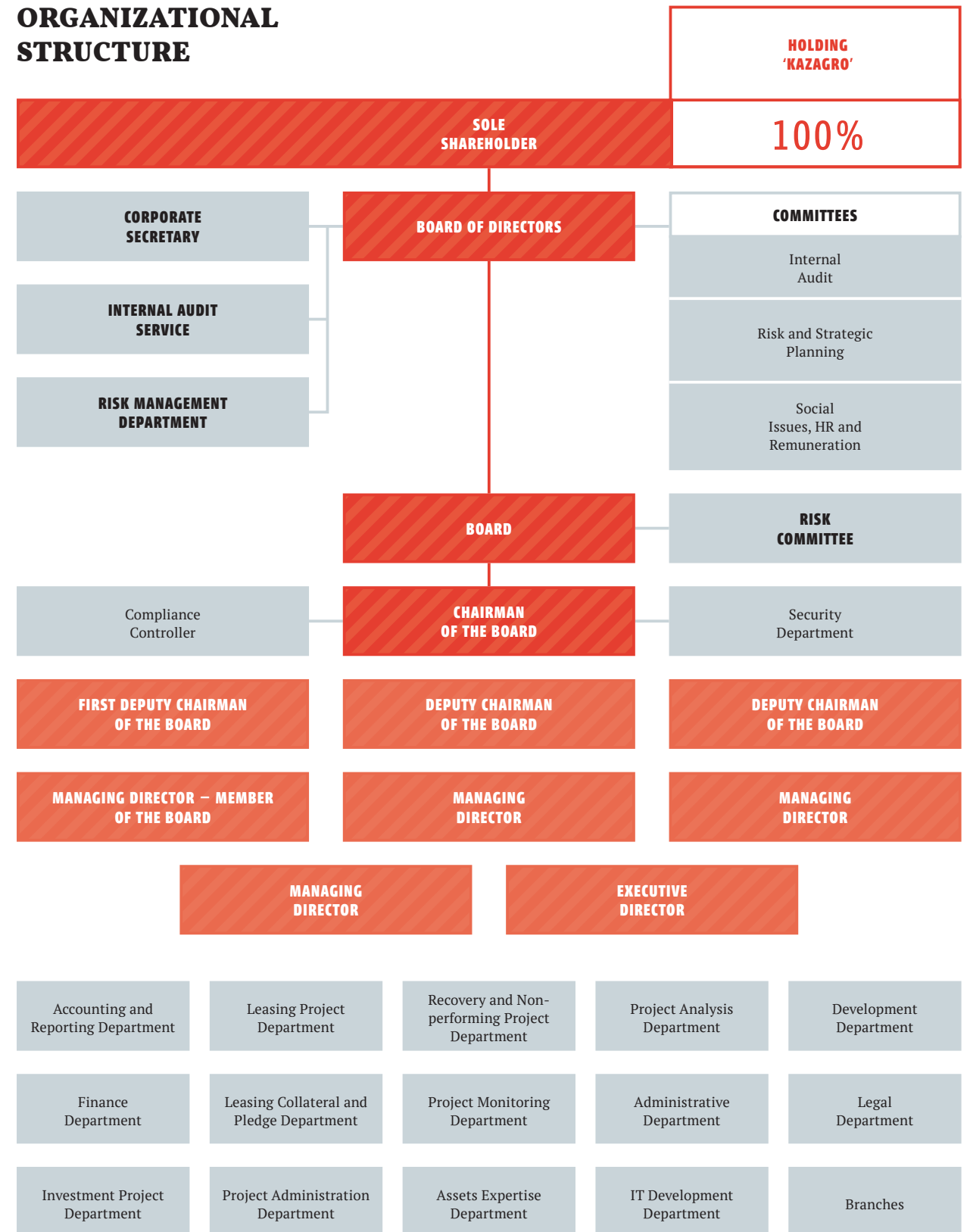
‘KazAgroFinance’ JSC ensures the accountability of the Company’s executive body to the Board of Directors and the accountability of the Board of Directors to the Shareholder.

**TRANSPARENCY**



‘KazAgroFinance’ JSC provides the timely and reliable disclosure of the information on all significant issues that may affect the decisions of the interested parties.

## ORGANIZATIONAL STRUCTURE





# Corporate Governance Rating

BASED ON THE RESULTS OF THE DIAGNOSTICS BY THE INDEPENDENT EXPERT 'RATING AGENCY' EXPERT RA KAZAKHSTAN' LLP, THE COMPANY'S CORPORATE GOVERNANCE RATING REACHED LEVEL 7 'CORPORATE GOVERNANCE DEVELOPED PRACTICE'.

According to the Quality Management Rating Report, the following negative and positive factors were identified:

## POSITIVE

- concentrated ownership structure (the share of 'NMH 'KazAgro' JSC in the company's capital is 100%);
- high level of organization of the executive body;
- high level of organization of the risk management system;
- high level of organization of the Board of Directors;
- high level of organization of activity of committees of the Board of Directors;
- high level of information disclosure;
- high financial performance;
- high level of creditworthiness;
- high level of organization of the internal audit system;
- high level of organization of the corporate secretary;
- moderately high level of corporate social responsibility organization;
- availability of ISO 9001 certificates (the company that conducted the assessment of the quality management system – Intertek Total Quality Assurance).

## NEGATIVE

- high criteria for transactions considered by the Board of Directors (internal factor);
- absence of rotation of auditors (external factor);
- Lack of preparation of social reporting (internal factor).



• 'Bek+' LLP

# Compliance with Principles of the Corporate Governance Code

THE CODE OF CORPORATE GOVERNANCE OF THE COMPANY APPROVED BY THE RESOLUTION OF THE BOARD OF 'HOLDING 'KAZAGRO' JSC NO. 49 DATED JULY 29, 2015 PROVIDES FOR THE COMPLIANCE WITH **6 FUNDAMENTAL PRINCIPLES**, 3 OF WHICH ARE FULLY COMPLIED WITH, 3 PRINCIPLES ARE PARTIALLY FULFILLED.



## 1

## PRINCIPLE OF PROTECTION OF RIGHTS AND INTERESTS OF SOLE SHAREHOLDER

## FULFILLED

*The corporate management of 'KazAgroFinance' JSC provides the protection and respect for the rights and legitimate interests of the Sole Shareholder and contributes to the effective operation of the Company, including to achieve the Company's strategic goals and maintain the financial stability.*

The Sole Shareholder has the rights provided for by Chapter 4 of the Company's Charter, and also in accordance with the Law of the Republic of Kazakhstan 'On Joint Stock Companies'. The interaction with the Sole Shareholder is carried out in accordance with the Company's Charter, where the duties, the competence of the Sole Shareholder and the procedure for providing information on activities affecting its interests, and with the Code of Corporate Governance.

## 2

## PRINCIPLE OF EFFICIENT MANAGEMENT OF THE COMPANY BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

## FULFILLED

*The activities of the Board of Directors are based on the principles of maximum compliance and implementation of the interests of the Sole Shareholder and Company, reasonableness, efficiency, activity, integrity, honesty, accuracy and responsibility.*

According to the Regulations on the Board of Directors of the Company, the activities of the Board of Directors are based on the principles of professionalism, reasonableness and prudence, honesty and objectivity and the principles of protecting the rights of the Sole Shareholder.

## FULFILLED

*The Management Board manages the day-to-day operations of the Company in order to fulfill the objectives and implementation of the Company's Development Strategy.*

The Management Board manages the day-to-day operations and is responsible for the implementation of the Strategy, the Development Plan and the decisions taken by the Board of Directors and the Sole Shareholder. In 2017, the Regulations on the Company's Management Board were approved in a new edition, where the rights and duties of the Management Board were clearly delineated and expanded.

## 3

## PRINCIPLE OF INDEPENDENT ACTIVITY OF THE COMPANY

## PARTIALLY FULFILLED

*The Company carries out its activities independently.*

In accordance with the Company's Charter, the Management Board exercises effective and actual control over the Company's activities and is not subject to interference by the Sole Shareholder and the State in operational activities. There are cases when additional resolutions are required to resolve the certain issues with 'Holding 'KazAgro' JSC and / or the Ministry of Agriculture of the Republic of Kazakhstan.

## 4

## PRINCIPLE OF TRANSPARENCY AND OBJECTIVITY OF DISCLOSURE OF INFORMATION ON THE COMPANY'S ACTIVITIES

## PARTIALLY FULFILLED

*The Company, in order to ensure that the Sole Shareholder makes the informed decisions, and informs the parties concerned on the Company's activities, ensures the timely disclosure of reliable information to the Sole Shareholder and interested parties about the Company.*

To comply with the disclosure rules, the Company is guided by the law of the Republic of Kazakhstan applicable to the securities market, joint-stock companies, listing rules, the Resolution of the National Bank of the Republic of Kazakhstan, as well as other documents applicable to transparency of the information disclosure.

## 5

## PRINCIPLE OF LEGITIMACY AND ETHICS

## PARTIALLY FULFILLED

*The Company operates in strict compliance with the law of the Republic of Kazakhstan, generally accepted principles of business ethics, the Company's Charter, the Code of Corporate Governance and its contractual obligations.*

The Company operates in accordance with the law of the Republic of Kazakhstan, its Charter, the Code of Corporate Governance and Ethics. The Code of Corporate Ethics applies to all employees and officials of the Company. For the year of 2017, the Company did not reveal any violations of the principles and provisions of the Code of Corporate Ethics. In 2017, the Company filed 14 lawsuits, 2 of which were satisfied.

## 6

## PRINCIPLE OF LIABILITY TO INTERESTED PARTIES

## FULFILLED

*The Company recognizes and respects the rights of all stakeholders and seeks to cooperate with such persons for its development and financial sustainability. The interested parties should have an opportunity to receive compensation for violation of their rights in cases provided for by the law of the Republic of Kazakhstan. If the interested party participates in the corporate governance process, the interested party must have access to substantial, sufficient and reliable information on a timely and regular basis.*

The Company is guided in its activities by the Code of Corporate Governance, which provides for respect for the rights and interests of all interested parties. In 2017, the Quality Approach was approved (Board Decision No. 33 of December 26, 2017), in which a stakeholder map is displayed. Also in 2017, the Company successfully passed the re-certification and moved to the new version of the ISO 9001: 2015 standard, which is confirmed by the international certificate. In addition, for the purpose of sufficient disclosure of information on the Internet resources of the Company, KASE, FEFD, the Company's financial statements are posted, which is prepared on a periodic basis. Also publicly available are the Company's annual reports containing financial and non-financial statements for the year.

# Interaction with the Shareholder

The Sole Shareholder of 'KazAgroFinance' JSC is 'National Managing Holding 'Kaz-Agro' JSC established in accordance with the Decree of the President of the Republic of Kazakhstan No. 220 'On Some Issues of Agricultural Sector Development' dated December 11, 2006 and the Decree of the Government of the Republic of Kazakhstan No.1247 'On Measures to Implement the Decree of the President of the Republic of Kazakhstan No. 220 dated December 11, 2006' dated December 23, 2006.

The interaction with the Sole Shareholder is carried out in accordance with the Company's Charter, where the duties, competence of the Sole Shareholder and the procedure for providing information on activities affecting the interests of the Sole Shareholder and the Code of Corporate Governance are fixed.

The Regulation on the Company's Dividend Policy regulates the rights of the Sole Shareholder associated with participation in the management of the Company, including the right to receive dividends and participation in the distribution of net income. In June of 2018, based on the performance of 2017, the Company paid dividends to the Sole Shareholder in the amount of KZT3,572.2 mlrd.

In the current year, the Company has developed a new strategic planning system, which provides a clear hierarchy of the distribution of tasks from the management to the rank-and-file specialists in order to achieve the goals set by the Strategy and key performance indicators. Within the framework of this system, an annual letter is provided on the expectations of the Sole Shareholder and reporting on the fulfillment of these expectations.



## THE MAIN DECISIONS OF THE SHAREHOLDER IN THE ACCOUNTING YEAR

1. Approval of the new edition of the Charter of the Joint stock company 'KazAgroFinance'.
2. Approval of the Annual Report of 'KazAgroFinance' JSC for 2016.
3. Approval of the procedure for the distribution of net income for 2016 by 'KazAgroFinance' JSC, on the payment or non-payment of dividends on common shares and on the approval of the dividend amount for the year per one ordinary share.
4. Election of members of the Board of Directors of 'KazAgroFinance' JSC.
5. Amendments to the Regulations on the Board of Directors of 'KazAgroFinance' JSC and its committees.
6. Determination of the remuneration, the procedure for its payment and compensation of expenses of independent directors of 'KazAgroFinance' JSC for 2017 and 2018.
7. Determination of the audit organization that audits the financial statements of 'KazAgroFinance' JSC for 2017.

# Board of Directors

The Board of Directors is a management body that exercises general control over the Company's activities, except for resolving issues that are attributed by the law and/or the Company's Charter to the exclusive competence of the Sole Shareholder and the competence of the Management Board.

The composition of the Board of Directors is balanced, including by the qualifications of its members, their experience, knowledge

and business qualities, and enjoys the trust of the Shareholder.

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

As of December 31, 2017, the Board of Directors consists of 6 members, while 3 members of the Board of Directors are independent directors.

