



Investing in the future

Annual
Report

20
22



KAZAGROFINANCE



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Company Profile

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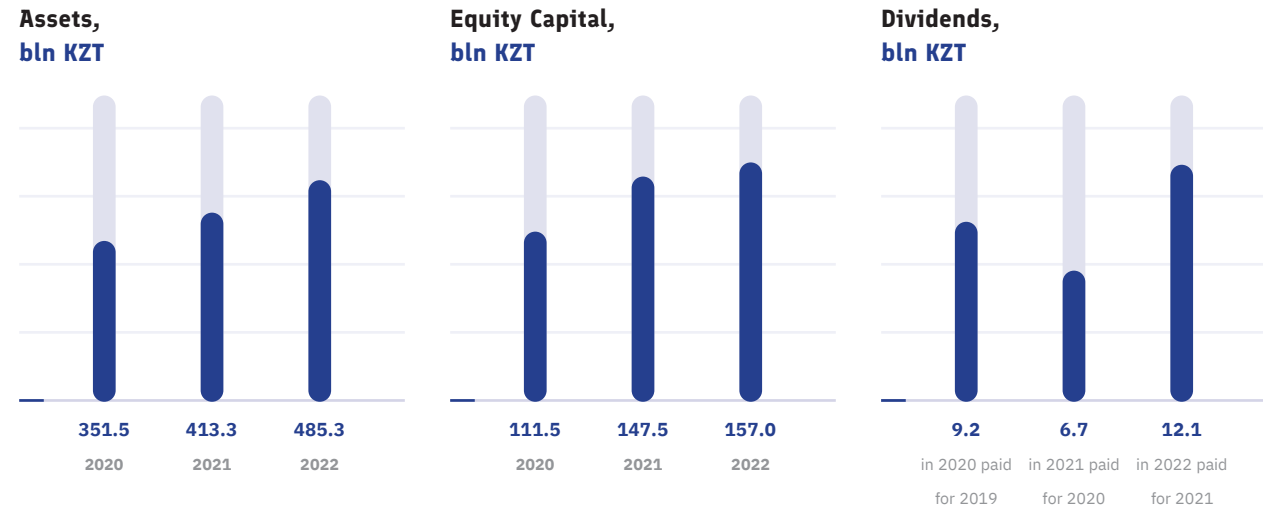
KAZAGROFINANCE JOINT STOCK COMPANY (KAZAGROFINANCE, COMPANY) IS THE LARGEST FINANCIAL INSTITUTION THAT PROVIDES AGRICULTURAL MANUFACTURERS WITH LEASING SERVICES FOR THE PURCHASE OF AGRICULTURAL MACHINERY AND EQUIPMENT.

The Company has been successfully operating for more than 23 years, contributing to the development of technical facilities in the agricultural sector of the country.

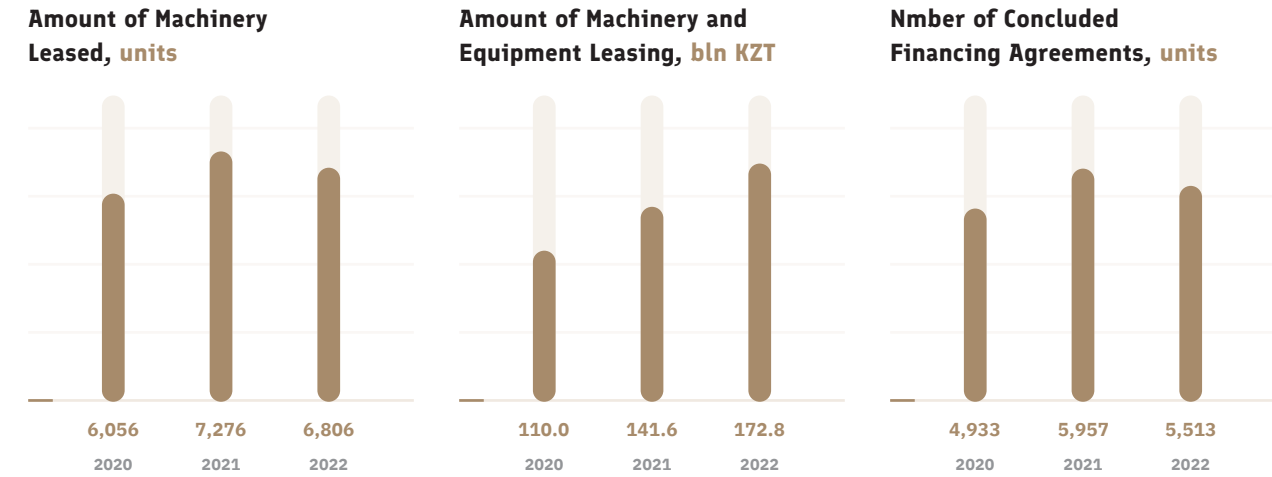
Competitive advantages, such as high-industry competence, many years of experience in the market, a developed branch network, a strong personnel composition, reliable credit ratings and access to fundraising, allow maintaining a leading position in the leasing market and remaining a reliable partner for domestic farmers.

