

ФЕРМЕР ӨСІП КӨРКЕЙСЕ – КӨРКЕЙЕДІ ТУҒАН ЕЛ!

ПРОЦВЕТАЕТ ФЕРМЕР – ПРОЦВЕТАЕТ СТРАНА!

PROSPERING FARMER – PROSPERING COUNTRY!



КАЗАГРОФИНАНС

2013 ЖЫЛДЫҚ ЕСЕП
ГODOBOЙ ОТЧЕТ
ANNUAL REPORT

 **KAZAGROFINANCE**



ANNUAL REPORT

2013

IN 2013 WE:

Commissioned the record number of the Investment Projects in all regions of Kazakhstan

Launched financing of the new priority trends:
- leasing of alternative energy sources
- leasing of agricultural planes
- leasing of national pedigree cattle

Leased the record number of the grain harvesters

Became the participant of the Program for Subsidizing of the Interest Rates on Leasing/Crediting for Agricultural Support

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A SPARK WILL
TRIGGER A FLAME...!

DEAR PARTNERS AND COLLEAGUES,

When 14 years ago, yet at the dawn of rising of the Independent Kazakhstan, KazAgroFinance was established as a small financial instrument for leasing of the agricultural machinery, nobody had in mind that after some time the small company would become one of the largest institutions financing the agriculture in the country. Today, leasing of agricultural machinery and equipment is only one of many areas of the Company's activities along with the Investment Projects and a host of other things. I suppose, today there is hardly an agrarian in the village, who did not hear or have an opportunity to deal with "KazAgroFinance" JSC and other subsidiaries of National Managing Holding "KazAgro" JSC.

If we make a retrospective journey into the history, one of the Company's first Annual Reports for 2003 showed such data: "at the end of 2003 the loan portfolio amounted to **KZT 9.3 mlrd.**, the Company's assets made up **KZT 14.4 mlrd.**, **750 leasing contracts** were made". By contrast,

in **2013**, the loan portfolio stroke **KZT 167.7 mlrd.**, and the Company's assets increased to **KZT 207.0 mlrd.**, there had been made **11 815 contracts**. Meanwhile for 2000 through 2013 the purchase of over **25 000 units** of machinery to the total amount of **KZT 217.7 mlrd.** was financed.

As they say, "A spark will trigger a flame...". It is a "spark" under the first wheel of harvester leased by our Company, and "the flame of work" in the Kazakhstani agrarians' hands, who serve for good of all our great Country. We would like to thank all partners and clients for contribution and collaboration and wish you every success, health and stability!



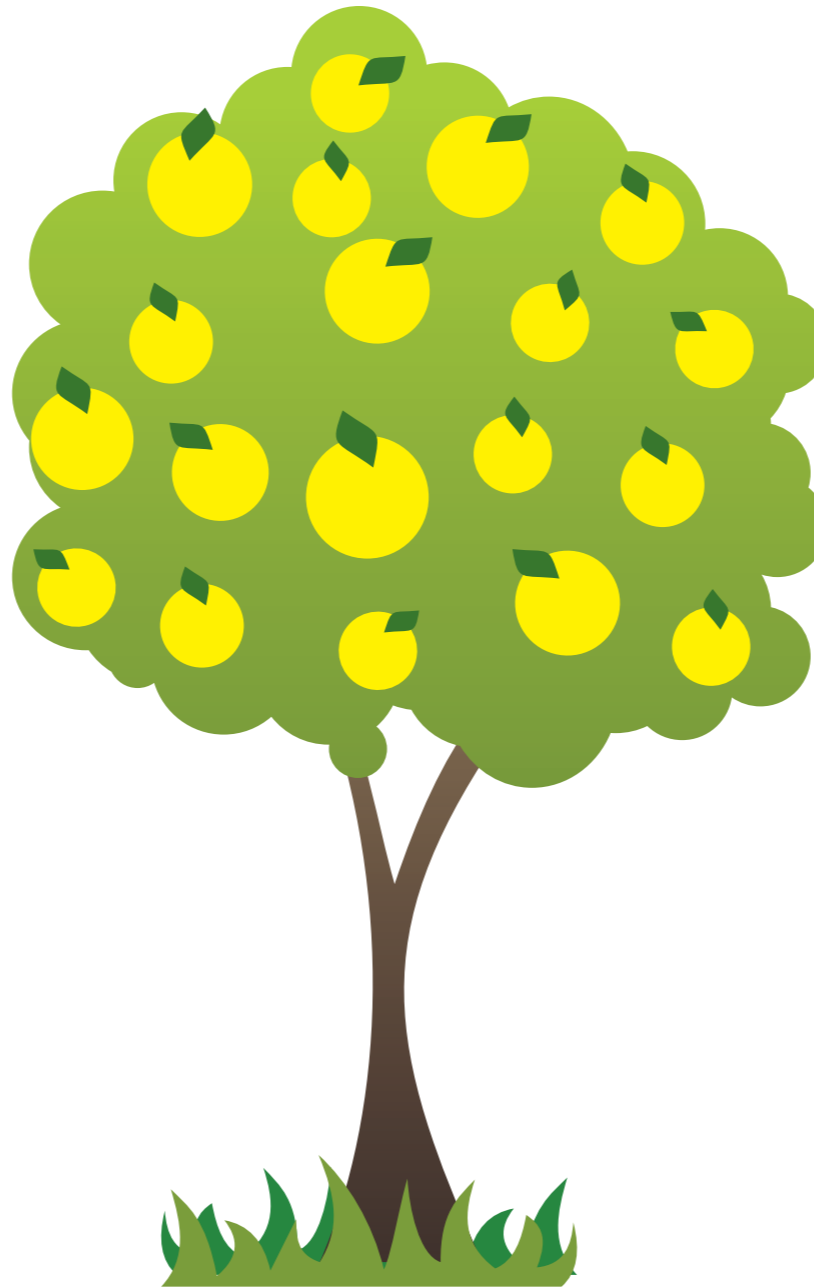
Sincerely,
Chairman of the Board
"KazAgroFinance" JSC
Gumar Rakhimzhanov



CHAIRMAN OF THE BOARD
"KazAgroFinance" JSC
Gumar Tyulegenovich Rakhimzhanov



PROFESSIONAL TEAM



Chairman of the Board
Gumar Tyulegenovich Rakhimzhanov



First Deputy Chairman of the Board –
Board Member
Nurlan Amantayevich Umirzakov
SUPERVISED BLOCKS:
Accounting and Reporting Department
Financial and Economical Department
Information Technology Department



Deputy Chairman of the Board –
Board Member
Assylkhan Bolatovich Juvashv
SUPERVISED BLOCKS:
Crediting and Leasing Department
Legal Department



Deputy Chairman of the Board –
Board Member
Baurzhan Lepasovich Zhaniyazov
SUPERVISED BLOCKS:
Technical Support Department
Branches of “KazAgroFinance” JSC



Managing Director –
Board Member
Aidos Abdikaliyevich Bekbauov
SUPERVISED BLOCKS:
Crediting and Leasing Department
Legal Department



Director of Legal Department –
Board Member
Baurzhan Kairgeldiyevich Bishenov
SUPERVISED BLOCKS:
Legal Department



Managing Director –
Zauresh Nogumetovna Shokumanova
SUPERVISED BLOCKS:
Technical Support Department
Branches of “KazAgroFinance” JSC



Advisor to Chairman of the Board –
Board Member
Gulnaz Turekhanovna Atamkulova
SUPERVISED BLOCK:
Loan Administration Department



Managing Director –
Chief of Staff
Nazgul Gazizovna Telebayeva
SUPERVISED BLOCKS:
Human Recourses and Documentation Department
Administrative Department
Strategic Development and Marketing Department
Summary and Internal Control Division

PROFILE

“KazAgroFinance” JSC (hereinafter as “the Company”) was incorporated on December 28, 1999 in accordance with the Decree of the Government of the Republic of Kazakhstan dated November 24, 1999 No.1777 “On Some Agricultural Issues” for assistance in solving one of the main problems of agriculture – renewal of technical fleet. The Company is a part of the National Managing Holding “KazAgro”.