Members of the Board of Directors as of December 31, 2017		Date and number of the Resolution
<b>Aigul Stakhanovna Muhammadiyeva</b>	Deputy Chairman of the Board of 'NMH' KazAgro' JSC – a Chairman of the Board of Directors, a representative of the Sole Shareholder of 'KazAgroFinance' JSC	Appointed to the Board of Directors by the Resolution of the Sole Shareholder No.37 dated June 17, 2015.
<b>Kanysh Temirtayevich Izbastin</b>	Chairman of the Board of 'KazAgroFinance' JSC – member of the Board of Directors	Appointed to the Board of Directors by the Resolution of the Sole Shareholder dated No.59 Sep-tember 10, 2015.
<b>Yerlan Bakhitovich Orynbayev</b>	Independent director – a member of the Board of Directors	Appointed to the Board of Directors by the Resolution of the Sole Shareholder No. 37 dated June 17, 2015.
<b>Azat Yerkinovich Mashabayev</b>	Independent director – a member of the Board of Directors	Appointed to the Board of Directors by the Resolution of the Sole Shareholder No.24 dated May 18, 2016.
<b>Yerbol Yermekovich Yeseneyev</b>	Independent director – a member of the Board of Directors	Appointed to the Board of Directors by the Resolution of the Sole Shareholder No.35 dated June 21, 2017.
<b>Alpamys Amirzhanovich Omarov</b>	Representative of the Sole Shareholder of "KazAgroFinance" JSC – a member of the Board of Directors	Appointed to the Board of Directors by the Resolution of the Sole Shareholder No.61 dated October 20, 2017.



*'The clear distribution of authorities, prompt decision-making by the Company's bodies is the result of a successful team.'*

*2017 for 'KazAgroFinance' JSC showed the effectiveness of well-coordinated decisions in all areas of activity. 'KazAgroFinance' JSC is a team of success'.*

**Corporate Secretary**  
**Y. Zaplatina**

## CHANGES IN THE BOARD OF DIRECTORS FOR 2017

1. Based on the notice submitted on April 17, 2017 the powers of the Member of the Board of Directors Rustem Zhomartovich Kurmanov as an Independent Director — Member of the Board of Directors of 'KazAgroFinance' JSC were early terminated due to transition to the government services.
2. Yerbol Yerkenovich Yeseneyev was elected as a Member of the Board of Directors — Independent Director of 'KazAgroFinance' JSC by the Resolution of the Board of 'Holding 'KazAgro' JSC (Sole Shareholder of 'KazAgroFinance' JSC) No.35 dated June 21, 2017.
3. Based on the notice submitted on May 5, 2017 the powers of the Member of the Board of Directors — Representative of Sole Shareholder Kanat Sagyndykovich Zhaulymbayev as a Member of the Board of Directors of 'KazAgroFinance' JSC were early terminated due to transition to other position.
4. Alpamys Amirzhanovich Omarov was elected as a Member of the Board of Directors of 'KazAgroFinance' JSC — Representative of Sole Shareholder by the Resolution of the Board of 'Holding 'KazAgro' JSC (Sole Shareholder of 'KazAgroFinance' JSC) No.61 dated October 20, 2017.

## MEMBERS OF THE BOARD OF DIRECTORS

Date of birth: August 05, 1976.  
Nationality — Republic of Kazakhstan.



**AIGUL  
STAKHANOVNA  
MUKHAMADIYEVA**

*Deputy Chairman of the Board of National Managing Holding 'KazAgro' JSC — Chairman of the Board of Directors of 'KazAgroFinance' JSC, Representative of Sole Shareholder of 'KazAgroFinance' JSC*

Elected to the Board of Directors — June 17, 2015.  
Holding of KazAgroFinance JSC's shares — No.  
Joint appointment and membership in the Boards of Directors of other organizations at present — no.  
Holding of the Company's suppliers and counterparties' shares — no.

### EDUCATION

- 1997 — East-Kazakhstan State University, Faculty 'Mathematics', Qualification — Mathematician;
- 1999 — High School of East-Kazakhstan State University (Master's Program), Faculty 'Mathematics', Qualification — Master of Mathematics;
- 2005 — Kazakh Transport and Communications Academy named after Tynyshpayev, faculty 'Economics and Finance', Qualification — Accountant-Economist.

### WORK EXPERIENCE

- September, 2006 — August, 2009 — Deputy Director of Small and Medium Business Department, 'Kazkommertsbank' JSC, Almaty;
- August, 2009 — May, 2011 — Director of Collateral Department, 'Kazkommertsbank' JSC, Almaty;
- May, 2011 — October, 2014 — First Deputy Chairman of the Board of 'Agrarian Credit Corporation' JSC, Astana city;
- November, 2014 — June, 2015 — Deputy Director General of Business Development, 'Samruk-Kazyna' JSC, Astana;
- June, 2015 — present time — Deputy Chairman of the Board of 'National Managing Holding 'KazAgro' JSC, Astana.

Date of birth: April 20, 1981.  
Nationality — Republic of Kazakhstan.



**KANYSH  
TEMIRTAYEVICH  
IZBASTIN**

*Chairman of the Board — Member of the Board of Directors of 'KazAgroFinance' JSC*

Date of birth: September 08, 1981.  
Nationality — Republic of Kazakhstan.



**ALPAMYS  
AMIRZHANOVICH  
OMAROV**

*Representative of Shareholder — Member of the Board of Directors of 'KazAgroFinance' JSC*

Elected to the Board of Directors — September 10, 2015.

Holding of KazAgroFinance JSC's shares — No.

Joint appointment and membership in the Boards of Directors of other organizations at present — no.

Holding of the Company's suppliers and counterparties' shares — no.

### EDUCATION

- Moscow International Relations State University of Russian Ministry of Foreign Affairs; Central Asian University.

### WORK EXPERIENCE

- Held the various positions in the Ministry of Foreign Affairs of the Republic of Kazakhstan, Presidential Administration of the Republic of Kazakhstan;

Elected to the Board of Directors — October 20, 2017.

Holding of KazAgroFinance JSC's shares — No.

Joint appointment and membership in the Boards of Directors of other organizations at present — Member of the Board of Directors of 'Kazagromarketing' JSC.

Holding of the Company's suppliers and counterparties' shares — no.

### EDUCATION

- 1998 — 'Kainar' University, Faculty of International Economic Relations, specialty — International Economist;
- 2002 — 'Kainar' University, Faculty of International Economic Relations, Master's Degree in Economics.
- 2016 — Geneva Business School, Master's Degree in Business Administration (MBA).

### WORK EXPERIENCE

- September, 2002 — September, 2003 — Head of PR Department;

- January, 2007 — April, 2007 — Managing Director of 'BRK-Leasing' JSC;
- April, 2007 — April, 2008 — Deputy Chairman of the Board of 'BRK-Leasing' JSC;
- April, 2008 — May, 2012 — Chairman of the Board of 'BRK-Leasing' JSC;
- May, 2012 — November, 2012 — Chairman of the Board of 'Export-Credit Insurance Corporation 'KazExportGarant' JSC;
- January, 2013 — September, 2015 — Managing Director 'Fund of National Welfare 'Samruk Kazyna' JSC;
- September, 2015 — present time — Chairman of the Board of KazAgroFinance JSC.

- July, 2004 — February, 2007 — Chief Specialist of International Financial relations Department, Department of Governmental Loan Raising of the Ministry of Finance of the Republic of Kazakhstan;
- March, 2007 — July, 2012 — Deputy Director, Head of Department, Chief Manager of Strategy and Analysis Department of 'Holding 'KazAgro' JSC;
- July, 2012 — March, 2013 — Director of Credit Product Development Department of 'Holding 'KazAgro' JSC;
- March, 2013 — present time — Director of Strategic Development Department of 'Holding 'KazAgro' JSC.



Date of birth: April 06, 1978.  
Nationality — Republic of Kazakhstan.

**YERBOL  
YERKENOVICH  
YESENEYEV**

*Independent Director —  
Member of the Board of Directors  
of 'KazAgroFinance' JSC*

Elected to the Board of Directors — June 21, 2017.

Holding of KazAgroFinance JSC's shares — No.

Joint appointment and membership in the Boards of Directors of other organizations at present — no.

Holding of the Company's suppliers and counterparties' shares — no.

**EDUCATION**

- 2000 — State Enterprise 'Kokshetau State University named after S. Ualikhanov', Managing Economist.

**WORK EXPERIENCE**

- November, 2009 — November, 2013 — Director of 'EcoProductAstana' LLP;

- May, 2014 — April, 2016 — Secretary of the Front Office of the Food Industry Committee of National Chamber of Entrepreneurs 'Atameken';
- April, 2016 — April, 2017 — Deputy Director of Agricultural Sector and Food Industry Department of National Chamber of Entrepreneurs 'Atameken';
- April, 2017 — present time — Managing Director/ Director of Agricultural Sector and Food Industry Department of National Chamber of Entrepreneurs 'Atameken'.

Elected to the Board of Directors — June 17, 2015

Holding of KazAgroFinance JSC's shares — No.

Joint appointment and membership in the Boards of Directors of other organizations at present — no.

Holding of the Company's suppliers and counterparties' shares — no.

**EDUCATION**

- 2005 — Karaganda State Technical University, Faculty 'Economics and Management'.

**WORK EXPERIENCE**

- February, 2008 — December, 2009 — Deputy Head of Planning and Economical Division, 'Zhairemskiy Mining Complex' JSC;

- January, 2010 — October, 2010 — Head of Financial Division, 'Zhairemskiy Mining Complex' JSC;
- November, 2010 — October, 2012 — Chief Manager of Budget Planning and Treasury Department, National Mining Company 'Tau-Ken Samruk' JSC;
- November, 2012 — April, 2015 — Head of Internal Audit Service, 'National Mining Company 'Tau-Ken Samruk' JSC;
- April 23, 2015 — present time — Director of Corporate Management and Strategic Planning Department of National Mining Company 'Tau-Ken Samruk' JSC.



Date of birth: May 08, 1982.  
Nationality — Republic of Kazakhstan.

**YERLAN  
BAKHITOVICH  
ORYNBAYEV**

*Independent Director — Member  
of the Board of Directors  
of 'KazAgroFinance' JSC*



Date of birth: June 8, 1979.  
Nationality — Republic of Kazakhstan.

**AZAT  
YERKINOVICH  
MASHABAYEV**

*Independent Director — Member  
of the Board of Directors of  
'KazAgroFinance' JSC*

Elected to the Board of Directors — May 18, 2016.

Holding of KazAgroFinance JSC's shares — No.

Joint appointment and membership in the Boards of Directors of other organizations at present:

- Independent Director of 'Kazakh-Tadjik Direct Investment Fund' JSC;
- Independent Director of 'Kazakh-Kyrgyz Direct Investment Fund' JSC;
- Independent Director, Chairman of Audit and Strategy Committee of National Company Social and Entrepreneurial Corporation 'Saryarka' JSC.

Holding of the Company's suppliers and counterparties' shares — no.

**EDUCATION**

- 2006 — Kazakh Economical University named after T. Ryskulov (Astana, Republic of Kazakhstan), Faculty 'Accounting and Audit'.
- 2001 — Bremen State University (Bremen, Federal Republic of Germany, Master's Program of Law Faculty (LLM).
- 1996 — Kazakh State University named after Al-Farabi (Almaty, Republic of Kazakhstan), Faculty 'International Relations', 'International Law'.

**WORK EXPERIENCE**

- June, 1999 — December, 2000 — various positions at 'Kaspi Bank' OJSC;
- November, 2002 — May, 2004 — Manager of Corporate Financing Department of 'National Company 'KazMunaiGas' CJSC;
- May, 2004 — January, 2005 — Chief Auditor of Internal Audit Service of 'Exploration and Production 'KazMunaiGas' JSC;
- January, 2005 — January, 2007 — Head of Internal Audit Service, in a year — Director of Internal Audit Department of 'KazTransGas' JSC;
- January, 2007 — March, 2008 — Head of Internal Audit Service of 'National Company 'KazMunaiGas' JSC;
- March, 2008 — December, 2008 — Director of Strategy and Assets Management Department of 'Kazakhstan State Assets Management Holding 'Samruk' JSC;
- December, 2008 — May, 2009 — Director of Corporate Management Department of 'Fund of National Welfare 'Samruk-Kazyna' JSC;

- May, 2009 — November, 2009 — Marketing Managing Director 'Kazakhstan communications';
- November, 2009 — May, 2010 — Deputy Director General of Investment Profitability Survey Agency;
- May, 2010 — January, 2012 — First Deputy Chairman of the Board, Director of Administrative and Strategic Management — Member of the Board of 'Kazteleradio' JSC;
- January, 2012 — November, 2012 — First Deputy Director General of Republican State Enterprise 'Public Service Center';
- November, 2012 — November, 2014 — Head of 'Strategy Partners Kazakhstan' LLP Office in Kazakhstan;
- April, 2013 — November, 2014 — Independent Director, Chairman of Audit Committee 'Embamunaigas' JSC;
- November, 2014 — May, 2016 — Deputy Chairman of the Board 'Kazpost' JSC
- May, 2015 — present time — Independent Director of 'Kazakh-Tadjik Direct Investment Fund' JSC, 'Kazakh-Kyrgyz Direct Investment Fund' JSC;
- October, 2015 — present time — Independent Director, Chairman of Audit and Strategy Committee of National Company Social and Entrepreneurial Corporation 'Saryarka' JSC;
- May, 2016 — November, 2016 — First Deputy Director General 'EASTCOMTRANS' LLP;
- November, 2016 — present time — Sales Managing Director — Member of the Board of 'Kazpost' JSC.