Dynamics of Key Indicators

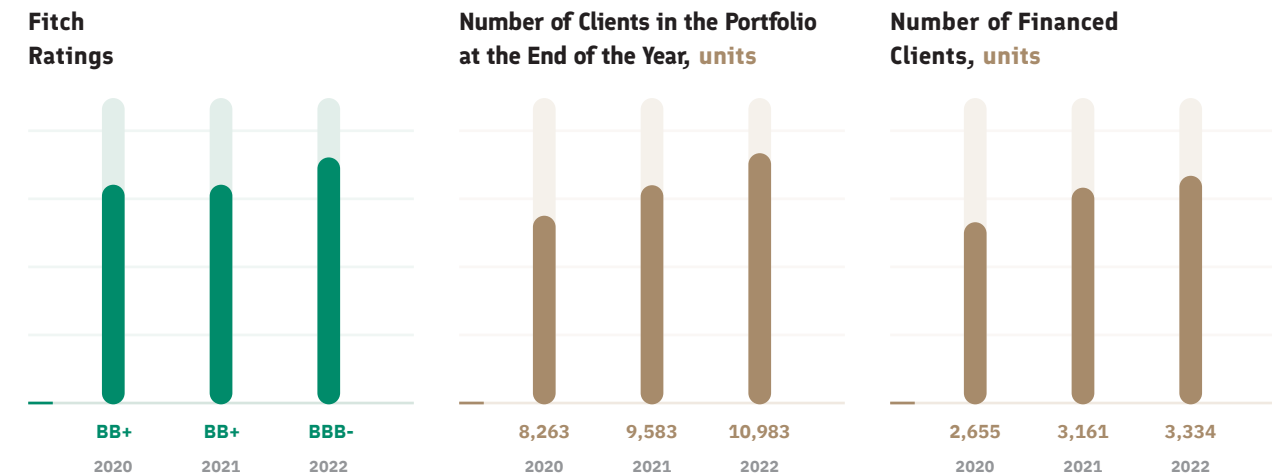
Financial Indicators



Operational Performance



Non-Financial Indicators



Key Events of 2022

On July 25

The change of the KazAgroFinance Sole Shareholder. Agrarian Credit Corporation Joint Stock Company became the Company Sole Shareholder.

On July 27

KazAgroFinance issued first bonds with a maturity of 7 years within the third bond program of and placed for 40.2 billion KZT among a wide range of market investors.

Since August 21

The BPM platform **online.kaf.kz** has been implemented for accepting online applications from clients.

On June 27

KazAgroFinance issued bonds for 15 billion KZT and placed in full through private placement.

On August 5

A new “Preferential Leasing” program of domestically manufactured agricultural machinery was launched at a rate of 6% per annum in the amount of 40 billion KZT.

On November 10

The international Fitch Ratings agency upgraded the long-term ratings of KazAgroFinance in foreign and local currencies from “BB+” to “BBB-”; the rating outlook is “Stable”.

On November 11

KazAgroFinance joined the National ESG Club.

According to the results of 2021

KazAgroFinance Annual Report for 2021 took 1st place in the rating “The Best Financial Companies in Terms of ESG Information Disclosure” conducted by PWC Kazakhstan. Also, according to the results of the Annual Reports Competition held by Kazakhstan Stock Exchange JSC, it was recognized as a laureate in the nomination “Best Annual Report for 2021 in the Financial Sector” and a prize-winner in the nomination “Best Design of the Annual Report for 2021”.