KEY OBJECTIVE

SUPPORTING THE DEVELOPMENT OF THE REPUBLIC’S AGRICULTURAL SECTOR BY PROVIDING THE AFFORDABLE FINANCIAL SERVICES AND CARRYING OUT THE LEASING ACTIVITIES ON ITS TECHNICAL AND TECHNOLOGICAL RENEWAL BASED ON THE OPERATIONAL EXCELLENCE AND RELIABILITY.

MISSION

Technological renewal of the agricultural sector by providing the agricultural producers with the affordable funds, as well as the agricultural machinery and technological equipment on lease basis.

VISION OF COMPANY BY 2020

To be a key financial and investment institution in the agricultural sector of Kazakhstan ensuring the efficient management of own resources for the support of the republic’s agricultural sector development by providing the affordable financial services and leasing activity on its technical and technological renewal based on the high business standards and reliability.

The Company provides financing for implementation of new high-tech production facilities in order to furnish them with the complete-production cycle technological equipment produced by the world leading manufacturers.

TYPES OF ACTIVITIES

For implementation of the chartered objectives the Company carries out the following types of activity:

1. leasing activities in agricultural sector;
2. crediting and providing the agricultural sector entities with financial and other services;
3. participation in implementation of the republican budget and other programs aimed at the agricultural sector development.

The Company is represented by 15 branches in all regions of Kazakhstan.

WHAT IS 2013 REMEMBERED FOR?

CREDITING AND LEASING

- It was allocated KZT 76.8 mlrd. for the agricultural sector development that is 55% more as compared to the last year.
- The share of non-budgetary funds in the total investments exceeded the budget funds and made up 55% against 45%.
- The financial support was provided to 1 464 borrowers and 2 398 contracts were made, which, as compared to 2012, is more by 17.3% and 16.7% respectively.
- There were leased 3 537 units of various agricultural machinery and equipment to the total amount of KZT 41.5 mlrd. that hit the scheduled indices for 54%.
- Within the framework of the Program “Beef Export Potential Development” there were imported 7 887 head of pedigree beef cattle to the republic.
- The Kazakhstani Cattle Leasing Program was launched, within which 851 head of local pedigree cattle were delivered.
- There were commissioned 63 Investment Projects to the amount of KZT 30 mlrd.
- The subsidies were provided to 859 borrowers under 1 373 contracts to the total amount of KZT 25.1 mlrd.

FINANCIAL

- In 2013 the comprehensive income of “KazAgroFinance” JSC amounted to KZT 14 136.2 mln. that is 30.5% more as compared to the last year.
- The Company’s operating income totaled to KZT 13 749.8 mln. that is 29.7% more than in 2012.

- As compared to 2012, the net income of “KazAgroFinance” JSC in 2013 increased by 5 times and amounted to KZT 3 005.7 mln.

TECHNICAL SUPPORT

- The record number of harvesters was leased to the clients – 727 units that is 5% more than in 2012.
- The number of manufacturers and suppliers of agricultural machinery, cattle and equipment increased by 9.3%.
- The geographic cooperation with the countries in the agricultural sector was extended.
- The purchase of the domestic cattle from the local agricultural producers was started for further leasing.

SOCIAL

- The Branch in Mangistau region was returned to business.
- A new Branch in Almaty city was established, which provides the Company’s services in Almaty city and 10 districts of Almaty region.
- The Company’s branches were relocated within the framework of opening the Farmers Servicing Centres.
- The Company’s staff was increased by 55 people.
- For the first time, the events called “Opening Days” were held in 7 regions of the Republic of Kazakhstan for having a direct dialogue with the clients.

SHARE AT LEASING MARKET

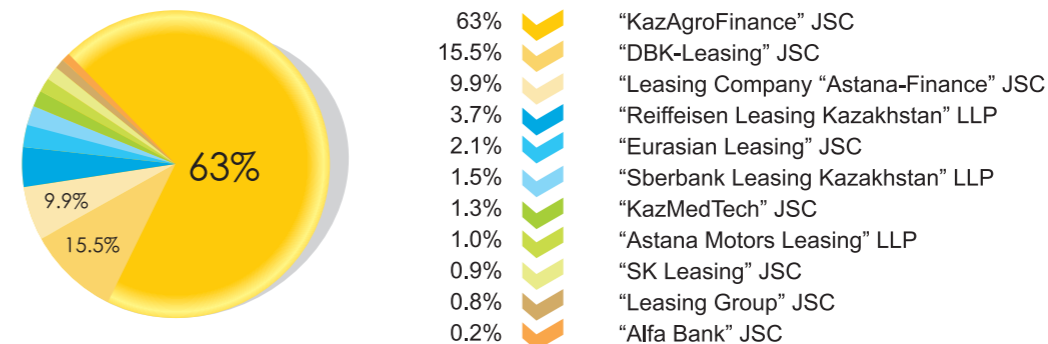
The leasing market remains to be one of the most in-demand and prospective financial instruments for the working capital renewal in Kazakhstan, which is facilitated by the availability of advantages against the banking lending, the governmental support, as well as the essential wear of the main funds.

leasing companies, which shareholders are the state institutions as well.

In 2013 there was the high state role in developing of the leasing market under many sectors of economy, as is evidenced by the high share (over 80%) of

To date, the top of the leasing market according to the Rating Agency “Expert RA Kazakhstan” is made by “KazAgroFinance” JSC (63.1%), “DBK-leasing” JSC (15.5%) and “Astana-Finance Leasing” JSC (9.9%). The share of the other leasing companies falls within 11.5% of market.

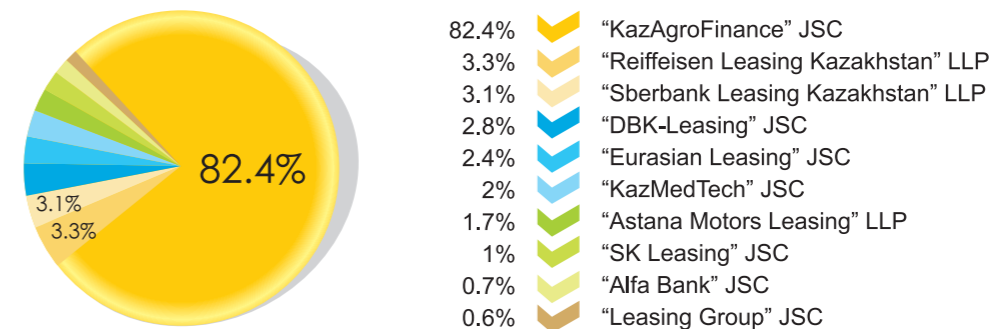
SHARE OF “KAZAGROFINANCE” JSC AT LEASING MARKET ACCORDING TO CURRENT PORTFOLIO



Source: Expert RA Kazakhstan

By extent of new business at the leasing market, “KazAgroFinance” JSC takes 82.4% of the market, the second place is shared by “Reiffeisen Leasing Kazakhstan” LLP (3.3%) and “Sberbank Leasing Kazakhstan” JSC (3.1%).

SHARE OF “KAZAGROFINANCE” JSC AT LEASING MARKET ACCORDING TO EXTENT OF NEW BUSINESS



Source: Expert RA Kazakhstan

The comparative analysis of the basic terms of financing of the key players at the leasing market in the agricultural sector showed that the terms of “KazAgroFinance” JSC are acceptable and affordable for the majority of agricultural producers of the country.

The core competitive advantages of the Company as compared to the other market players are lower interest rate for leasing and crediting, longer periods of financing, availability of grace period etc.



CORPORATE MANAGEMENT

“KazAgroFinance” JSC regards the corporate management as an instrument for the efficiency improving of the Company’s activity, strengthening of its reputation and reducing of the expenses on the capital raising.