# Committees of the Board of Directors



*'Let me welcome you on behalf of the Risks and Strategic Planning Committee. The year of 2017 for KazAgroFinance JSC, to be sure, occurred to be fruitful. The Committee held 13 in-person meetings, at which 87 issues were considered.'*

*The Company managed to achieve all 7 key performance indicators of the Company's Development Strategy, minimize the risks, and raise the funds of about KZT31.5 mlrd.*

*Our efforts in 2018 will be fostered at promotion of the investment attractiveness and quality of the services rendered, as well as further corporate management development.'*

## RISKS AND STRATEGIC PLANNING COMMITTEE

The Committee's responsibilities are preliminary consideration and submission of recommendations to the Board of Directors on the issues of strategic planning, investment and innovative activities, internal control and risk management, reporting, activity assessment and etc.

The Risks and Strategic Planning Committee was approved by the Resolution of the Board of Directors of KazAgroFinance JSC No.9 dated August 19, 2016.

Totally, in 2017 the Committee held 13 meetings and considered 87 issues.

### MEMBERS OF THE COMMITTEE:

1. Azat Yerkinovich Mashabayev, Independent Director – Chairman of the Committee;
2. Yerbol Yerkenovich Yeseneyev, Independent Director – Member of the Committee;
3. Yerlan Bakhitovich Orynbayev, Independent Director – Member of the Committee;

4. Bakytkul Tleubayevna Abdrakhmanova, Director of Finance Department of 'Holding 'KazAgro' JSC – expert;
5. Zhannet Sanatovna Tungyshbekova, Chief Manager of Strategic Development Department of 'Holding 'KazAgro' JSC – expert;
6. Yermek Serikovich Baitemirov, Chief Manager of Corporate Management Development Department of 'Holding 'KazAgro' JSC – expert;
7. Omar Petrovich Kabdyrakhman, Chief Manager of Crediting and Leasing Department of 'Holding 'KazAgro' JSC – expert.



*'At year-end 2017, the Committee held 12 in-person meetings, at which 33 issues related to the external and internal audit arrangement were considered.'*

*Being aware of the importance of the tasks assigned to us, we aspire to put special emphasis and priority to the actions aimed at promotion of effectiveness of the external and internal audit duties.'*

*I believe that during this period we have achieved the substantial progress in our activity efficiency, but we have to make some more efforts on effectiveness of the processes and control means to reach the desired achievements'.*

Chairman of Internal Audit Control Y. Orynbayev



*'In 2017, the Committee held 11 in-person meetings, at which 49 issues aimed at improvement of the employees' professional level, successor planning and solution of other social problems.'*

*I believe that the mutual efforts undertaken in 2017, taking into consideration the essential experience of the Members of the Committee, allowed forming the fundamental necessary for the efficient and quality performance of the responsibility entrusted with us'.*

Chairman of the Social Issues, Human Resources and Remuneration Committee Y. Yeseneyev

## INTERNAL AUDIT COMMITTEE

The Committee's responsibilities are preliminary consideration and submission of recommendations to the Board of Directors on the issues of financial statements, external audit, internal audit, law compliance, reporting and activity assessment and etc.

The Internal Audit Committee was approved by the Resolution of the Board of Directors of KazAgroFinance JSC No.9 dated August 19, 2016.

Totally, in 2017 the Committee held 12 meetings and considered 33 issues.

### MEMBERS OF THE COMMITTEE:

1. Yerlan Bakhitovich Orynbayev, Independent Director – Chairman of the Committee;
2. Yerbol Yerkenovich Yeseneyev, Independent Director – Member of the Committee;

3. Azat Yerkinovich Mashabayev, Independent Director – Member of the Committee;
4. Bakytkul Tleubayevna Abdrakhmanova, Director of Finance Department of 'Holding 'KazAgro' JSC – expert;
5. Yermek Serikovich Baitemirov, Chief Manager of Corporate Management Development Department of 'Holding 'KazAgro' JSC – expert.

## SOCIAL ISSUES, HUMAN RESOURCES AND REMUNERATION COMMITTEE

The responsibilities of the Committee are preliminary consideration and submission of recommendations to the Board of Directors on the issues of the job specifications, candidate assessment, successor planning, activity, remuneration system and etc.

The Social Issues, Human Resources and Remuneration Committee was approved by the Resolution of the Board of Directors of 'KazAgroFinance' JSC No.9 dated August 19, 2016.

Totally, in 2017 the Committee held 11 meetings and considered 49 issues.

### MEMBERS OF THE COMMITTEE:

1. Yerbol Yerkenovich Yeseneyev, Independent Director – Chairman of the Committee;
2. Yerlan Bakhitovich Orynbayev, Independent Director – Member of the Committee;

3. Azat Yerkinovich Mashabayev, Independent Director – Member of the Committee;
4. Bakytkul Tleubayevna Abdrakhmanova, Director of Finance Department of 'Holding 'KazAgro' JSC – expert;
5. Zhan-Tore Skandarbekovich Ayazbekov, Director of HR and Corporate Management Department of 'Holding 'KazAgro' JSC – expert;
6. Yermek Serikovich Baitemirov, Chief Manager of Corporate Management Development Department of 'Holding 'KazAgro' JSC – expert.

# Activity of the Board of Directors and its Committees

THE BOARD OF DIRECTORS IN ITS ACTIVITY IS GUIDED BY THE REGULATION ON THE BOARD OF DIRECTORS APPROVED BY THE RESOLUTION OF THE SOLE SHAREHOLDER BEING BOARD OF 'HOLDING 'KAZAGRO' JSC NO.8 DATED FEBRUARY 13, 2016.

The Board of Directors' activity is based on the principles of professional skills, rationality and due diligence, honesty and objectivity, principle of protection of the Sole Shareholder's rights.

The meeting of the Board of Directors consists of the following steps:

<b>1</b> approval of the meeting agenda	<b>3</b> discussion of the issue of the agenda	<b>5</b> counting of votes and summarizing the voting
<b>2</b> reporting by the member of the Board of Directors or invitee on the issue of the agenda	<b>4</b> proposals on the solution for the issue of the agenda	<b>6</b> announcement of voting results and resolution made on the issue of the agenda

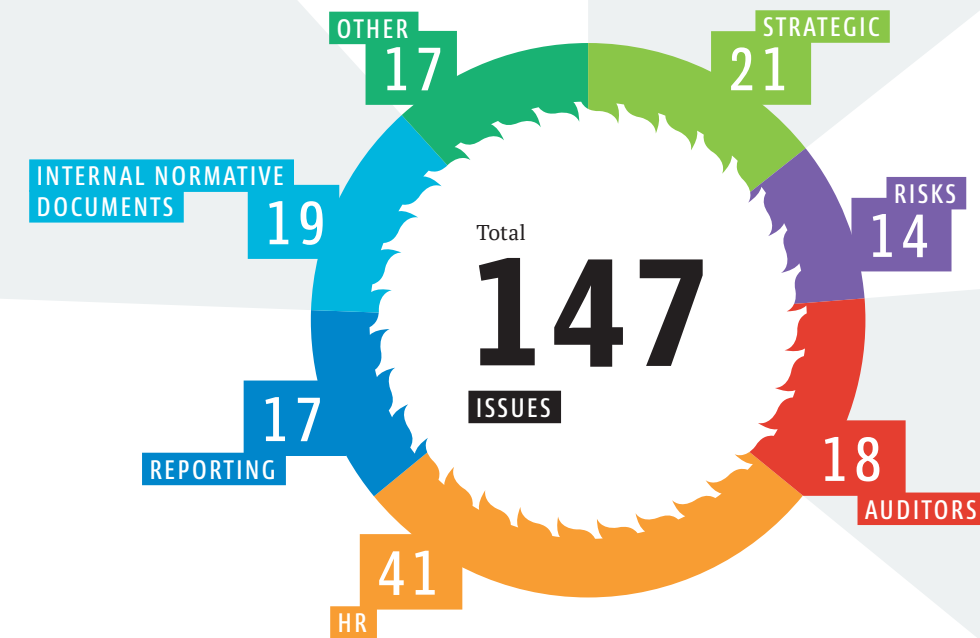
In 2017, the Board of Directors held 16 meetings: 14 meetings in presentia and 2 meetings in absentia at which 147 issues were considered and the resolutions on the key trends of the Company's activity were made.

The key resolutions touched upon the following issues:

- approval of the Company's Development Strategy for 2017–2026;
- determination of the number, term of office of the Board of 'KazAgroFinance' JSC;
- approval of the Report on Performance of the Development Strategy and Development Plan for 2016;

- evaluation of the Board of Directors' activity for 2016, review of the Board of Directors' performance in 2016, as well as discussion of actions on the efficiency improvement of the Board of Directors' activity;
- approval of the Risk Register and Risk Chart for 2017;
- review of the Report on Adherence to the Corporate Governance Code and Report on Performance of the Plan on Corporate Management System Improvement;
- review of the Report on the Deals of Interest;
- approval of internal normative documents on strategic planning, information transparency, crediting policy, terms of financing of the Company.

## STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2017



## INFORMATION ON ATTENDANCE BY THE MEMBERS OF THE BOARD OF THE MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

Name	Meetings of the Board of Directors	Meetings of Risks and Strategic Planning Committee	Meetings of Internal Audit Committee	Meetings of Social Issues, HR and Remuneration Committee
A.S. Mukhamadiyeva	16			
A.A. Omarov (date of election to the Board of Directors – October 20, 2017)	3/3	Do not participate		
K.T. Izbastin	15			
Y.B. Orynbayev	16	13/13	12/12	11/11
A.Y. Mashabayev	11	6/13	6/12	6/11
Y.Y. Yeseneyev (date of election to the Board of Directors – June 21, 2017)	7/7	4/4	4/4	4/4

• Evaluation of the Board of Directors' activity

# Evaluation of the Board of Directors' Activity

According to the Company's internal documents, the Board of Directors' activity is evaluated annually, at that, once in three years they are evaluated through the independent experts.

At year-end 2017, the Board of Directors' activity was evaluated by the independent company 'Rating Agency 'Expert RA Kazakhstan' LLP in accordance with the Rating Methods complying with the IOSCO (International Organization of Securities Commissions) standards.

Within the evaluation of the Board of Directors' activity the internal documents regulating the Board of Directors' activity, including the Regulation on Board of Directors and Its Committees were analyzed, the periodicity and form of holding of the meetings of the Board of Directors were analyzed, the members of the Board of Directors, Corporate Secretary, Heads of Internal Audit Service and Risk Management Service were surveyed and interviewed.

Under the results of evaluation it was concluded that the Board of Directors and its committees exercise their functions effectively.

The number of the members of the Board of Directors complies with the scope, complexity and specifics of the Company's activity, this number is enough to ensure functioning of the committees with the Board of Directors.

The professional skills of the members of the Board of Directors are highly rated, their competence complies with the goals and tasks set, and the impeccable good will facilitates the fruitful solution of the tasks set.

The recommendations on improvement of the Board of Directors' activity in terms of development of the processes of interaction with Sole Shareholder, conducting of training events for the members of the Board of Directors, introduction of the liability insurance practice of the members of the Board of Directors and officials of the Company, were provided as well.



• 'Agrofirma Rodina' LLP

# Remuneration of Members of the Board of Directors

• Remuneration of members of the Board of Directors

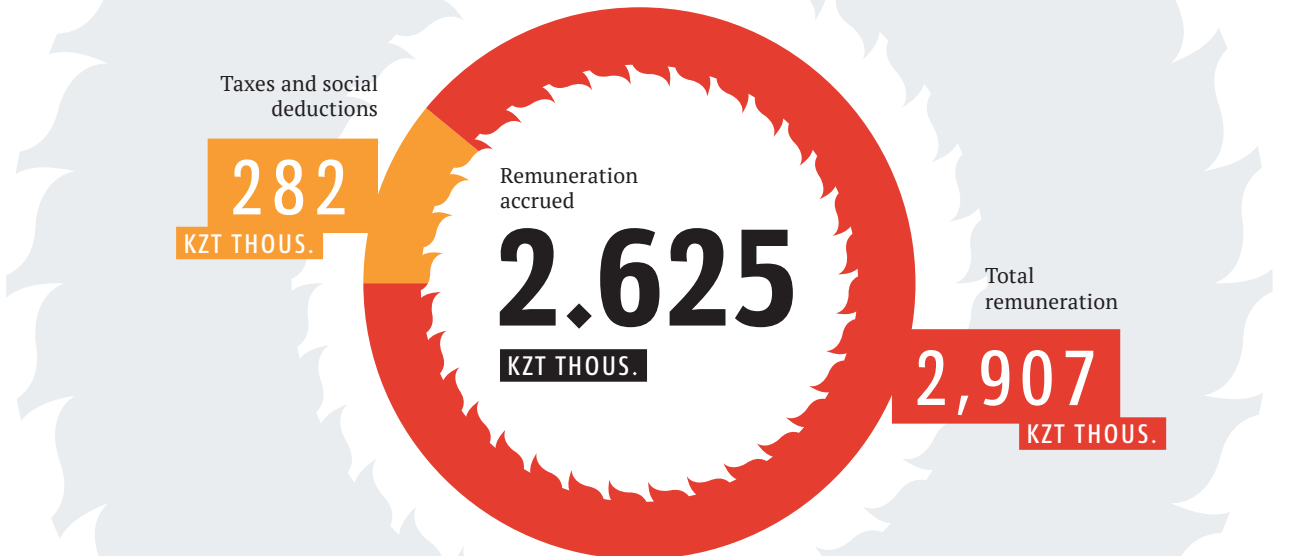
THE REMUNERATION RATE FOR THE INDEPENDENT DIRECTORS FOR 2017 OF KZT75 000 PER PARTICIPATION IN ONE IN PRESENTIA MEETING OF THE BOARD OF DIRECTORS WAS DETERMINED BY THE RESOLUTION OF THE BOARD OF 'HOLDING 'KAZAGRO' JSC (SOLE SHAREHOLDER OF 'KAZAGROFINANCE' JSC) NO.3 DATED JANUARY 27, 2017.