Address by the Chairman of the Board of Directors

Dear Partners and Colleagues!

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

Technical equipment is one of the most important issues in implementing the state policy in the agro-industrial complex. Leasing for domestic agricultural manufacturers remains one of the ways most suitable for the renewal of fixed assets.

KazAgroFinance consistently holds a key position in the leasing market and once again shows positive results of its activities.

The Company's Board of Directors positively assesses the KazAgroFinance performance in 2022. The planned financial indicators were met, and significant growth was ensured in all areas of the Company Development Strategy. Achieved results testify to the effectiveness of the decisions made.

The Board of Directors will keep strategic management and effective management of the Company.



KazAgroFinance consistently holds a key position in the leasing market and once again shows positive results of its activities.



**Aydapkelov
Nurbolat
Sergaliyevich**

CHAIRMAN OF
THE KAZAGROFINANCE
BOARD OF DIRECTORS



KAZAGROFINANCE

Address by the Chairman of the Board

Dear Colleagues and Partners!

Allow me to greet you and present the KazAgroFinance JSC performance for 2022!

For the Company, 2022 was a productive and successful year, and we are happy to share our successes. Despite the difficult economic situation in the country and in the world, we were able to achieve high results.

KazAgroFinance remains a reliable partner in the leasing market and makes a significant contribution to promoting the AIC technical equipment, which is confirmed by the annual growth in the share of equipment purchased through KazAgroFinance.

We keep improving the services provided and create affordable financing conditions for farmers. The

key event of the reporting year was the introduction of a platform for accepting online applications from clients, as well as the introduction of a new “Preferential Leasing” program.

Achievement of high-performance indicators became possible thanks to the trust of our clients, mutual cooperation with partners and productive work of the entire team of the Company.

In 2023, KazAgroFinance will maintain its focus on meeting the needs of the industry in modern and high-tech equipment by providing affordable leasing services, quality service and introducing new client services.



KazAgroFinance remains a reliable partner in the leasing market and makes a significant contribution to promoting the AIC technical equipment, which is confirmed by the annual growth in the share of equipment purchased through KazAgroFinance.



**Prashev
Aydar
Gilimovich**

CHAIRMAN OF
THE KAZAGROFINANCE
BOARD



KAZAGROFINANCE



01

Development Strategy



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IN 2022, IN CONNECTION WITH THE CHANGE OF THE SOLE SHAREHOLDER, A NEW TRANSITIONAL DEVELOPMENT STRATEGY OF KAZAGROFINANCE FOR 2020-2023 WAS APPROVED BY THE DECISION OF THE BOARD OF DIRECTORS NO. 10 DATED JULY 25, 2022. IT DEFINES IMPLEMENTATION OF 9 OBJECTIVES WITHIN 2 STRATEGIC DIRECTIONS AND 3 GOALS, AND ACHIEVEMENT OF RESULTS ON 9 STRATEGIC KEY PERFORMANCE INDICATORS.

Goals and Objectives

Strategic direction No. 1

Promoting the development of AIC competitiveness through technical and technological equipment

Goal 1:

Increase technical equipment and export potential in agriculture.

Objective 1.

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

Objective 2.

Assist in the development of volumes of revenue and export revenue of enterprises supported by KazAgroFinance.

Objective 3.

Develop the Company product line, including through the introduction of new directions of financing.

Strategic direction No. 2

Efficiency of the Company's activity

Goal 1:

Increase the Company profitability.

Objective 1.

Improve the efficiency of equity and asset management.

Objective 2.

Improve the quality of the loan portfolio.

Objective 3.

Improve the monitoring system for funded projects.

Goal 2:

KazAgroFinance corporate development in accordance with best practice.

Objective 1.

Improve the corporate governance system and increase the Company's transparency.

Objective 2.

Improve the risk management and internal control systems.

Objective 3.

Implement the principles of sustainable development in the Company key processes.

THE COMPANY IS DEVELOPING A NEW TEN-YEAR DEVELOPMENT STRATEGY, CONSIDERING THE POLICY AND STRATEGIC DIRECTIONS OF THE SOLE SHAREHOLDER. THE CERTAIN KEY PERFORMANCE INDICATORS OF THE DEVELOPMENT STRATEGY ARE PLANNED TO BE REVISED. AT THE SAME TIME, LEASING ACTIVITIES IN THE AGRO-INDUSTRIAL COMPLEX REMAIN TO BE THE COMPANY'S FOCUS.