THE CORPORATE MANAGEMENT STRUCTURE OF “KAZAGROFINANCE” JSC CONSISTS OF:

- ▶ SUPERIOR BODY OF THE COMPANY – GENERAL SHAREHOLDERS MEETING (SOLE SHAREHOLDER);
- ▶ MANAGEMENT BODY OF THE COMPANY – BOARD OF DIRECTORS;
- ▶ EXECUTIVE BODY OF THE COMPANY – BOARD;
- ▶ BODY SUPERVISING THE FINANCIAL AND ADMINISTRATIVE ACTIVITIES OF THE COMPANY – INTERNAL AUDIT SERVICE;
- ▶ OTHER BODIES IN ACCORDANCE WITH THE LEGAL ACTS OF THE REPUBLIC OF KAZAKHSTAN.

Availability of the risk management system (Risk Management Department) and the supervising body (Internal Audit Service) with “KazAgroFinance” JSC forms the basis for the adequate management system providing for applying by the Company of the risk control methods ensuring the efficient identification, evaluation and limiting of risks, taking into account the type and extent of operations carried out by us. Both subdivisions are subordinated to the Company’s Board of Directors.

The Risk Management Department is responsible for introduction and carrying out the procedures related to the risk management in order to ensure the independent control process for complying with the Company’s Risk Management Principles and Policy.

In its turn, the Internal Audit Service forms a part of the continuous monitoring of the Company’s internal control system and the internal capital estimate procedure, since the internal audit ensures the independent appraisal of the adequacy and compliance with the Company’s established internal policies and procedures. The Internal Audit Service assists the Company’s management and the Board of Directors in efficient and effective performance of their duties.

Thus, the risk assessment and control of the Company’s all operations allow minimizing all the risks related to KazAgroFinance’s activity essentially that finally makes a positive impact on the loan portfolio quality.

BOARD OF DIRECTORS OF “KAZAGROFINANCE” JSC:

CHAIRMAN OF THE BOARD OF DIRECTORS

DULAT NULIYEVICH AITZHANOV
Chairman of the Board of Holding “KazAgro” JSC

MEMBERS OF THE BOARD OF DIRECTORS

DAUREN SABITOVICH MAKHAZHANOV
Deputy Chairman of the Board of Holding “KazAgro” JSC

YERKEGALI SERIKOVICH YEDENBAYEV
Chairman of the Board of Corporation “Tsesna” JSC – Independent Director

ADYLKHAN AITKAZYNOVICH KENZHEBAYEV
Director General of Agrofirma “Kazexportastyk” LLP – Independent Director

GUMAR TYULEGENOVICH RAKHIMZHANOV
Chairman of the Board of “KazAgroFinance” JSC

BOARD OF “KAZAGROFINANCE” JSC:

GUMAR TYULEGENOVICH RAKHIMZHANOV
Chairman of the Board

NURLAN AMANTAYEVICH UMIRZAKOV
First Deputy Chairman

ASSYLKHAN BOLATOVICH DZHUVASHEV
Deputy Chairman

BAURZHAN LEPESOVICH ZHANIYAZOV
Deputy Chairman

AIDOS ABDIKALIYEVICH BEKBAUOV
Managing Director

GULNAZ TUREKHANOVNA ATAMKULOVA
Advisor to Chairman of the Board

BAURZHAN KAIRGELDIYEVICH BISHENOV
Director of Legal Department

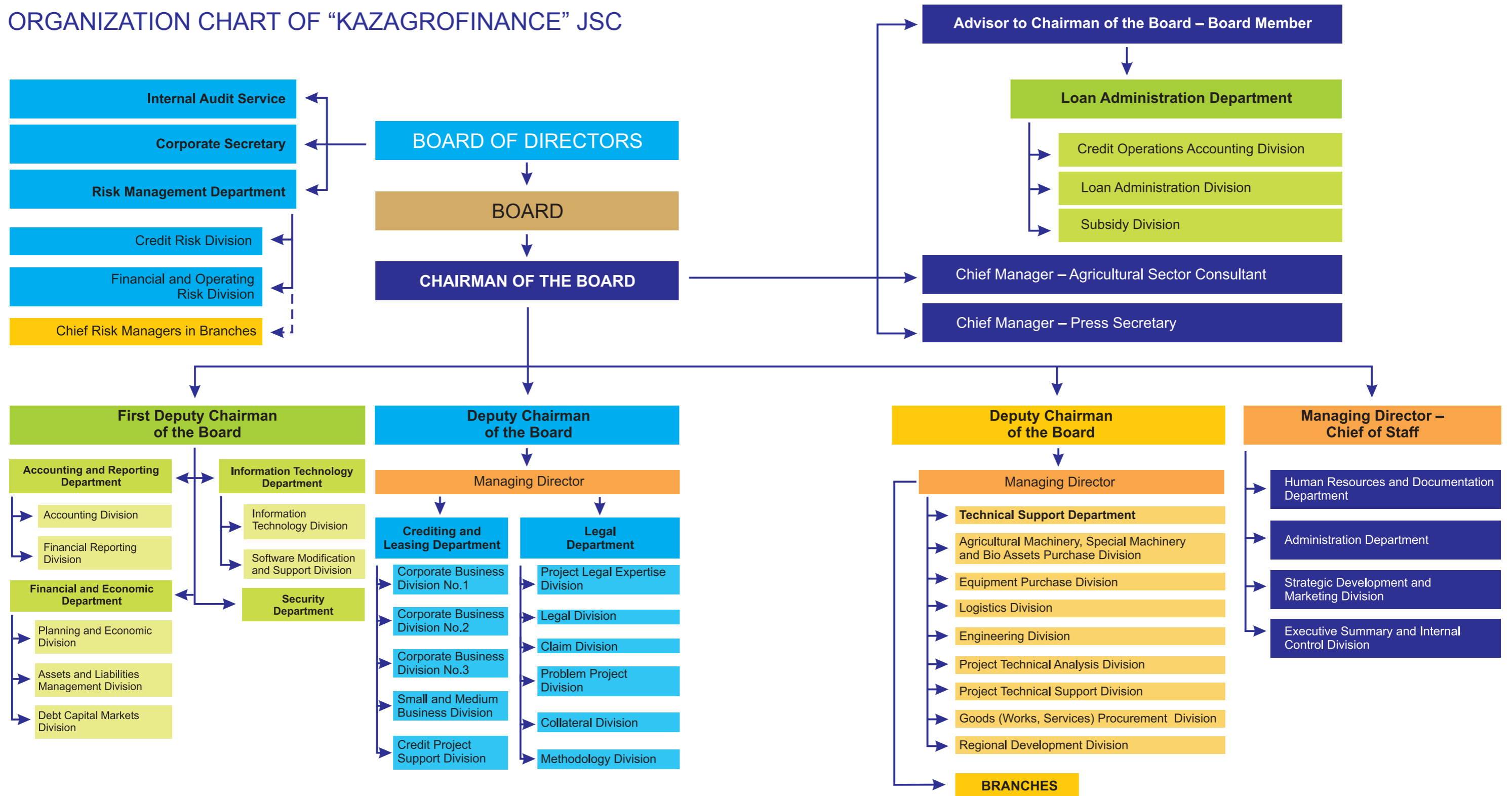
QUALITY MANAGEMENT SYSTEM

In 2013 from February 12 through February 15 the Company’s incoming top management was trained regarding the management role and duties in QMS, as well as 12 employees of the Company were trained regarding “**Practical Aspects of Development, Introduction and Conduct of Audit of Quality Management System in Accordance with ISO 9001:2008**”, taking into account ISO 19011.

From July 25 through July 31, 2013 the internal audit of QMS aimed at control of compliance with the Company’s internal normative documents was carried out.

Based on the results of the external audit carried out from September 30 through October 2, 2013 by Intertek International Kazakhstan, it was found that QMS was introduced efficiently, the quality of the Company’s services complied with the standards.