The remuneration is stated before tax and other compulsory payments provided for by the law of the Republic of Kazakhstan.

The remuneration is paid within the funds provided for in the budget of the subsidiaries of 'Holding 'KazAgro' JSC. The remuneration is not paid, if the independent director

participates in less than a half of all in presentia meetings of the Board of Directors of the subsidiary of 'Holding 'KazAgro' JSC held in the accounting period (semiannually).

The remuneration to the Board of Directors of 'KazAgroFinance' JSC (independent directors) of 3 persons in 2017 included the following:





# Board



Date of birth: April 20, 1981

**KANYSH  
TEMIRTAYEVICH  
IZBASTIN**

*Chairman of the Board  
of KazAgroFinance JSC*

## AS OF DECEMBER 31, 2017, THE BOARD CONSISTED OF FIVE MEMBERS:

CEO of the Company and manages the Company's executive body.

### EDUCATION

- Moscow International Relations State University of Russian Ministry of Foreign Affairs;
- Central Asian University.

### WORK EXPERIENCE FOR THE LAST

#### THREE YEARS

- January, 2013 — September, 2015 — Managing Director of 'Fund of National Welfare 'Samruk Kazyna' JSC;
- Since September 03, 2015 — Chairman of the Board of KazAgroFinance JSC.

Coordinates the Company's activity on the financial and economical issues, assets and liabilities management, funds raising, accounting, as well as coordinates the branches on financial and economical issues.

### EDUCATION

- Karaganda State University, Specialty 'Finance and Credit', Qualification 'Economist';
- High Management School, State University High Economics School, Moscow city, MBA Degree, Specialty 'Finance and Credit', Qualification 'Master of Business Administration'

### WORK EXPERIENCE FOR THE LAST

#### THREE YEARS

- October, 2013 — July, 2014 — Deputy Director General of Business Development of Fund of National Welfare 'Samruk Kazyna' JSC, Member of the Supervisory Board of 'Samruk-Kazyna Invest' LLP;
- June, 2015 — present time — First Deputy Chairman of the Board of KazAgroFinance JSC.



Date of birth: September 16, 1976

**AINUR  
GABDYGAPAROVNA  
SEITKASSIMOVA**

*First Deputy Chairman of the Board  
of KazAgroFinance JSC — Member  
of the Board*



Date of birth: September 06, 1983

**RUSTAM  
TIMUROVICH  
KARAGOISHIN**

*Deputy Chairman of the Board  
of KazAgroFinance JSC — Member  
of the Board*

Coordinates the Company's crediting and leasing activity in general and implementation of the Investment Projects, strategic and corporate development, analytics, as well as business process methodology.

### EDUCATION

- International Academy of Business (IAB);
- Kazakhstan Institute of Management, Economics and Preplanning (KIMEP).

### WORK EXPERIENCE FOR THE LAST

#### THREE YEARS

- October, 2013 — November, 2015 — Director General, 'Sberbank Leasing Kazakhstan' LLP;
- Since November 06, 2015 — Deputy Chairman of the Board of KazAgroFinance JSC.



Date of birth: January 24, 1976

**NURKEN  
KOZHAMURATOVICH  
SHARBIYEV**

*Deputy Chairman of the Board  
of KazAgroFinance JSC — Member  
of the Board*

Directly coordinates the Company's activity on loan and collateral administration.

### EDUCATION

- Akmola Agrarian University;
- Kazakh Human and Legal Innovative University.

### WORK EXPERIENCE FOR THE LAST

#### THREE YEARS

- October, 2013 — September, 2014 — Managing Director of National Managing Holding 'KazAgro' JSC;
- October, 2014 — January, 2017 — Executive Director of 'Agricultural Enterprise Merei' LLP
- February, 2017 — Deputy Chairman of the Board of KazAgroFinance JSC.



Date of birth: January 31, 1981

**ASSYLKHAN  
BOLATOVICH  
DZHUVASHEV**

*Managing Director — Member  
of the Board of KazAgroFinance JSC —  
Member of the Board*

Directly coordinates the Company's activity on credit and non-performing projects support.

### EDUCATION

- Kazakh Economical University named after T. Ryskulov, 2002, Economist.

### WORK EXPERIENCE FOR THE LAST

#### THREE YEARS

- May, 2011 — November, 2015 — Deputy Chairman of the Board of KazAgroFinance JSC
- Since November 06, 2015 — Managing Director of KazAgroFinance JSC.

# Board Activity

THE BOARD MANAGES THE CURRENT ACTIVITIES AND BEARS RESPONSIBILITY FOR THE IMPLEMENTATION OF THE DEVELOPMENT STRATEGY, DEVELOPMENT PLAN AND RESOLUTIONS MADE BY THE BOARD OF DIRECTORS AND THE SOLE SHAREHOLDER.

In 2017, the Regulation on the Company's Board was approved as amended clearly differentiating and extending the Board's rights and obligations.

Over 2017, the Board held 33 regular in presentia meetings at intervals of each decade of month.

Name	Number
K.T. Izbastin	28/33
A.G. Seikassimova	31/33
N.K. Sharbiyev	28/29
R.T. Karagoishin	31/33
A.B. Dzhuvashev	30/33

In accordance with the new strategic planning system an Operating Plan of Action for 2018 on implementation of the Development Strategy defining the key actions, deadlines, forms of completion and responsible persons for efficient achievement of goals and tasks of the Company's Development Strategy was approved.

In 2017, to achieve the goals and tasks set in the Development Strategy the Company implemented the following key plans:

- COMPANY'S FUND RAISING PLAN – FULFILLED FOR **106.8%**
- PLAN ON DISBURSEMENT OF NON-BUDGETARY FUNDING ALLOCATED FOR PURCHASE OF AGRICULTURAL MACHINERY FOR 2017 – FULFILLED FOR **103.3%**
- NPL DECREASE PLAN OF ACTION – FULFILLED FOR **108%**
- PLAN OF ACTION ON IMPROVEMENT OF THE COMPANY'S CORPORATE MANAGEMENT SYSTEM FOR 2016-2020 – FULFILLED FOR **96%**
- PLAN ON PERFORMANCE OF THE PRINCIPAL REPAYMENT LIABILITIES – FULFILLED FOR **119%**

## BOARD REMUNERATION

The Remuneration Policy of the Chairman and Members of the Board is governed by the Regulation on Remuneration, Bonuses and Social Package of the Chairman and Members of the Board of 'KazAgroFinance' JSC approved by the Resolution of the Board of Directors No.7 dated June 30, 2016. The remuneration system includes the availability of the net consolidated profit for the accounting year depending on the achievement of the strategic and individual KPIs, as well as the results of activity

assessment of the Board members. At that, the top managers' activity for the accounting period is assessed based on the Report on Performance of KPI Map including cascading of the strategic and individual KPIs submitted by the Board.

The remuneration amount as a salary to the members of the Board for 2017 totaled to KZT75 924.5 thous. The remuneration to the members of the Board under the results of 2017 will be paid after the respective resolution by the Company's Board of Directors.

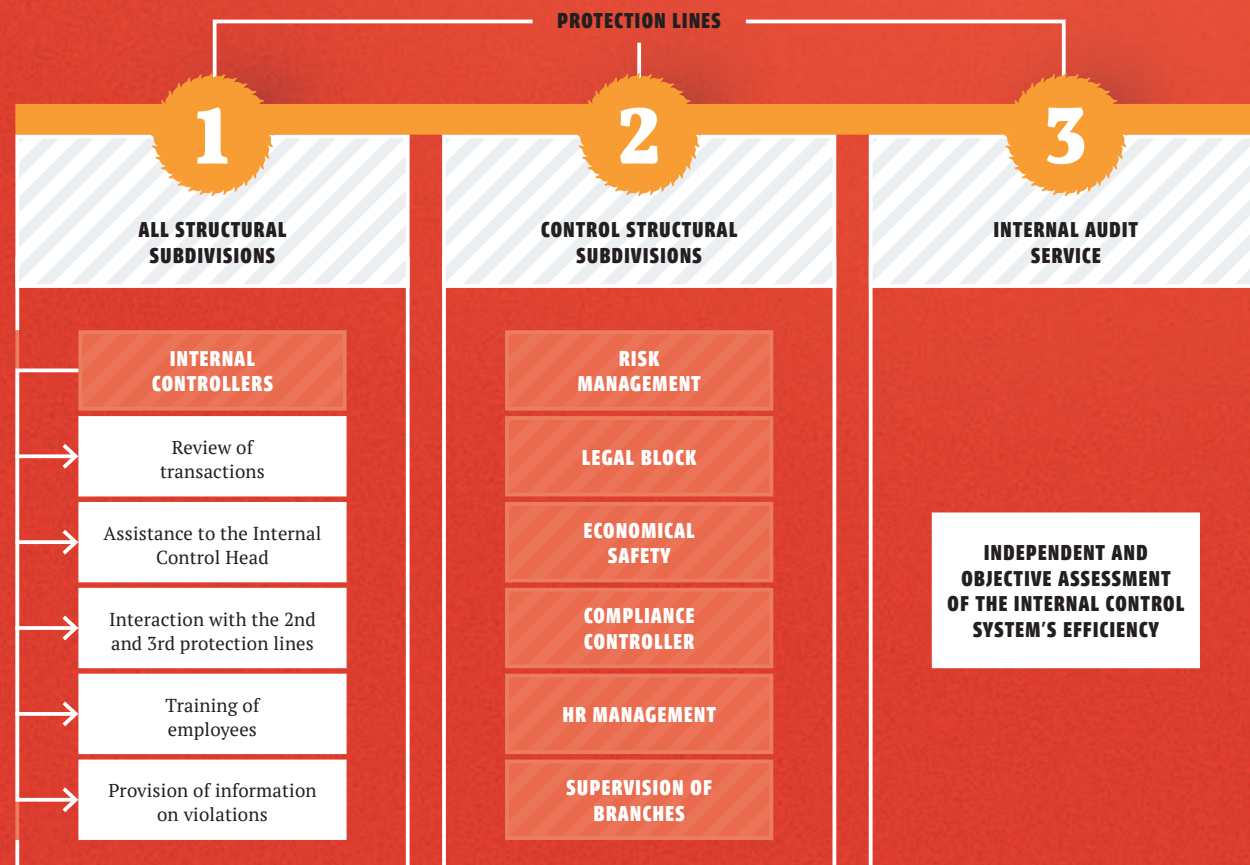
Report on Deals of Interest for 2017

Name of Counterparty	Type of interest
'KazAgroMarketing' JSC	Affiliated person
'Vostok-1' LLP	Affiliated person
National Managing Holding 'KazAgro' JSC	Sole Shareholder
'KazBeefLTD' LLP	Affiliated person



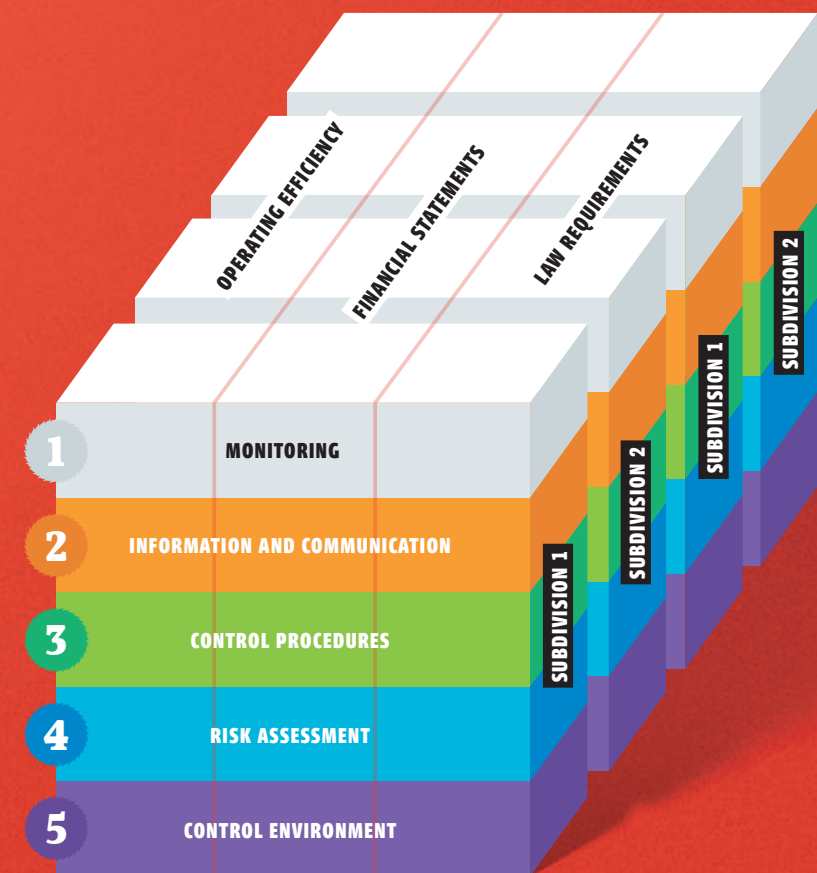
# Internal Control System

THE INTERNAL CONTROL SYSTEM BASED ON THE INTERNAL CONTROL SYSTEM POLICY OF 'KAZAGROFINANCE' JSC APPROVED BY THE DECISION OF THE BOARD OF DIRECTORS NO.14 DATED DECEMBER 28, 2016 WAS INTRODUCED AND IS NOW OPERATING IN THE COMPANY.



In 2017, the Board approved the Regulations on implementation of the Internal Control System Policy, executed a plan of control measures; the Board of Directors approved the risk and control matrixes.

- 1**
  - Efficiency assessment
  - Continuous and periodic assessment
  - Management and supervision
  - Internal Audit
- 2**
  - Timely registration and transfer of essential information
  - Information access
  - Information flow



- 3**
  - Policies and procedures
  - Action range
- 4**
  - Detection of substantial risks
  - Laying the basis for determination of control procedures
- 5**
  - General atmosphere
  - Management style
  - Assignment of powers and duties
  - Management efficiency
  - Control component foundation

# Internal Audit Service

• Internal audit service

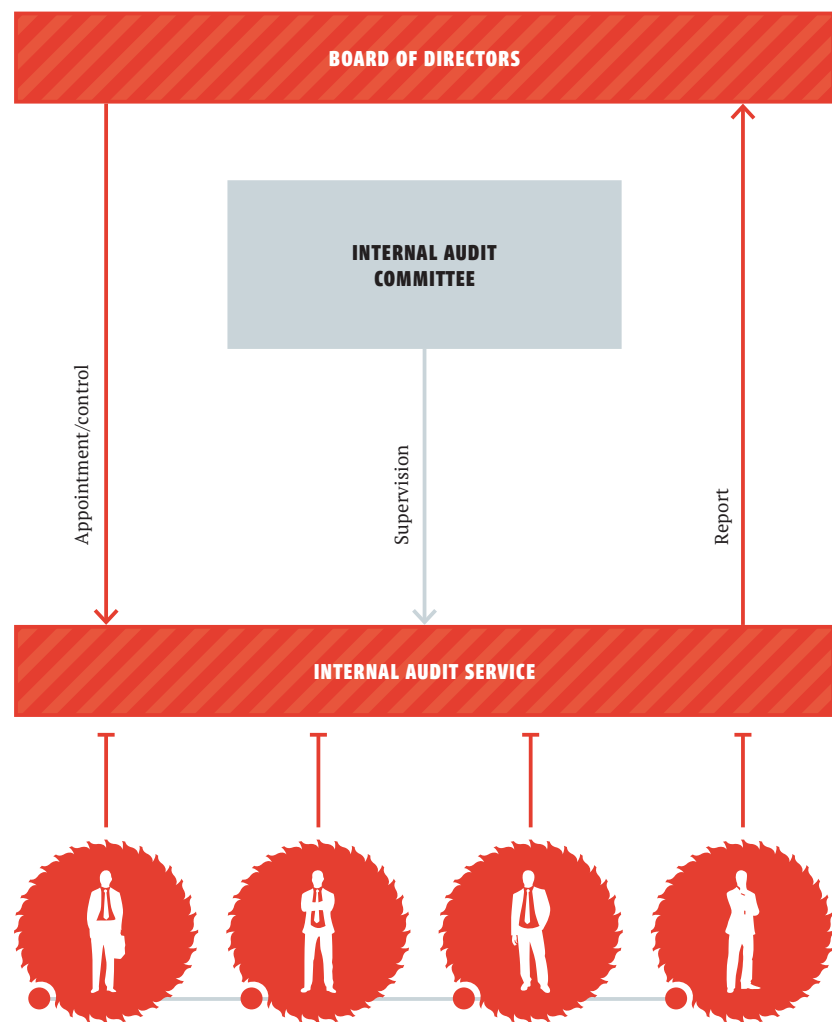


*“The year of 2017 was fruitful for the Internal Audit Service. We made an obvious progress in our activity’s efficiency.*

*We aspire to assign to the Service a role of consultant and innovator of efficient ideas, and thus raise our value for the Company.*

*We are proud that we are the part of the Company!”*

**Head of Internal Audit Service**  
**V. Pak**



As of December 31, 2017 the actual number was 4 persons.

\* Действует с 2006 года.

Green Land Alatau LLP



**T**he Internal Audit Service’s activity (the Service) is carried out in accordance with the Internal Audit Service Regulation and Internal Audit Procedure Rules based on appliance of the Ethics Code, quality standards and internal auditors’ activity standards established by the International Institute of Internal Auditors.

Mission: assistance to the Board of Directors and the Board in performance of their duties to achieve the Company’s strategic goals.

Objective: submission to the Board of Directors of the independent and objective guarantees and consultations aimed at improvement of the risk management system, internal control and corporate management of the Company.

During the year of 2017, 11 audits (including 2 unscheduled audits) took place. The audits covered 16 structural subdivisions of the Company’s Central Office and 2 branches (audit of crediting and leasing activity, NPL management and other).

Under the results of audits carried out by the Internal Audit Service the respective recommendations were issued. The Service controls over the compliance with the recommendations

and reports on the course of actions to the Internal Control Committee and the Board of Directors of the Company.

The Head of the Service is regularly reporting to the Internal Audit Committee and the Board of Directors of the Company on the results of internal audit. The Internal Audit Committee discusses the effectiveness of the internal audits with the Head of the Service.

Moreover, the Program for Warranty and Improvement of the Company’s Service Quality is applied in the Company, according to which within 2017 the current and periodical surveys (assessments) of the Service’s activity for its compliance with the Regulation on Service, professional standards, Professional Code of Conduct, as well as progress and efficiency of internal audit from the point of view of meeting the needs of the different groups of the Company’s key persons, had been carried out.

The internal auditors are developing their skills on continuing basis. In particular, the Service’s specialists have the diplomas of the International Institute of Audit and Management IFA (DipIFA), Head of Service has an International Certificate of Internal Auditor CIA (part 1/3).

# Equity Holding Structure

At the end of the previous year, the Company had 82 837 204 floated ordinary shares with a par value of KZT 1 000.

As of December 31, 2017, the Company had not any bought out or owned by its subsidiaries shares.

There was no placement of shares, including the initial one, in the accounting period. The changes in the shareholders holding the shares of 5 and more per cent of the shares placed did not take place.

• NUMBER OF DECLARED ORDINARY SHARES	82,837,204
• NUMBER OF OUTSTANDING ORDINARY SHARES	82,837,204
• PAR VALUE PER ONE ORDINARY SHARE	1,000 KZT
• OFFERING PRICE PER ONE SHARE	1,000 KZT
• WAY OF PAYMENT OF THE ISSUER'S SHARES: THE ISSUER'S SHARES WAS PAID IN CASH	
• FUNDS RAISED FROM THE ISSUER'S SHARES PLACEMENT	82,837 KZT mlrd.

# Dividends

THE DIVIDEND POLICY PRINCIPLES ARE DEFINED IN THE DIVIDEND POLICY REGULATION APPROVED BY THE DECISION OF THE SOLE SHAREHOLDER – BOARD OF HOLDING 'KAZAGRO' NO.35 DATED JUNE 20, 2012.

## THE DIVIDEND POLICY IS BASED ON THE FOLLOWING PRINCIPLES:

- Strict adherence to the rights of the Sole Shareholder provided for by the law of the Republic of Kazakhstan, the Company's Charter, its internal documents and best corporate management practice;
- Balance of interests of the Company and Sole Shareholder upon determining the dividend payments;
- Taking into account the interests of the Sole Shareholder and maximization of its assets;
- Compliance with restrictions set by the law of the Republic of Kazakhstan and the Company's Charter upon making decision on the dividend payments;
- Elaboration of medium and long-term dividend policy in accordance with the key principles and approaches to building the Company's dividend policy;
- Ensuring the motivation of the Board to achieve the scheduled net income and dividends.

## DATA ON DIVIDENDS PAID BY THE COMPANY FOR LAST THREE YEARS

Description	Unit	2015 (for 2014)	2016** (for 2015)	2017 (for 2016)	2018 (for 2016)
Net profit (loss)*	KZT thous.	3,173,258	(5,576,683)	3,228,629	
Dividend declared during the year	KZT thous.	2,855,932	-	1,614,314	
Dividend paid during the year	KZT thous.	2,855,932	-	1,614,314	3 572 219
Profit per one share ***	KZT	34.48	-	19.49	
Share balance value ****	KZT	1,223.84	1,149.26	1,196.94	

\* Net income of that year, for which the dividends were paid.

\*\* Dividends for 2015 were not paid due to fact that the devaluation of the national currency in 2015 resulted in the negative financial performance.

\*\*\* Profit for that year, for which the dividends were paid.

\*\*\*\* Balance value of that year, for which the dividends were paid.

# Major Corporate Events of 2017

Major corporate events of 2017

Major corporate events of 2017

Furnishing of the Bond Placement Report to the authorized body.



1



2

Payment of the coupon premium within the framework of the bond issues within the bond program.



3

Furnishing and publishing of the interim Financial Statements at the financial statement depository's website.

Furnishing and publishing of the audited Annual Financial Statements for 2016 at 'Kazakhstan Stock Exchange' JSC and the financial statement depository's websites.



4

Submission to the Sole Shareholder of suggestions on distribution of KazAgroFinance JSC's net income for 2016 and the dividend rate over the year per one ordinary share of KazAgroFinance JSC.



5



7

Submission to the Sole Shareholder of the issue on determination of an audit firm to audit KazAgroFinance JSC for 2017.



6

Publishing of the review of the Financial Statements for H1 of 2017 at the Company's website.



8

Payment of dividends on ordinary shares of KazAgroFinance JSC for 2016 (if the Sole Shareholder makes a respective decision).

# APPLYING THE PRECAUTIONARY PRINCIPLE

THE COMPANY'S RISK MANAGEMENT IS A CONSTANT CONTINUOUS PROCESS AND CARRIED OUT AT ALL LEVELS WITH INVOLVEMENT OF THE COMPANY'S COLLEGIAL BODIES, AUTHORIZED BODIES, STRUCTURAL SUBDIVISIONS AND EMPLOYEES.



**Director of Risk Management Department**  
A. Sogumbayev

*'Any activity is attended by some risk, and we do our best to ensure the confidence that the outcome of this activity will be predictable, and the balance between the risk and possibility be optimal.*

*The risk management in our Company is an integral part of each process.*

*In 2017, we used our best endeavors to develop the risk culture, i.e. understanding by each employee of the risk management importance, awareness of the risk levels and measures of their minimization.*

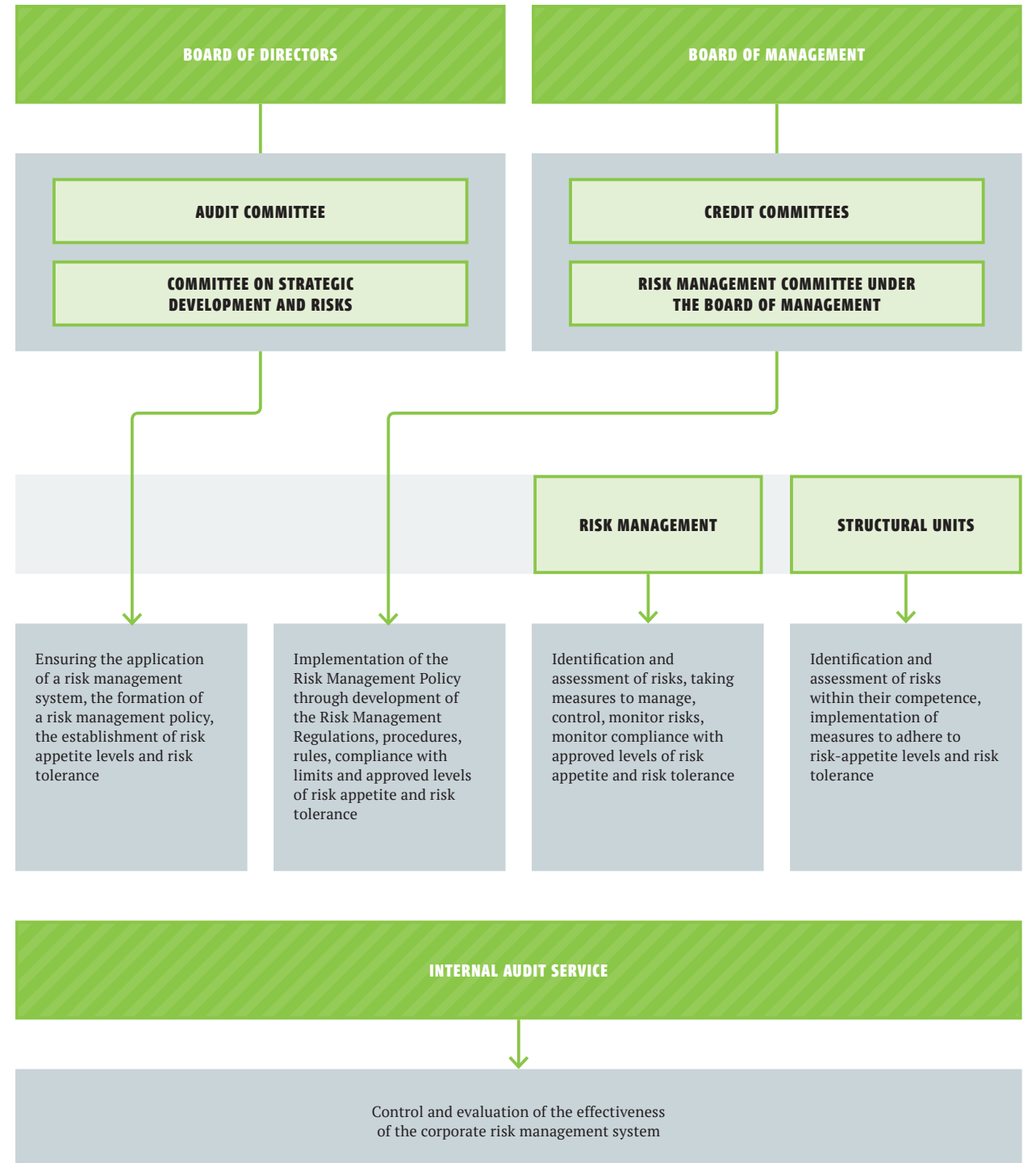
*We continued improving the risk management instruments introduced within the up-to-date world standards.*