ORGANIZATION CHART OF “KAZAGROFINANCE” JSC



TRACK RECORD

TRACK RECORD



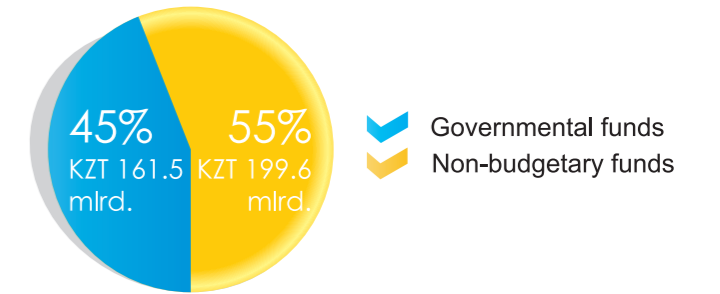
INVESTMENT IN AGRICULTURAL SECTOR

Over 13 years of its activity “KazAgroFinance” JSC invested in the agricultural sector development about KZT 361.1 mlrd. or over USD2.3 mlrd., including KZT 76.8 mlrd. in 2013, which is more than 55% as compared to the previous year. It should be also mentioned that the share of non-budgetary funds in the total investment exceeded that of the governmental funds and was 55% against 45%.

CONTRACTS

For 2013 the Company provided financial support to 1 464 borrowers with which 2 398 contracts were made that is 17.7% and 16.7% respectively higher as compared to 2012.

FOR 2000 – 2013 THE TOTAL INVESTMENT AMOUNTED TO KZT 361.1 MLRD. (OR USD 2.3 MLRD.)

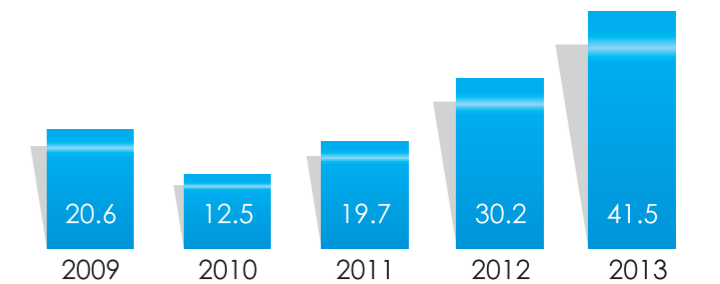


FINANCED MACHINERY

From 2000 through 2013 within the support of the agricultural sector entities it was financed the purchase of over 25 173 units of machinery and equipment to the total amount of KZT 217.7 mlrd.

Among them in 2013 it was leased 3 537 units of various agricultural machinery and equipment to the total amount of KZT 41.5 mlrd.

In total, the purchase share of agricultural machinery by “KazAgroFinance” JSC takes 35% of the total volume of machinery purchase in Kazakhstan.



MACHINERY SUPPLY	2010		2011		2012		2013		Total 2000-2013	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount KZT mlrd.
	1365	12.5	2539	19.7	3048	30.2	3537	41.5	25173	217.7

PLANNED PURCHASE OF AGRICULTURAL MACHINERY FOR 2013 – KZT 27.0 MLRD., ACTUALLY PURCHASED AS OF 31.12.2013 – KZT 41.5 MLRD. (IMPLEMENTATION FOR 154%)

CATTLE SUPPLY

Since 2011 “KazAgroFinance” JSC has been an operator of the Program “Beef Export Potential Development”, within which 24 821 head of beef pedigree cattle was imported.

In 2013 it was allocated KZT 5.2 mlrd. from the republican budget, which were disbursed in full (100%). Within the Program it was supplied 7 887 head of cattle or 95% of the plan.

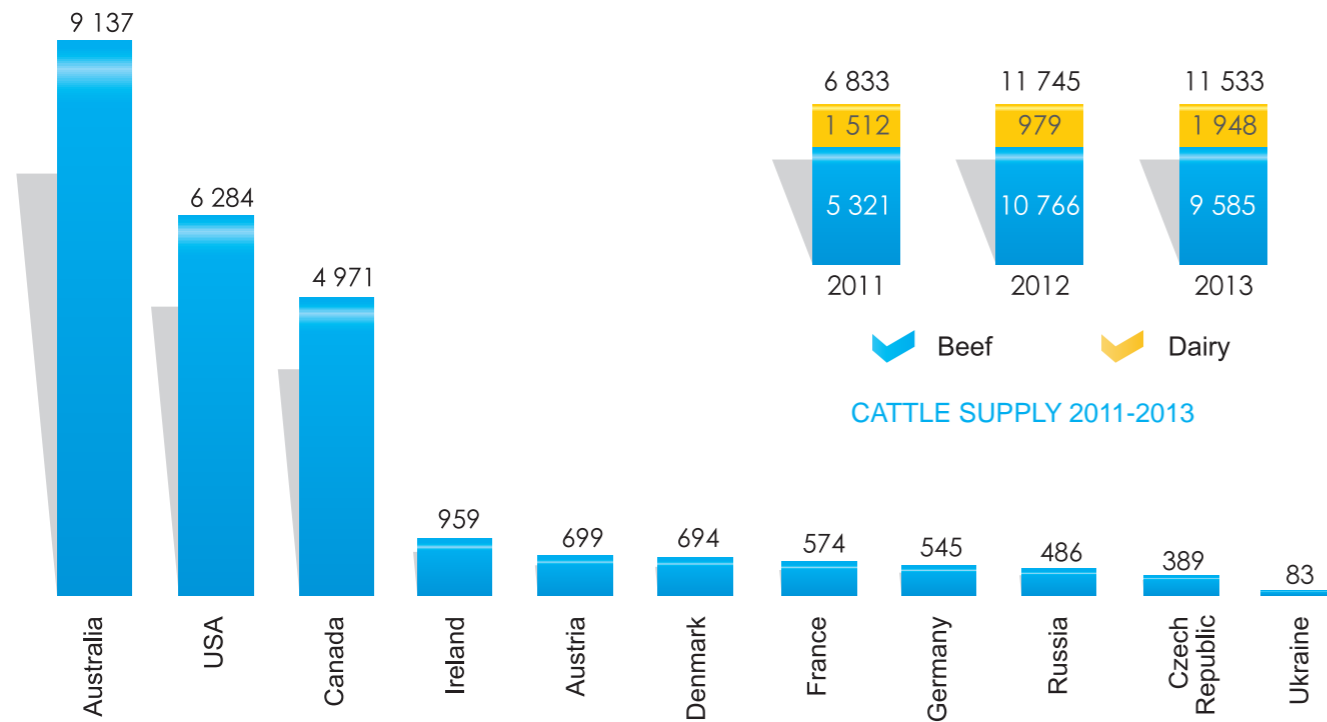
Meanwhile, the Company finances the purchase of the Kazakhstani cattle for the account of non-budgetary

funds. Thus, in 2013 it was supplied 851 head of cattle. Moreover, since 2013 “KazAgroFinance” JSC has approved the terms of financing for purchase of II Category cattle and the Kazakhstani cattle on lease.

Totally, for 2011-2013 the Company supplied over 30 thousand head of cattle, including: 4 439 head of dairy cattle, 25 672 head of beef cattle.

Among them, in 2013 it was approved 24 548 head for supply, in fact it was supplied 11 533 head of cattle.

TREND	2011		2012		2013	
	Approved	Supplied	Approved	Supplied	Approved	Supplied
Total cattle	7 213	6 833	13 795	11 745	24 548	11 533
Cattle for the account of Budget “043”	5 690	5 321	12 815	10 766	21 010	8 734



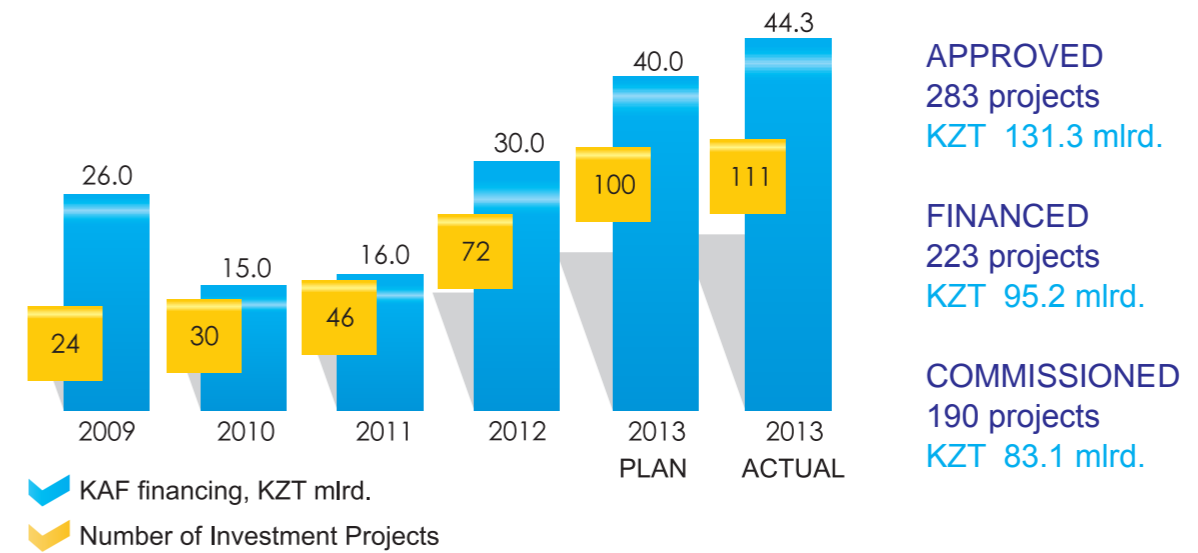
KEY EXPORTING COUNTRIES OF BEEF CATTLE

BEHAVIOR OF FINANCING OF INVESTMENT PROJECTS

Within the competitive selection of the investment program for implementation of the Investment Projects, the Company approved 283 Investment Projects to

the amount of KZT 131.3 mlrd. for 2009 – 2013. There is a positive dynamics in consideration and approval of the projects as compared to the previous years. For 2013 111 Investment Projects to the amount of KZT 44.3 mlrd. were approved.

No	FINANCING TREND	Quantity	Amount, KZT mlrd.	No	FINANCING TREND	Quantity	Amount, KZT mlrd.
1	Reproducer farms	91	28.6	8	Poultry farms	12	22.3
2	Vegetable storehouses	28	8.5	9	Assembly of agricultural machinery	4	3.5
3	Dairy farms	25	22.1	10	Feed yards	5	1.0
4	Greenhouse complexes	24	22.5	11	Rice processing	3	2.1
5	Granaries	20	7.8	12	Slaughter shop	2	0.5
6	Fodder production development	23	7.2	13	MPC	1	2.0
7	Irrigation system	18	2.1		OTHER	27	1.1
TOTAL						283	131,3



PROJECTS APPROVED BY INVESTMENT TRENDS

INVESTMENT PROJECTS COMMISSIONED SINCE 2009

FOR 2009 – 2013 “KAZAGROFINANCE” JSC COMMISSIONED 190 INVESTMENT PROJECTS TO THE AMOUNT OF KZT 83.1 MLRD., INCLUDING:

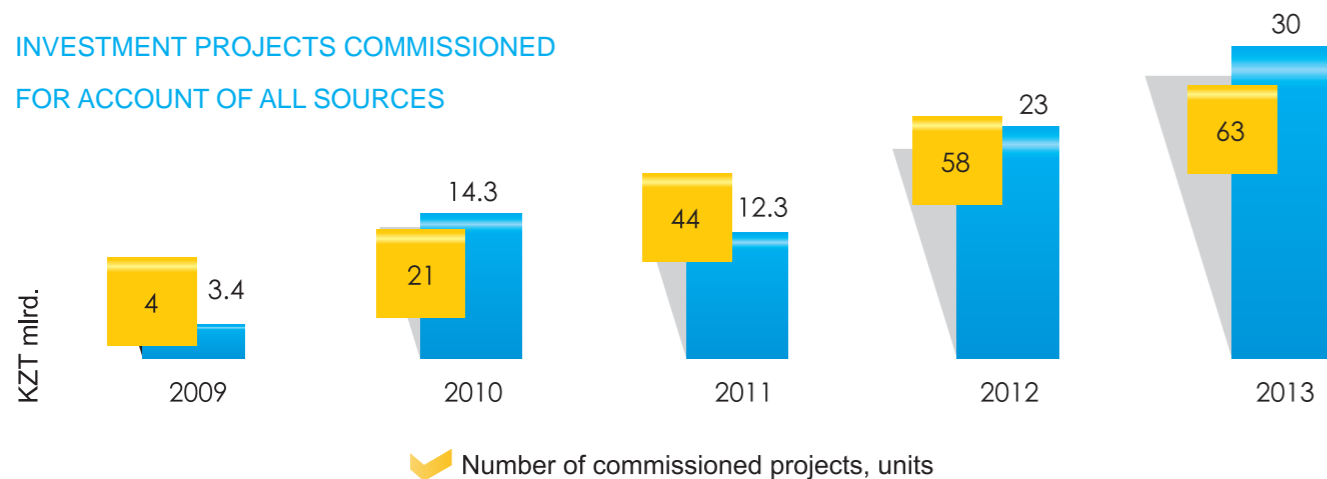
- 94 projects for KZT 60.9 mlrd. for the account of the National Fund of the Republic of Kazakhstan;
- 88 projects for KZT 21.4 mlrd. for the account of budgetary funds;
- 8 projects for KZT 0.8 mlrd. for the account of the non-budgetary and own funds.

UNDER THE FOLLOWING PRIORITY TRENDS:

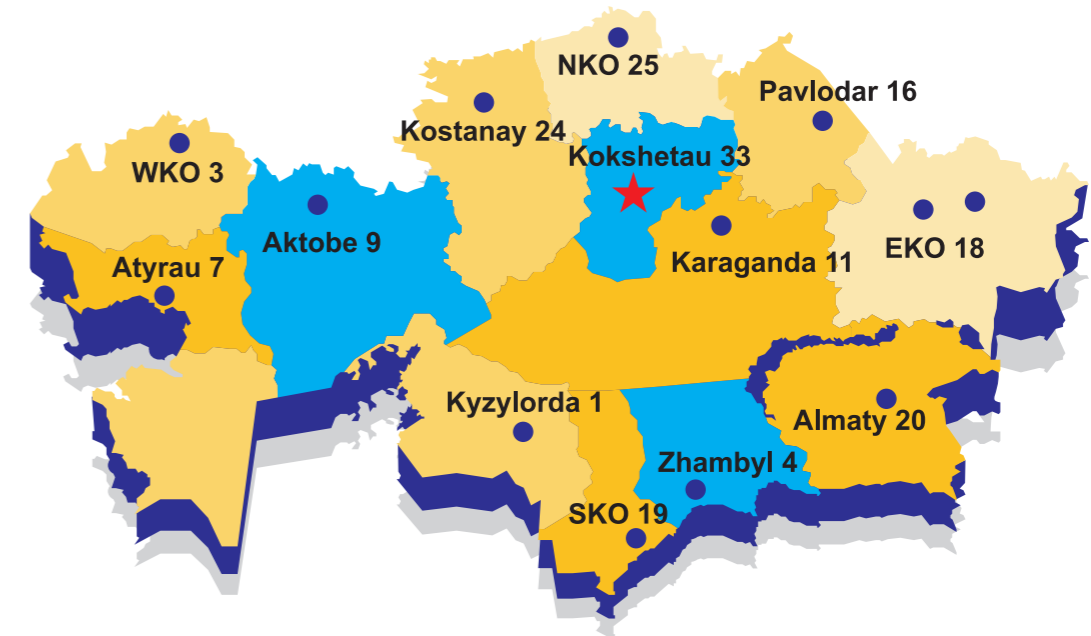
- 1 project for KZT 0.21 mlrd. for creation of feed yards for 1 000 head;
- 1 project for KZT 0.5 mlrd. for upgrading of oil pressing plant for 500 ton per year;
- 3 projects for KZT 2.5 mlrd. for creation of assembly production plants;
- 7 granaries for KZT 1.6 mlrd. for 91.5 thous. ton;
- 9 projects for KZT 0.6 mlrd. for creation of production facilities with applying the irrigation systems for 1.3 thous. ha and cultivation of 22 thous. ton of fruits and vegetables per year;
- 10 poultry farms for KZT 13.9 mlrd. (5 meat, 5 egg) producing 54 thous. ton of meat and 305.8 mln. eggs per year;

- 13 greenhouse complexes for 43 ha for KZT 13.0 mlrd. producing 22.2 thous. ton of vegetables per year;
- 15 projects for fodder production development for KZT 2 mlrd. for 99.2 thous. ton of fodder per year;
- 21 dairy farms for KZT 19.9 mlrd. producing 104.4 thous. ton of milk per year;
- 22 vegetable storehouses for KZT 5.8 mlrd. for 103.3 thous. ton per year;
- 23 projects for financing the enterprises on production and processing of the agricultural products for KZT 3.2 mlrd.;
- 65 projects for creation of reproducer farms with import of 31.9 thous. head of pedigree cattle for KZT 20.4 mlrd.