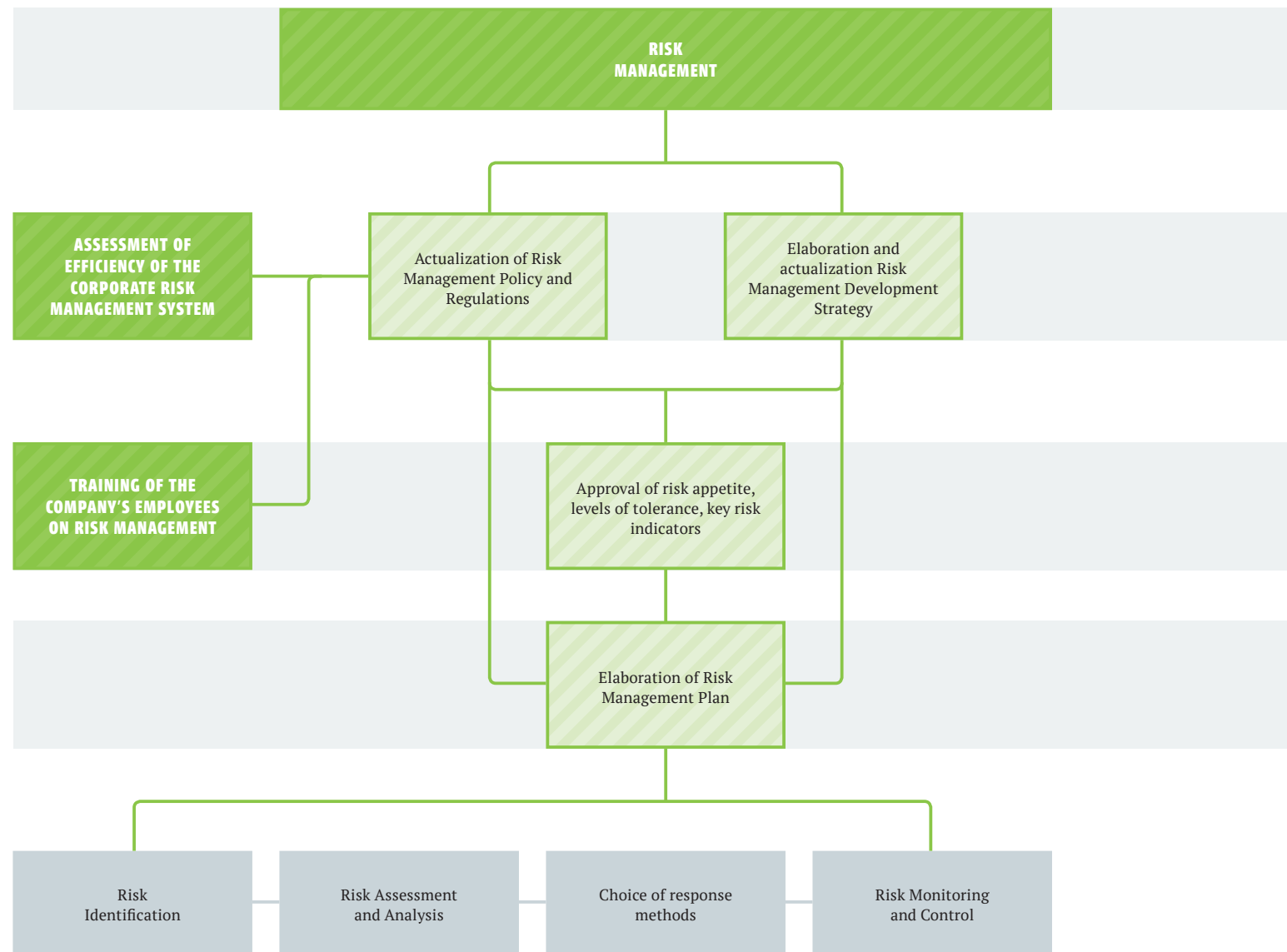
*For 2018 we assign new complex tasks such as development of the long-term risk management strategy, actualization of the internal methods and further process automation'.*

**MAIN PRINCIPLES OF THE RISK MANAGEMENT SYSTEM ARE:**

- creation and protection of the equity value;
- regularity, structuredness and timeliness;
- awareness;
- work with uncertainty;
- adaptedness;
- transparency and complexity;
- feedback and iterative;
- continuous improvement.

## MAIN COMPONENTS OF THE RISK MANAGEMENT ORGANIZATIONAL STRUCTURE ARE





Thus, the Company's risk management system is a set of interrelated components integrated in the single process, within which the Company's Board of Directors, top management and employees, at their level, participate in monitoring of the potential negative events and possibilities, which may affect the Company's activity, as well as managing these events within the risk level admissible for the key interested parties.

The Company regularly identifies the risks, assesses them and elaborates the actions on risk management as well. The Company carries out its activity taking into account the wide range of risks related to the business broken down into the categories: strategic risks, credit risks, financial risks, operating risks and legal risks.

IN 2017, IN ACCORDANCE WITH THE BEST INTERNATIONAL PRACTICE THE COMPANY ELABORATED AND APPROVED SUCH RISK MANAGEMENT INSTRUMENTS AS RISK REGISTER, RISK MAP, KEY RISK INDICATORS, RISK APPETITE AND TOLERANCE.

BELOW THERE ARE THE ESSENTIAL RISKS, WHICH THE COMPANY WAS EXPOSED TO IN 2017



### CREDIT RISK

It is a risk of failure to perform the contractual obligations by a Borrower or a party to a deal with financial instruments. The credit risk is one of key types of risks in the Company's activity. Due to the fact that the Company's activity is focused on the financing of the agricultural sector, this type of risks may also appear through the field risks, including the seasonal natural and climatic condition risks, risks of changes in the world food market environment. For minimizing the credit risks in 2017, the Company carried out the actions on the portfolio diversification, limit setting by products and fields, extended financial monitoring.

### LIQUIDITY LOSS RISK

Is a risk that the Company may not perform its obligations on payments upon maturity in the common or unforeseen circumstances. For reducing this risk in 2017, the Company diversified the sources of financing, optimized the balance structure for reducing the rate of non-performing assets, worked over the issues of raising the bridge facility.

### EXCHANGE RISK

Arises when performing the obligations on the credit agreements and contracts with the partners. This risk becomes essential to the Company due to the fact that the income is denominated in the national currency, while a part of the debt instruments are denominated in the foreign currencies (USD, EUR, RUB). For minimizing the dependence from the exchange rate fluctuations the Company monitors the foreign currency position, sets limits for the foreign currency position per each currency, and refinances the foreign currency liabilities.

The efforts fostered in 2017 for development of the corporate risk management system are aimed at the extension of the methods of risk variables and elaboration of a set of response actions in the critical situation, which may ensure more efficient results. The active work on building the protection line for the potential risk prevention for the purpose of more synergy cooperation between all structural units of the Company within the corporate risk management system

is carried out, as well. As a result, the risk management system is being transformed to compliance with the world risk management standards such as ISO 31000:2009, COSO, FERMA.

In the meantime, in 2018 the development of the risk management system will be ensured by means of further improvement of the risk management regulations, in particular, the Company considers the issue on defining the long-term development strategy for the corporate risk management system.

Thus, the development of the Company's corporate risk management system will be aimed at further risk management improvement complying with the up-to-date requirements.



# BUILDING THE QUALITY DIALOGUE

• Chart of interaction with the concerned parties

External concerned parties	Requirements and expectations	Concerned party identification procedure	Method of interaction
<b>Consumers (borrowers), clients</b>	Extension of the Company's product range with acceptable terms. Simplification of procedures for obtaining of the Company's services. Improvement of the service quality by the Company. Obtaining of financing, reduction of a set of documents, consulting support in preparing a set of documents, timely maintenance and seeding of the Company's website with the information necessary for the consumers, improvement of the access of the information on services, offers, promotional actions.	Inquiry of the concerned parties, financial leasing contracts	Existence of the client relations structural subdivisions. Use of results of the client satisfaction monitoring upon the next making of the contracts. Simplification of service rendering procedures. Feedback at the website.
<b>Suppliers</b>	Making and maintaining the long-term partnership relations. Increase in extent of machinery and equipment to be purchased. Complete and timely obtaining of payments for goods and services pursuant to the agreed terms.	Inquiry of the concerned parties, contracts	Establishing of mutually beneficial partnership by undertaking and performance of the contractual obligations. Availability of procurement system. Timely consideration and settlement of the suppliers' claims and suits, operating and financial performance of the Company. Participation in forums, exhibitions. Implementation of joint projects.
<b>Lenders</b>	Capital investment safety, solvency and profitability of the Company with subsequent profit gain. Timely compliance and performance of the obligations.	Inquiry of the concerned parties, contracts	Existence of the investor attraction structural subdivision. Participation in two-party, three-party business negotiations. Signing of agreements, memoranda
<b>Supervising authorities (National Bank of the Republic of Kazakhstan, State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan, Financial Monitoring Committee of the Ministry of Finance of the Republic of Kazakhstan, General Prosecutor's Office)</b>	Carrying out by the Company of its activity in accordance with the law, compliance with the ratio requirements, timely payments to budget, compliance with the instructions under the results of audits conducted.	Inquiry of the concerned parties	Compliance with the Kazakhstan law requirements. Existence of the structural subdivision interacting with the supervising authorities. Timely consideration of the appeals and compliance with instructions.



• 'Aktep' LLP

• Chart of interaction with the concerned parties

External concerned parties	Requirements and expectations	Concerned party identification procedure	Method of interaction
<b>Competitors (leasing companies)</b>	Refusal from fixing the dumping prices on the Company's services, maintaining the fair trading. Compliance by the Company with the business ethics standards, experience exchange.	Inquiry of the concerned parties	Conduction of the competitive environment analysis. Adherence to the fair trading principle.
<b>External auditing firms (Counting Committee, independent auditor and etc.)</b>	Efficient use of funds and other assets of the Company. Compliance with the law, international, national standards.	Inquiry of the concerned parties	Existence of the structural subdivision interacting with the party. Making of consulting and audit services contracts.
<b>Sole Shareholder, management bodies (Board of Directors, Board)</b>	Growth of the Company's profitability and value. Investment safety, contribution to economy, creation of potential for further development of the Company, achievement of targets, bonuses under the performance.	Inquiry of the concerned parties Charter	Assurance of the Sole Shareholder's rights within the Charter, the Company's corporate management principles ensuring the protection and respect of rights and legal interest of the Sole Shareholder and facilitation to the Company's efficient activity, including achievement of the Company's strategic targets and maintaining the solvency. Meeting of the Sole Shareholder. Submission of true information on financial performance in accordance with the requirements of the law of the Republic of Kazakhstan, Charter, internal documents.
<b>Employees</b>	Stable and timely payments of wages, bonuses. Satisfactory social package, comfortable and safe work environment (work time schedule, leaves), compliance with the legal rights of employees. Opportunities for the career advancement and advanced training.	Inquiry of the concerned parties, labour agreement	Performance of duties aimed at achievement of the Company's goals and tasks. Maintaining the public and transparent HR policy aimed at building the skilled and motivated personnel. Provision of employees with the equal opportunities for fulfilment of their potential in labour activity, unprejudiced and fair assessment of their performance, recruitment and career of employees only based on the professional skills, experience and knowledge.

# Environment Protection

'KAZAGROFINANCE' JSC ACTIVELY CONTRIBUTES TO INTRODUCTION AND DEVELOPMENT OF 'GREEN TECHNOLOGIES' IN THE COUNTRY'S AGRICULTURE, WHICH PROTECT THE ENVIRONMENT AND HEALTH OF PEOPLE, FACILITATE SAVING OF THE NATURAL RESOURCES, IMPROVE THE PRODUCTION EFFICIENCY, AND THUS, THE COMPETITIVENESS OF THE PRODUCTS BEING MADE.