INVESTMENT PROJECTS COMMISSIONED FOR ACCOUNT OF ALL SOURCES



MAP OF IMPLEMENTED INVESTMENT PROJECTS



SUBSIDY PROGRAMS

IN 2013 “KAZAGROFINANCE” JSC BECAME THE OFFICIAL PARTICIPANT OF THE PROGRAM FOR SUBSIDIZING OF CHEAPENING OF INTEREST RATES ON LEASING / CREDITING FOR AGRICULTURE SUPPORT, INCLUDING:

- Under Program 213 “Processing Plants Development” Sub-program 100 “Reimbursement of Interest Rate on Crediting (Leasing) for Agriculture Support” (Regulation of the Government of the Republic of Kazakhstan No.129 dated 13.02.2013), in 2013 the Company approved 41 borrowers for subsidies under 160 contracts to the total amount of KZT 5.8 mlrd., the allocated subsidies amounted to KZT 235.5 mln.

- Under Program 214 “Plant Farming Development and Food Safety” Sub-program 104 “Cheapening of Interest Rates on Credit (Leasing) of Agricultural Machinery” (Regulation of the Government of the Republic of Kazakhstan No.730 dated 17.07.2013), in 2013 810 lessees were approved for subsidies under 1 196 financial leasing contracts to the total amount of KZT 18 mlrd., the allocated subsidies amounted to KZT 506.9 mln.

- Under Financial Recovery of Agricultural Sector Entities within the Program for Agricultural Sector Development in the Republic of Kazakhstan for 2013 – 2020 (Agribusiness-2020) (Regulation of the Government of the Republic of Kazakhstan No.816 or 10.08.2013r), in 2013 8 borrowers were approved for subsidies under 17 credit contracts to the total principal amount of KZT 1.3 mlrd.

FINANCIAL PERFORMANCE



In 2013 the comprehensive income of “KazAgroFinance” JSC totalled to KZT 14 136.2 mln., while the expenditures amounted to KZT 11 377.6 mln.

At that, the Company’s income on core operations (related to interest gaining) made up KZT 13 749.8 mln. that is 29.7% higher as compared to 2012, including the income on the financial lease increased by 27.7% as compared to the similar index of the last year and amounted to KZT 9 418.6 mln., and the income on the loans increased by 31.6% and amounted to KZT 3 786.6 mln.

In 2013 the income related to interest gaining, including: on leasing – 66.6%, on loans provided – 26.8% takes the most specific weight in the “KazAgroFinance” JSC income structure.

In 2013 the Company’s expenditures amounted to KZT 11 377.6 mln. and increased by 11% as compared to 2012.

The expenditures related to interest repayment – 37.6%, expenditures on reserves (provisions) – 21.9% take the most specific weight in the expenditure structure in 2013.

INDICES	2012	2013	2013 in % to 2012
Income	10 829.5	14 136.2	131%
Expenditures	10 247.8	11 377.6	111%
Corporate income tax	-24.1	-247.1	
Net income	605.8	3 005.7	496%

BEHAVIOUR OF INCOME AND EXPENDITURE, KZT MLN.

FINANCIALS KEY FINANCIAL PERFORMANCE

There is a stable tendency to growth in the behaviour of key financial performance of “KazAgroFinance” JSC activities, which is proved by the results of the audit carried out by Ernst & Young.

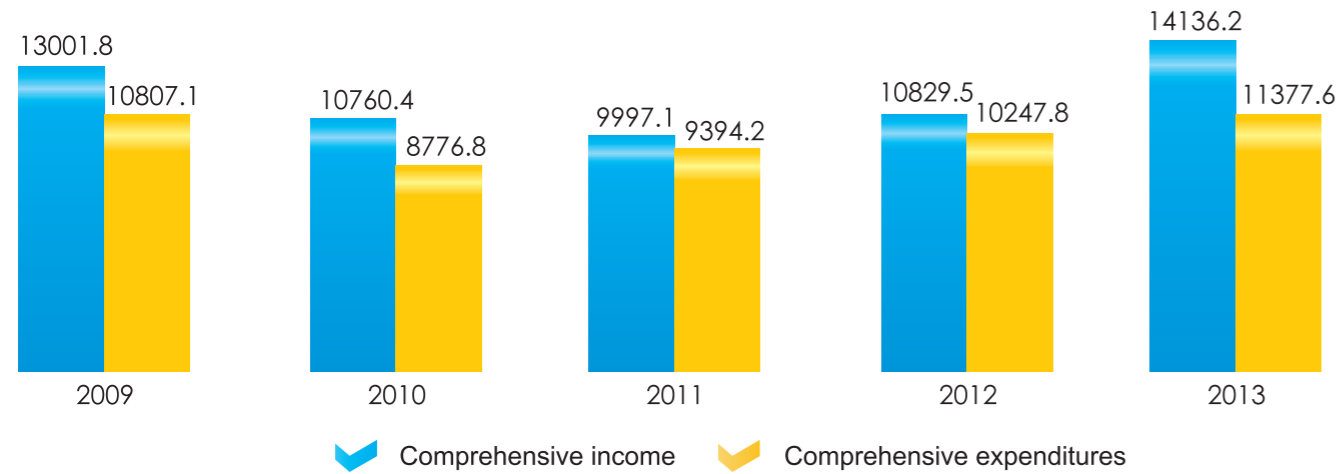
BEHAVIOUR OF KEY FINANCIAL PERFORMANCE, KZT MLN.

INDICES	2009	2010	2011	2012	2013*
Assets	105 331.9	110 206.8	132 864.4	152 296.7	206 561.4
Own capital, including	50 999.7	60 452.7	81 239.5	84 065.0	94 311.3
Chartered capital	48 450.2	54 450.2	74 350.2	75 653.2	80 883.5
Liabilities	54 332.2	49 754.1	51 624.9	68 231.7	112 250.1
Comprehensive income	13 001.8	10 760.4	9 997.1	10 829.5	14 136.2
Comprehensive expenditures	10 807.1	8 776.8	9 394.2	10 247.8	11 377.6
Corporate income tax	1 106.8	-423.2	-547.9	-24.1	-247.1
Net income	1 087.9	2 406.7	1 150.9	605.8	3 005.7
Return on assets (ROA), %	1.13%	2.23%	0.95%	0.42%	1.68%
Return on equity (ROE), %	2.21%	4.32%	1.62%	0.73%	3.37%

ROA (profitability) is one of the most important indices for featuring the efficiency of the assets applying by any company. "KazAgroFinance" JSC has a low enough level of return on assets as compared to other financial institutions, which is due to the specific nature of the Company's activity, and the statutory

objective of which is not high return on assets, but soft financing of the republic's agricultural sector.

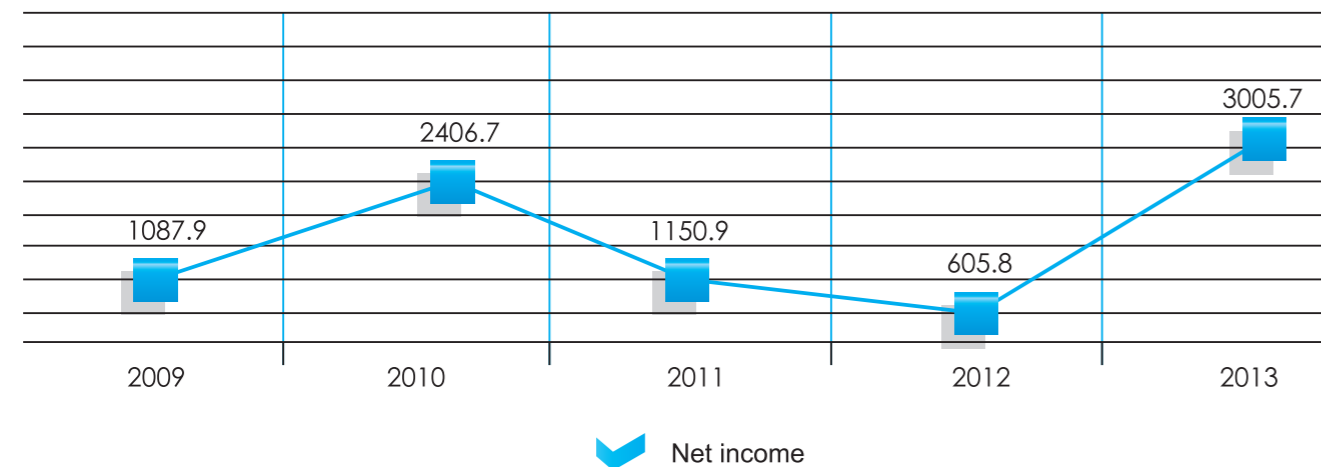
In view of that, the rate of the Company's income on core operations is predefined by setting of the low (favourable) interest rate on leasing for the agricultural producers.



BEHAVIOUR OF FINANCIAL PERFORMANCE, KZT MLN.

NET INCOME BEHAVIOUR

Based on the results of activities for 2013 "KazAgroFinance" JSC had a positive financial performance – the net income increased by 5 times and amounted to KZT 3 005.7 mln. as compared to 2012.



APPRAISAL OF FINANCIAL STABILITY AND SOLVENCY

The Company's financial standing may be also appraised by analysis of the indices featuring the availability of own financial resources (stability ratios),

as well as ability to timely mobilize the assets for performance of the liabilities (liquidity ratio).

STABILITY RATIOS

INDICES	Recommended value	2011	2012	2013
Equity to total assets (Share of equity in balance currency) = (Equity) / (Balance currency)	≥ 0.5	0.6	0.6	0.5
Financial Strains Ratio (Share of borrowings in balance currency) = (Borrowings) / (Balance currency)	≤ 2	0.3	0.4	0.5
Debt ratio (Ratio of borrowings to equity) = (Borrowings) / (Equity)	≤ 3	0.6	0.7	1.0
Self-financing ratio (Ratio of equity to borrowings) = (Equity) / (Borrowings)	≥ 0.5	1.8	1.5	1.0
Working capital financed by equity to total assets ratio (Share of working capital in working assets)	≥ 0.03	0.1	0.1	0.1
Flexibility ratio (Share of equity in working capital)	≥ 0.5	0.9	0.9	0.9

The value of the Equity to total assets is maintained at the recommended level of 0.5 reflecting the admissible level of dependence on the external sources of financing. The financial strains ratio featuring the level of borrowings also is maintained within the recommended limits.

The debt ratio and self-financing ratio are within 1.0, which is in compliance with the recommended values. The flexibility ratio is stable due to the annual investment in the chartered capital by the Sole Shareholder.

LIQUIDITY RATIOS

INDICES	Recommended value	2011	2012	2013
Absolute liquidity ratio equal to ratio of cash and short-term financial investments to current liabilities)	≥ 0.2	0.8	0.8	0.8
Current liquidity (coverage) ratio equal to ratio of current assets to current liabilities	≥ 0.5	0.5	0.8	3.1

The liquidity ratio has always been featured by the high reserves, which is fully justified taking into account the higher risk related to the agriculture. The Company's status predefines the activity focus on the agricultural sector without diversification in other sectors of economy. The social orientation of investments provides for the favourable terms on the projects of governmental importance, which are featured by the long-time interval between the fund

investment and their return stipulated by the duration of commissioning of the investment objects. The liquidity management policy is developed taking into account the seasonal dependence of the financial asset flow, as well the limited range of possible operations with the financial instruments, to the maximum extent mobilizing the cash resources for efficient solution of the task on implementation of the governmental programs for agriculture support.



HR POLICY AND CHARITY

HR POLICY

“KazAgroFinance” JSC HR Policy is aimed at the long-term personnel management, which key objective is a complete and timely meeting the Company’s needs in the labour force of required quantity and quality within the certain timeline. The skilled, initiative, well-motivated, oriented at the intensive quality work employees are considered to be the Company’s main assets and the most important source of competitiveness.

The basis for implementation of HR Policy is the availability of the efficient organizational chart and optimal staff. For involving the highly skilled specialists the Company elaborates the job specifications for each certain position. The highly skilled staff is searched and recruited in accordance with the requirements to the skill level and professional competence of candidates only on the basis of their professional skills, which may be useful when working in the Company’s team.

MAIN PRINCIPLES OF THE COMPANY’S HR POLICY:

- ▶ Efficient organization design, as well as the staff number planning taking into account the current staff, current and strategic development plans of the Company;
- ▶ Creation and support of the motivating arms for interest promotion and labour satisfaction;
- ▶ Efficiency improvement of human resource involvement. Proportionality of expenses for the staff and outcomes, including the improvement of the employee competence;
- ▶ Improvement of human resource management system for more efficient management of the Company’s human resources;
- ▶ Compulsory compliance by any position employees with the Human Resource Management Policy, as well as Human Resource Management Procedures established in the internal regulatory documents;
- ▶ Continuous improvement of human resource management methods based on the up-to-date human resource management concepts taking into account the Company’s features and standards;
- ▶ Compliance with the requirements of the applicable law of the Republic of Kazakhstan.

CHARITY

In 2013 “KazAgroFinance” JSC provided the beneficent aid to the less protected social groups, among which is the kinder garden No.2 in Uryupinsk village, Akkol district, Akmola region. In 2013, the sport equipment (wall bars, balls, tennis table with rackets and other), the New Year gifts were purchased for the orphan children, as well as the caterpillar tractor was transferred for the housekeeping needs.

The Company’s employees find out about another person’s misfortune in the mass media and Internet portals and give a helping hand. They actively participate in the financial assistance activities through collecting funds for the urgent surgical operations and providing the support to especially distressed and come-to-harm people (through collecting the clothes, toys, purchasing the furniture and household appliances).

FUTURE PROSPECTS. PLANS FOR 2014



OBJECTIVES	TASKS
Assistance in development of agricultural sector	To allocate for financing of agricultural sector over KZT 65 mlrd.
Participation in ensuring the food safety of the country	To ensure commissioning of 63 investment projects
Increasing the stock of high productive farm animals	To ensure importing of pedigree high productive livestock of 12 000 head of cattle
Development of export potential of agricultural sector	To ensure commissioning of grain storage capacities of 192.5 thous. ton/year
Financial recovery of agricultural sector entities	Financial recovery of agricultural sector entities

The implementation of the projects in the territory of the Republic of Kazakhstan for the account of expected investment will lead to creation of new high-tech production facilities in the village, which will be supplied with the technological equipment from the world leading manufacturers, applying the up-to-date advanced technologies with complete production cycle.

Thus, “KazAgroFinance” JSC will consistently implement the task of the sound financial institution and real partner for the agricultural sector of the republic by arranging the necessary conditions for further village development, ensuring the country’s food safety, production of the competitive products with arrangement of new working places.