• Environment protection



To date, at some of financing projects they apply such 'green technologies' as reverse osmosis system — a unique water treatment system, reverse drainage system, bio complexes designated for manure and brood processing, pasture water supply, as well as the alternative power sources (wind generators and solar batteries).

# Information Policy

TO COMPLY WITH THE INFORMATION DISCLOSURE REGULATIONS THE COMPANY IS GUIDED BY THE LAW OF THE REPUBLIC OF KAZAKHSTAN APPLICABLE TO THE SECURITIES MARKET, JOINT STOCK COMPANIES, LISTING RULES, DECREE OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN, AS WELL AS OTHER DOCUMENTS APPLICABLE TO THE INFORMATION DISCLOSURE TRANSPARENCY.

• Information policy

The Company brings to the notice of the Sole Shareholder the information on the corporate events via the internet resources of the Kazakhstan Stock Exchange, Financial Statements Depository, corporate website and portal of Holding 'KazAgro' JSC under the principle 'at one place', i.e. by means of one structural subdivision.

for the information disclosure, list of public information to be disclosed to the concerned persons, as well as list of information being a commercial, official and other secret protected by the law.

The Company is also guided by the Instructions on Information Disclosure

For 2017, the information on 104 corporate events was published at the stock exchange's website, and 64 corporate events were published at the Financial Statements Depository's website. During the specified timeline, there was one written notice by the National Bank of the Republic of Kazakhstan for failure to submit the information on the Sole Shareholder's Resolution on the Company's Charter approval. In 2017, all tabs of the Company's website are constantly updated depending on the changes in the statutory regulations, internal documents regulating the Company's crediting and other activities. No violations on the information publication at the website were identified.

DUE TO THE AMENDMENTS TO SOME LEGAL ACTS OF THE REPUBLIC OF KAZAKHSTAN IN 2017, THE COMPANY HAS UPDATED THE INTERNAL DOCUMENT REGULATING THE INFORMATION DISCLOSURE PROCEDURE.

Due to the amendments to some legal acts of the Republic of Kazakhstan in 2017, the Company has updated the internal document regulating the information disclosure procedure.

The Information Disclosure Policy on the Company's activity defines the objectives and principles, forms and means of information disclosure, scope of persons (bodies) responsible

Procedure on the Company's activity defining the procedure for provision and publication of the information at the websites, the responsibilities of the Company's structural subdivisions for the information provision and publication, and the Company's annual report structure.

# People as a Main Asset

• HR and social policy

The Company's HR Policy is aimed at the long-term HR management. Its main target is a full and timely satisfaction of the Company's needs in the labour resources of required quality and as needed within the specific timeline. The skilled, ambitious, highly motivated, aimed at the intensive quality work employees are deemed to be a main asset of the Company and the most important competitiveness source.

THE KEY OBJECTIVE OF THE HR POLICY IS TO CREATE AND IMPROVE THE EFFICIENT HR MANAGEMENT SYSTEM BASED ON ATTRACTION, DEVELOPMENT AND ENCOURAGEMENT OF THE HIGH SKILLED EMPLOYEES FOR ACCOMPLISHMENT OF THE COMPANY'S STRATEGIC GOALS.

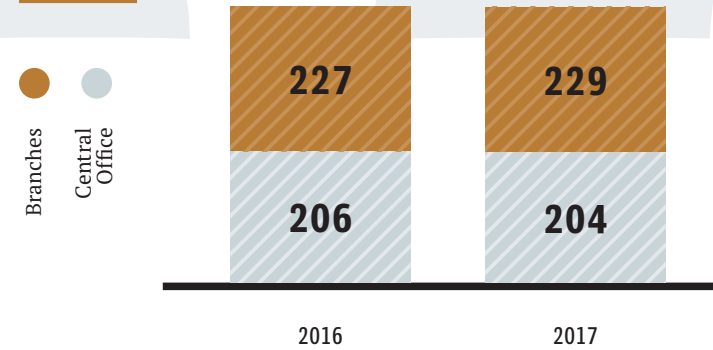


*'Success of any company depends on the well-recruited personnel, as well as encouragement to further improvement. In the competitive environment, the properly established management processes (recruitment, training, development, encouragement and so on) confer an advantage to the Company at the market.*

*To properly recruit and arrange the personnel, prepare and train it, aim toward development, create the basic and ambitious motivation, correctly set the goals and tasks, as well as feedback are the steps of the Company's HR Policy allowing us to achieve the set tasks'.*

Managing Director  
Zh. Mukushev

## STAFF PERSONS



THE STAFF TURNOVER IN BOTH 2017 AND 2016 WAS

**21%**

In the Central Office 84 new employees (59 men and 25 women) and in the branches 31 new employees (23 men and 8 women) were hired in 2017.

## STAFF STRUCTURE BY CATEGORIES AND SEX

	2016		2017	
	men	women	men	women
<b>Central Office, including:</b>	104	102	101	103
Top management	31	4	31	4
Employees	73	98	70	99
<b>Branches, including:</b>	89	138	140	89
Top management	20	5	25	3
Employees	69	133	115	86

## TRAINING

The fundamental of implementation of the HR Policy is availability of the efficient organizational structure and optimal staff. The high professionalism is supported and developed in the continuous employee training and further education system by the consecutive improvement of current knowledge and skills.

The Company's needs in the staff training, advanced training depend on the internal and external factors: changes in the strategic goals, amendments to the law, introduction of new programs, employee professional advancement and development, setting new goals and tasks toward them and etc.

The number of employees covered by the training and advanced training system was 369 persons in 2017. The previously trained employees were engaged for training with visit to the regions to share the practical and theoretical experience, as well as the free workshops were arranged. The average training hours per employee was 3 hours a year. The training topics in 2017 touched upon the risk management, quality management, sustainable development reporting, financial modelling, law, financial analysis and accounting, new technologies in agricultural sector, corporate management and others.

In accordance with the HR Management Regulations, the employees are certified for the complex assessment of the professional behaviour and business proficiency upon the decision of the Chairman of the Board.

NUMBER OF EMPLOYEES COVERED BY THE TRAINING SYSTEM

**369 PEOPLE**

This certification is divided into scheduled (once in 3 years) and unscheduled.

• HR and social policy

## ENCOURAGEMENT AND SOCIAL POLICY

THE EMPLOYEE INCENTIVE PROGRAMME IS BASED ON ENSURING THE DIRECT AND SUSTAINABLE INTEREST OF EACH EMPLOYEE IN ACHIEVEMENT OF THE EXPECTED PERFORMANCE OF PERSONAL LABOUR ACTIVITY AND ITS IMPROVEMENT.

To encourage the employees the Company also provides for the following bonus payments:

- On the basis of the quarter performance depending on the individual KPIs;
  - On the basis of the annual performance depending on the annual KPIs;
  - In celebration of national holidays;
  - For development and introduction of measures aimed at the cost savings, profitability, as well as submission of innovative solutions and improvement suggestions;
    - For fulfilment by the employee of the priority assignment (quality and operational activity on elaboration of the draft internal legal acts, performance of urgent instructions by the top managers and shareholder, preparation of materials for the Company's top managers to participate in the important meetings and sessions, representation and protection of the Company's with the state authorities and other institutions, quality elaboration of concepts, programs, new trends of the Company's activity, arrangement of participation in exhibitions);
    - For performance of the essential scope of work within the long period (active participation in the sessions of the work groups of the state authorities and the Company);
  - For active participation in the Company's social life (performance in the fest and sports events for the Company).
- The Company set a three-grade rate schedule of employee compensation, which is based on the principles of equity (compliance of the wages rate with the extent and quality of

the individual employee's labour), transparency (availability of the certain principles of defining the individual wages). The change in the official salary depends on the position movements, labour efficiency growth.

The Company's employees take efforts on making the positive image both within the Company and relationships with other institutions, state and other authorities, facilitate the patriotism development, cultivation and advocacy of corporate nature and positive social and physiological environment in the Company's team.

The Company's Social Policy is aimed at the development of the social and economic environment for the employees within exercise of their constitutional rights in accordance with the law of the Republic of Kazakhstan.

The Company ensures the high social protection for the employees, creates the conditions for their proper activity and obtaining the appropriate labour compensation, provides the opportunities for the professional, personal and career advancement and, thus, increases the interest in the long-term, efficient and fruitful relationships with the Company and employees resulting in the high labour efficiency.

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

- Implementation of the labour law of the Republic of Kazakhstan;
- Work place in accordance with the safety and labour protection requirements;
- Mandatory insurance of the employer's civil responsibility for the personal injury of the employee upon performance of employment duties;
- Voluntary medical insurance;
- Paid labour leave;
- Financial aid to the employees upon birth (adoption) of child, marriage of the employee and death of spouse of the employee or close relatives;
- Time-rate-plus-bonus payment system;
- Compensations payments when involving the employees on weekends and holidays;
- Payments for the business trips of the employees;
- Opportunity to professional advancement and advanced training.

The successful implementation of the Social Policy facilitates the staff motivation and growth in the Company's competitiveness and strengthening of its image as a responsible employer and social-oriented institution.

## LABOUR PROTECTION

The preservation of health and life of the employees, creation of safe working environment, injury prevention, improvement of working conditions, reduction of influence of the harmful and adverse factors, minimization of risks and dangers at the work places, the employees' personal data protection and their medical insurance are the main tendencies of the Company's policy in the professional safety and labour protection.

## INFORMATION SECURITY

In accordance with the approved Company's Information Security Policy the following trends are determined:

- 1 Physical security is ensured by the specialized organization's full-time control with video monitoring and remote access control system in the controlled access premises and along the perimeter of the Company's building. Upon entry into employment the staff is notified on the compliance with the requirements of the Company's Information Security Policy and non-admission of leakage of the confidential information in the course of activity.
  - Anti-virus software with constant monitoring of all information processing devices;
  - Ensuring the audit of software and analysis of log files;
  - Regular archiving of the data base;
  - Software products applied in the Company are ensured by a set of actions on continuous support and optimization of business processes. The works on introduction of new algorithms in the software for the Company's risk detection in the credit and leasing activity are carried out.
- 2 Information systems and software security is ensured by the comprehensive actions such as:

To ensure the efficient information security in 2017 the Company had successfully introduced and applied such systems as:

- DLP (confidential data leakage prevention) is a confidential data protection irrespective of place of their storage or use on device, cloud-hosted or end points;
- SIEM (security information and event management) is an effective solution for the online security information and event management ensuring the situational awareness allowing the possibility to detect, analyze, and prevent the implicit threats.

THE SAFETY AND LABOUR PROTECTION IS ONE OF PRIORITIES OF 'KAZAGROFINANCE' JSC AND IS CONSIDERED TO BE AN INTEGRAL PART OF THE COMPANY'S BUSINESS SYSTEM.

# Sponsorship and Charity

'KAZAGROFINANCE' JSC CONSTANTLY PROVIDES THE CHARITY SUPPORT TO THE MOST VULNERABLE SOCIAL GROUPS, AS WELL AS SUPPORTS THE SPECIALIZED NON-COMMERCIAL ORGANIZATIONS (CARE HOMES, CHILDREN PRE-SCHOOL, SECONDARY, VOCATIONAL AND HIGHER EDUCATION INSTITUTIONS, RESEARCH INSTITUTIONS AND ETC.).



MATERIAL SUPPORT WAS ALLOCATED TO THE COMPANY'S EMPLOYEES FOR THE CHILDREN MEDICAL CARE

• **8,192,000** KZT

THE FUNDS WERE ALLOCATED TO THE MUNICIPAL PUBLIC INSTITUTION 'SPECIALIZED CHILDREN'S HOME' OF AKIMAT OF ASTANA CITY FOR PURCHASE OF THE REHABILITATION EQUIPMENT 'TADPOLE', 'MULTISTANDER JENX RIFTON'

• **2,950,000** KZT

THE FUNDS WERE ALLOCATED TO THE MUNICIPAL PUBLIC INSTITUTION 'COMBINED CHILDREN'S HOME FOR THE ORPHANS AND CHILDREN WITHOUT PARENTAL SUPPORT' NO.1 IN URYUPINKA VILLAGE, AKKOL DISTRICT, AKMOLA REGION

• **3,032,600** KZT

THE FUNDS WERE ALLOCATED TO THE MUNICIPAL PUBLIC INSTITUTION 'SPECIALIZED CHILDREN'S HOME' OF AKIMAT OF ASTANA CITY FOR PURCHASE OF 'CORVIT' DEVICE FOR THE COMPLEX REHABILITATION OF THE SPECIAL CHILDREN

• **3,825,000** KZT

MOREOVER, THE DISABLED CHILDREN OF THE PUBLIC ASSOCIATION 'HERITAGE' RECEIVED THE CARE PACKAGES AS A CHARITY SUPPORT WITHIN THE CHILDREN'S FILM FEST 'FIVE CONTINENTS'.

IN 2017, THE CHARITY AND SPONSOR SUPPORT TOTALED TO

# 18,000,000 KZT

# FINANCIAL STATEMENTS

at year-end 2017



'Financial Statements are the data on the Company's financial standing for 2017 prepared in accordance with IFRS.