FINANCIAL STATEMENTS



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Independent auditors' report

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

We have audited the accompanying financial statements of KazAgroFinance JSC (the "Company"), which comprise the statement of financial position as at 31 December 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of KazAgroFinance Joint Stock Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP



Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

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

20 March 2014



Auditor Qualification Certificate No.0000553 dated 24 December 2003

KazAgroFinance JSC

Financial staten

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

(Thousands of Tenge)

	Note	2013	2012
Assets			
Cash and cash equivalents	6	9,315,742	7,479,86
Amounts due from credit institutions	7	14,037,274	9,378,08
Derivative financial assets	8	4,013,694	5,221,75
Loans to customers	9	40,242,908	28,901,53
Finance lease receivables	10	114,482,107	87,255,75
Assets held for sale	11	1,548,060	491,55
Property held for financial lease	12	13,158,059	7,955,50
Property and equipment	13	1,003,740	914,64
Intangible assets		138,771	164,64
VAT and other taxes recoverable	14	1,292,736	798,78
Current corporate income tax assets		-	40,75
Advances paid	15	7,293,062	3,656,80
Other assets	20	35,236	37,01
Total assets		206,561,389	152,296,69
Liabilities			
Amounts due to the Shareholder	16	80,067,858	40,118,68
Amounts due to credit institutions	17	18,348,464	17,358,99
Current corporate income tax liabilities		50,914	-
Deferred corporate income tax liabilities	18	1,320,099	1,382,67
Advances received	19	3,755,733	3,213,80
Deferred VAT		1,355,090	964,34
Other liabilities	20	7,351,975	5,193,22
Total liabilities		112,250,133	68,231,71
Equity			
Share capital	22	80,883,511	75,653,19
Additional paid-in capital		12,597,918	9,099,19
Reserve funds	22	1,436,184	1,436,18
Provision for notional distribution		(6,525,798)	(5,340,25)
Retained earnings		5,919,441	3,216,64
Total equity		94,311,256	84,064,97
Total liabilities and equity		206,561,389	152,296,69

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

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant



The accompanying notes on pages 6 to 41 are an integral part of these financial statements.

KazAgroFinance JSC

Financial statements

INCOME STATEMENT

Year ended 31 December 2013

(Thousands of Tenge)

	Note	2013	2012
Interest income			
Finance lease receivables		9,418,577	7,377,017
Loans to customers		3,786,561	2,877,425
Amounts due from credit institutions		544,652	348,291
		13,749,790	10,602,733
Interest expenses			
Amounts due to the Shareholder		(3,041,798)	(1,506,752)
Amounts due to credit institutions		(1,230,676)	(814,631)
		(4,272,474)	(2,321,383)
Net interest income		9,477,316	8,281,350
Allowance for impairment of loans to customers and finance lease receivables	9	(2,580,494)	(3,913,618)
Net interest income after allowance for impairment of loans and finance lease receivables		6,896,822	4,367,732
Net losses from transactions with derivative financial assets	8	(348,465)	(613,871)
Net gains from foreign currencies		(154,843)	(50,110)
Other income	23	328,324	132,815
Other operating expenses		(174,984)	(531,166)
Personnel expenses	24	(2,073,907)	(1,461,111)
Other loss from impairment and provisions	26	(615,789)	(799,001)
Decrease of assets value held for sale	11	(191,260)	(44,158)
Other operating expenses	24	(691,698)	(505,984)
Initial recognition of loan losses, including adjustment resulting from changes in future cash flows	25	(286,042)	(345,261)
Amortisation		(104,518)	(99,415)
Non-interest expenses		(3,963,214)	(3,254,930)
Profit before corporate income tax expense		2,758,624	581,636
Income tax benefit	18	247,058	24,142
Profit for the year		3,005,682	605,778

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant



The accompanying notes on pages 6 to 41 are an integral part of these financial statements.

KazAgroFinance JSC

Financial statements

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

(Thousands of Tenge)

	Share capital	Additional paid-in capital	Reserve funds	Provision for notional distribution	Retained earnings	Total
As at 31 December 2011	74,350,191	7,116,969	860,753	(4,850,120)	3,761,733	81,239,526
Total comprehensive income for the year	-	-	-	-	605,778	605,778
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 22)	-	1,982,229	-	-	-	1,982,229
Provision for notional distribution for the period (Note 22)	-	-	-	(490,130)	-	(490,130)
Increase of charter capital using cash (Note 22)	1,303,000	-	-	-	-	1,303,000
Increase in reserve funds (Note 22)	-	-	575,431	-	(575,431)	-
Dividends paid (Note 22)	-	-	-	-	(575,432)	(575,432)
At 31 December 2012	75,653,191	9,099,198	1,436,184	(5,340,250)	3,216,648	84,064,971
Total comprehensive income for the year	-	-	-	-	3,005,682	3,005,682
Increase in share capital (Note 22)	5,230,320	-	-	-	-	5,230,320
Income from initial recognition of loans obtained from the Shareholder at below market rate (Note 22)	-	3,498,720	-	-	-	3,498,720
Provision for notional distribution for the period (Note 22)	-	-	-	(1,185,548)	-	(1,185,548)
Dividends paid (Note 22)	-	-	-	-	(302,889)	(302,889)
At 31 December 2013	80,883,511	12,597,918	1,436,184	(6,525,798)	5,919,441	94,311,256

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant

The accompanying notes on pages 6 to 41 are an integral part of these financial statements.

KazAgroFinance JSC

Financial statements

STATEMENT OF CASH FLOWS

Year ended 31 December 2013

(Thousands of Tenge)

	Note	2013	2012
Cash flows from operating activities:			
Interest received		8,684,559	7,443,297
Interest paid		(1,935,738)	(1,132,291)
Realized gains from transactions with derivative financial assets	8	871,848	771,819
Personnel expenses paid		(1,956,987)	(1,459,222)
Other operating expenses paid		(654,199)	(523,578)
Other income received		283,371	130,560
Realised losses less gains from dealing in foreign currencies		(294,842)	(495,467)
Cash flows from operating activities before changes in operating assets and liabilities		4,998,012	4,735,118
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(4,659,190)	1,548,906
Derivative financial assets		(12,251)	(50,934)
Loans to customers		(13,105,699)	(4,336,031)
Finance lease receivables		(25,735,986)	(21,715,687)
Assets held for sale		39,334	(71,855)
Property held for financial lease		(5,912,260)	(1,997,061)
VAT and other taxes recoverable		(493,948)	(274,271)
Advances paid		(3,383,365)	281,328
Other assets		(157,209)	(77,778)
<i>Net increase/(decrease) in operating liabilities</i>			
Advances received		541,932	911,751
Other liabilities		3,040,474	3,003,001
Net cash flows from operating activities before income tax		(44,840,156)	(18,043,513)
Income tax paid		(302,135)	(155,211)
Net cash flows used in/from operating activities		(45,142,291)	(18,198,724)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(166,864)	(62,856)
Proceeds from sale of property, plant and equipment		2,206	-
Net cash from/(used in) investing activities		(164,658)	(62,856)
Cash flows from financing activities			
Proceeds from increase in amounts due to the shareholder		51,370,451	16,999,698
Repayment of amounts due to the shareholder		(10,189,564)	(4,997,237)
Loans received from credit institutions		15,233,339	7,956,318
Repayment of loans received from credit institutions		(14,397,978)	(6,052,509)
Proceeds from issue of share capital	22	5,230,320	1,303,000
Dividends paid	22	(302,889)	(575,432)
Net cash flows from financing activities		46,943,679	14,633,838
Effect of exchange rate changes on cash and cash equivalents		199,149	228,828
Net increase/(decrease) increase of cash and cash equivalents		1,835,879	(3,398,914)
Cash and cash equivalents, beginning	6	7,479,863	10,878,777
Cash and cash equivalents, ending	6	9,315,742	7,479,863

Gumar Tyulegenovich Rakhimzhanov

Chairman of the Board

Gulnara Takishevna Shodanova

Chief Accountant

The accompanying notes on pages 6 to 41 are an integral part of these financial statements.

OUR DETAILS

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