A set of financial statements provides the users with the data on the Company's performance, as well as changes in its financial standing for the accounting period in order these users to make certain business and management decisions'.

Director of Accounting  
Department  
G. Shodanova

Statement of financial position .....	105
Statement of profit or loss .....	106
Statement of comprehensive income .....	107
Statement of changes in equity .....	108
Statement of Cash Flow .....	109

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

(thousands of tenge)	Note	2017 год	2016 год
<b>Assets</b>			
Cash and cash equivalents	5	41,239,167	22,989,891
Amounts due from credit institutions	6	149,809	662,881
Derivative financial assets	7	-	829,066
Loans to customers	8	45,066,761	54,841,601
Finance lease receivables	9	183,288,007	197,402,364
Property held for financial lease	10	5,131,712	5,292,406
Current corporate income tax prepaid	17	125,579	894,899
Property and equipment	11	1,040,490	1,010,749
Intangible assets		530,043	216,334
VAT and other taxes receivable	12	3,106,338	1,874,026
Advances paid	13	2,558,452	284,744
Other assets	19	576,406	484,261
<b>Total assets</b>		<b>282,812,764</b>	<b>286,783,222</b>
<b>Liabilities</b>			
Amounts due to the Shareholder	14	75,539,402	85,638,633
Amounts due to credit institutions	15	40,429,623	39,556,372
Debt securities issued	16	46,969,316	46,841,139
Deferred corporate income tax liabilities	17	1,669,304	2,133,275
Advances received	18	3,555,199	2,502,225
Deferred VAT payable		3,979,227	2,945,520
Other liabilities	19	7,885,742	7,798,233
<b>Total liabilities</b>		<b>180,027,813</b>	<b>187,415,397</b>
<b>Equity</b>			
Share capital	21	82,837,204	82,837,204
Additional paid-in capital	21	24,912,791	23,282,853
Reserve funds	21	1,436,184	1,436,184
Provision for notional distribution	21	(9,542,733)	(9,372,015)
Retained earnings		3,141,505	1,185,599
<b>Total equity</b>		<b>102,784,951</b>	<b>99,367,825</b>
<b>Total liabilities and equity</b>		<b>282,812,764</b>	<b>286,783,222</b>
Book value per common share (in tenge)	21	1,234.41	1,196.94

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

Karagoishin Rustam Timurovich

Acting Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief accountant

15 March 2018

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of tenge)	Note	2017	2016
<b>Interest income</b>			
Finance lease receivables		18,966,880	17,788,390
Loans to customers		6,184,998	5,763,140
Amounts due from credit institutions		1,953,413	1,761,051
<b>Total interest income</b>		<b>27,105,291</b>	<b>25,312,581</b>
<b>Interest expenses</b>			
Amounts due to the Shareholder		(5,990,768)	(6,356,922)
Debt securities issued		(4,551,325)	(3,500,199)
Amounts due to credit institutions		(3,757,399)	(2,512,193)
<b>Total interest expense</b>		<b>(14,299,492)</b>	<b>(12,369,314)</b>
<b>Net interest income</b>		<b>12,805,799</b>	<b>12,943,267</b>
Allowance for impairment of loans to customers and finance lease receivables	8, 9	(2,711,001)	(6,187,708)
<b>Net interest income after allowance for impairment of loans to customers and finance lease receivables</b>		<b>10,094,798</b>	<b>6,755,559</b>
Net losses from transactions with derivative financial assets	7	(786,945)	(947,531)
Net (losses)/gains from transactions in foreign currencies		(1,274,414)	290,810
Other income	22	1,024,387	878,302
<b>Non-interest (expenses)/income</b>		<b>(1,036,972)</b>	<b>221,581</b>
Personnel expenses	23	(2,620,500)	(2,380,330)
Other operating expenses	23	(1,034,092)	(732,470)
Net loss from restructuring of loans to customers	24	(599,402)	(669,237)
Other impairment and provisions	25	(1,105,641)	(300,170)
Amortisation		(192,108)	(171,086)
<b>Non-interest expenses</b>		<b>(5,551,743)</b>	<b>(4,253,293)</b>
<b>Profit before corporate income tax benefit</b>		<b>3,506,083</b>	<b>2,723,847</b>
Corporate income tax benefit	17	66,137	504,782
<b>Profit for the year</b>		<b>3,572,220</b>	<b>3,228,629</b>

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

  
 Karagoishin Rustam Timurovich Acting Chairman of the Management Board  
  
 Shodanova Gulnara Takishevna Chief accountant

15 March 2018

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of tenge)	Note	2017	2016
<b>Profit for the year</b>		<b>3,572,220</b>	<b>3,228,629</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>3,572,220</b>	<b>3,228,629</b>

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

  
 Karagoishin Rustam Timurovich Acting Chairman of the Management Board  
  
 Shodanova Gulnara Takishevna Chief accountant  
 15 March 2018

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of tenge)	Share capital	Additional paid-in capital	Reserve funds	Provision for notional distribution	Retained earnings / (accumulated loss)	Total equity
As at 31 December 2015	82,837,204	22,248,866	1,436,184	(9,047,665)	(2,045,030)	95,429,559
Total comprehensive income for the year	-	-	-	-	3,228,629	3,228,629
Gain on initial recognition of loans due to the Shareholder at fair value, net of tax	-	1,033,987	-	-	-	1,033,987
Dividends declared	-	-	-	-	-	-
Provision for notional distribution for the year, net of tax	-	-	-	(324,350)	-	(324,350)
<b>As at 31 December 2016</b>	<b>82,837,204</b>	<b>23,282,853</b>	<b>1,436,184</b>	<b>(9,372,015)</b>	<b>1,183,599</b>	<b>99,367,825</b>
Total comprehensive income for the year	-	-	-	-	3,572,220	3,572,220
Gain on initial recognition of loans due to the Shareholder at fair value net of tax	-	1,629,938	-	-	-	1,629,938
Dividends declared	-	-	-	-	(1,614,314)	(1,614,314)
Provision for notional distribution for the year net of tax	-	-	-	(170,718)	-	(170,718)
<b>As at 31 December 2017</b>	<b>82,837,204</b>	<b>24,912,791</b>	<b>1,436,184</b>	<b>(9,542,733)</b>	<b>3,141,505</b>	<b>102,784,951</b>

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

Karagoishin Rustam Timurovich

Acting Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief accountant

15 March 2018

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of tenge)	Note	2017	2016
<b>Cash flows from operating activities</b>			
Interest received		23,717,641	21,400,923
Interest paid		(10,307,315)	(7,556,872)
Realised gains less losses from transactions with derivative financial assets	7	42,121	70,223
Personnel expenses paid		(2,788,270)	(2,339,589)
Other operating expenses paid		(995,693)	(750,221)
Other income received		318,740	258,194
Realised losses less gains from dealing in foreign currencies		(107,662)	(130,688)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>9,879,562</b>	<b>10,951,970</b>
<i>Net decrease/(increase) in operating assets:</i>			
Amounts due from credit institutions		532,728	1,871,187
Loans to customers		7,561,478	3,026,777
Finance lease receivables		17,276,929	(12,507,446)
VAT and other taxes receivable		(1,232,312)	(319,875)
Advances paid		(2,256,264)	(120,144)
Other assets		(794,817)	(440,736)
<i>Net decrease in operating liabilities:</i>			
Advances received		1,052,974	299,740
Other liabilities		445,659	1,383,809
<b>Net cash flows from operating activities before corporate income tax</b>		<b>32,465,937</b>	<b>4,145,282</b>
Corporate income tax paid		(293,319)	(268,167)
<b>Net cash flows from operating activities</b>		<b>32,172,618</b>	<b>3,877,115</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets		(537,062)	(93,142)
Proceeds from sale of property, plant and equipment		4,526	1,682
<b>Net cash used in investing activities</b>		<b>(532,536)</b>	<b>(91,460)</b>



(continued)  
**STATEMENT OF CASH FLOW**  
FOR THE YEAR ENDED 31 DECEMBER 2017

(thousands of tenge)

	Note	2017	2016
<b>Cash flows from financing activities</b>			
Proceeds from loans due to the Shareholder	30	6,653,248	5,504,093
Repayment of loans due to the Shareholder	30	(18,511,028)	(27,007,199)
Proceeds from loans due to credit institutions	30	11,220,884	26,712,555
Repayment of loans due to credit institutions	30	(10,953,506)	(17,621,359)
Proceeds from debt securities issued	30	-	8,000,000
Dividends paid to the Shareholder	21	(1,614,314)	-
<b>Net cash used in financing activities</b>		<b>(13,204,716)</b>	<b>(4,411,930)</b>
Effect of exchange rate changes on cash and cash equivalents		(186,090)	(258,166)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>18,249,276</b>	<b>(884,441)</b>
Cash and cash equivalents, beginning of the year	5	22,989,891	23,874,332
<b>Cash and cash equivalents, ending of the year</b>	<b>5</b>	<b>41,239,167</b>	<b>22,989,891</b>
<b>Non-cash transactions</b>			
Offsetting of current corporate income tax assets against other tax liabilities		300,000	-

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

Karagoishin Rustam Timurovich

Acting Chairman of the Management Board.

Shodanova Gulnara Takishevna

Chief accountant

15 March 2018

# GLOSSARY

AS	agricultural sector
GDP	gross domestic product
FLM	fuel and lubricant materials
SI	state institution
FSD	financial statements depository
KAF	KazAgroFinance
MPI	municipal public institution
KPI	key performance indicator
CM	corporate management
IFRS	International Financial Reporting Standards
MA	Ministry of Agriculture
MM	mass media
AP	agricultural producer
MM	mass media
ROA	return on assets
ROE	return on equity
NPL	loan on which the terms of the primary credit agreement are not complied with

# CONTACTS

## CENTRAL OFFICE

Republic of Kazakhstan, 010000,  
Astana city, 51, Kenesary St., VP-4

Reception: +7 (7172) 58-04-37, 58-04-38

Hotline: +7 (7172) 58-04-50

Coordination with shareholder: +7 (7172) 58-04-51

Direct Investment: +7 (7172) 55-73-40

Press Office: +7 (7172) 58-04-11

Correspondence reception: +7 (7172) 55-65-33

Call-center: +7 (7172) 55-77-55, 1429

Fax: +7 (7172) 58-04-46

e-mail: mailbox@kaf.kz

## COMPANY BRANCHES

### Akmola region

Kokshetau, 96, Abai St., office 703, 704, 810  
tel.: +7 (7162) 91-00-30, 91-00-31,  
91-00-32, 91-00-33, 91-00-34, 91-00-35  
e-mail: akm@kaf.kz, akm5@kaf.kz

### Almaty city

Almaty, 142, Bogenbai batyr St.,  
Business Centre Kaisar, 4 floor  
tel.: +7 (7272) 95-93-50, 95-93-51  
e-mail: credit\_alm2@kaf.kz

### Almaty region

Taldykorgan, 7 micro district, building 10,  
Business Center 'Koktem Grand', 7 floor  
tel.: +7 (7282) 55-86-80, 55-86-81  
e-mail: almaty@kaf.kz

### Aktobe region

Aktobe, 51/1, Abylkhair khan Ave.  
tel.: +7 (7132) 92-11-80, 92-11-81  
e-mail: akt3@kaf.kz

### Atyrau region

Atyrau, 13A, Satpayev St., 3 floor  
tel.: +7 (7122) 93-00-31, 93-00-32  
e-mail: atr@kaf.kz

### East-Kazakhstan region

Ust-kamenogorsk, 62, Satpayev Ave.  
tel.: +7 (7232) 49-24-77, 49-24-76  
e-mail: vko@kaf.kz

### Zhambyl region

Taraz, 17, Suleimenov St.  
tel.: +7 (7262) 99-92-20, 99-92-23  
e-mail: tar@kaf.kz

### West-Kazakhstan region

Uralsk, 28, S. Datov St.  
tel.: +7 (7112) 96-00-30, 96-00-31  
e-mail: zko@kaf.kz

### Karaganda region

Karaganda, 53/1, Bukhar Zhyrau St.  
tel.: +7 (7212) 92-24-07, 92-24-08,  
92-24-09, 92-24-10  
e-mail: krg@kaf.kz

### Kostanai region

Kostanai, 1A, Bauman St.,  
Business Center 'BOSS'  
tel.: +7 (7142) 99-97-71, 99-97-72  
e-mail: kst3@kaf.kz

## AUDITOR

'Ernst and Young' LLP  
Republic of Kazakhstan, 050060,  
Almaty city, 77/7, Al-Farabi Ave.,  
Building 'Yessentai Tower'

phone: +7(727)258-59-60

fax: +7(727)258-59-61

# Annual Report

AT YEAR-END 2017

SPECIAL  
ISSUE



AR2017.KAF.KZ

### Chief Editor

Zarina Akhmedzhanova

### Editors

Yelena Tsoy

Binara Shornayeva

### Prepared by

Alma Ismagulova, Gulnara Zhakupova, Zhanna Sulkebayeva,  
Julia Zaplatina, Aigerim Almazova, Azamat Sogumbayev,  
Gulim Zhamanova, Andrey Petrov, Olessya Chernikova

### Design and make-up

'IR.KZ' LLP

### Photographer

Yuri Oleinikov

2017 Annual Report

Published  
since 2003

Issued  
once a year

Edition  
of 140 copies