Expected Results

KazAgroFinance:

- a stable break-even company with a strong position in the rating of Kazakhstani leasing companies;
- a leader in the leasing market in terms of the quality of customer service;
- a powerful financial tool for the AIC development, meeting the industry's needs for high-quality and competitive leasing services to the maximum extent possible.

Thus, comprehensive implementation of the goals and objectives will allow to continue strengthening the position as one of the leading and stable financial institutions for development of the Kazakhstan AIC.

As of the end of 2022, all key performance indicators of the Company's Development Strategy for 2020-2023 have been fully implemented; details on the work in strategic areas are disclosed in the Development Strategy Implementation Section.





02

About the Company

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KAZAGROFINANCE

Mission

- Mission is to promote technical equipment of the Kazakhstan agro-industrial complex by providing high-quality and competitive leasing services.

Vision

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

Types of Activities:

- leasing activities in the agro-industrial complex;
- lending and other types of activities not prohibited by legislative acts that meet the goals and objectives of the Company provided for by the KazAgroFinance's Charter;
- participation in implementation of republican budget and other programs aimed at the development of the agro-industrial complex.

Purpose of the industry

- Purpose of the industry is technological renewal of the agro-industrial complex by providing agricultural manufacturers with affordable financial resources for the purchase of agricultural machinery and equipment on a leasing basis.



Ratings

On November 10, 2022, the international Fitch Ratings agency upgraded the long-term ratings of KazAgroFinance in foreign and local currencies from “BB+” to “BBB-”; the rating outlook is “Stable”.

Licenses

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

Certification

ISO 9001-2015 quality management System certification.

Geography of Activity

There are 15 branches in all regions of the country. Cooperation with Kazakhstan equipment manufacturers, as well as suppliers from near and far abroad.

Company Brief History

KAZAGROFINANCE WAS REGISTERED ON DECEMBER 28, 1999, IN ACCORDANCE WITH THE RESOLUTION OF THE GOVERNMENT OF THE REPUBLIC OF KAZAKHSTAN "ON CERTAIN ISSUES OF AGRICULTURE" DATED NOVEMBER 24, 1999, NO. 1777.

1999

The Resolution of the Government of the Republic of Kazakhstan on establishment of the KazAgroFinance was approved.

2000

The first experience of leasing foreign agricultural machinery.

2000–2003

Establishment of the first machine and tractor stations.

2004

Leasing of special machinery and technological equipment.

2005

Leasing of processing equipment.

2006

KazAgroFinance became a member of newly established KazAgro National Managing Holding.

2007

Introduction of leasing of breeding animals.

2008

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

2009

The start of financing the large investment projects.

2010

Expert RA conducted its first leasing market survey in Kazakhstan: KazAgroFinance was recognized as a leader in the Kazakhstan leasing market.

2013

KazAgroFinance became an official participant in the subsidy program.

2015

for the first time KazAgroFinance JSC diagnosed the corporate governance and for the first time the Company was assigned the level of corporate governance.

2016

KazAgroFinance for the first time placed domestic market bonds among a wide range of investors in the amount of 8 billion KZT and with a maturity of 5 years.

2016

KazAgroFinance was included in the list of entities proposed for transfer to a competitive environment.

2017

KazAgroFinance's deal on the issue and placement of 5-years KZT bonds was recognized as the winner of EMEA Finance in the category Best Local Currency Bond in EMEA.

2019

The Company exclusion from the list of entities subject to privatization.

2019

Establishment of a Nur-Sultan branch (on 26.10.2022 it was renamed into Astana branch).

2020

Approval of the Development Strategy of KazAgroFinance for 2020-2029

2021

KazAgroFinance affiliation of Baiterek NMH JSC, implemented in accordance with the order of the Head of the State, given during the Address to the nation of the Republic of Kazakhstan dated September 1, 2020 by joining KazAgro National Management Holding JSC to Baiterek NMH JSC.

2022

The change of the Company Sole Shareholder. The Sole Shareholder was Agrarian Credit Corporation JSC.

2022

KazAgroFinance joined the National ESG Club.

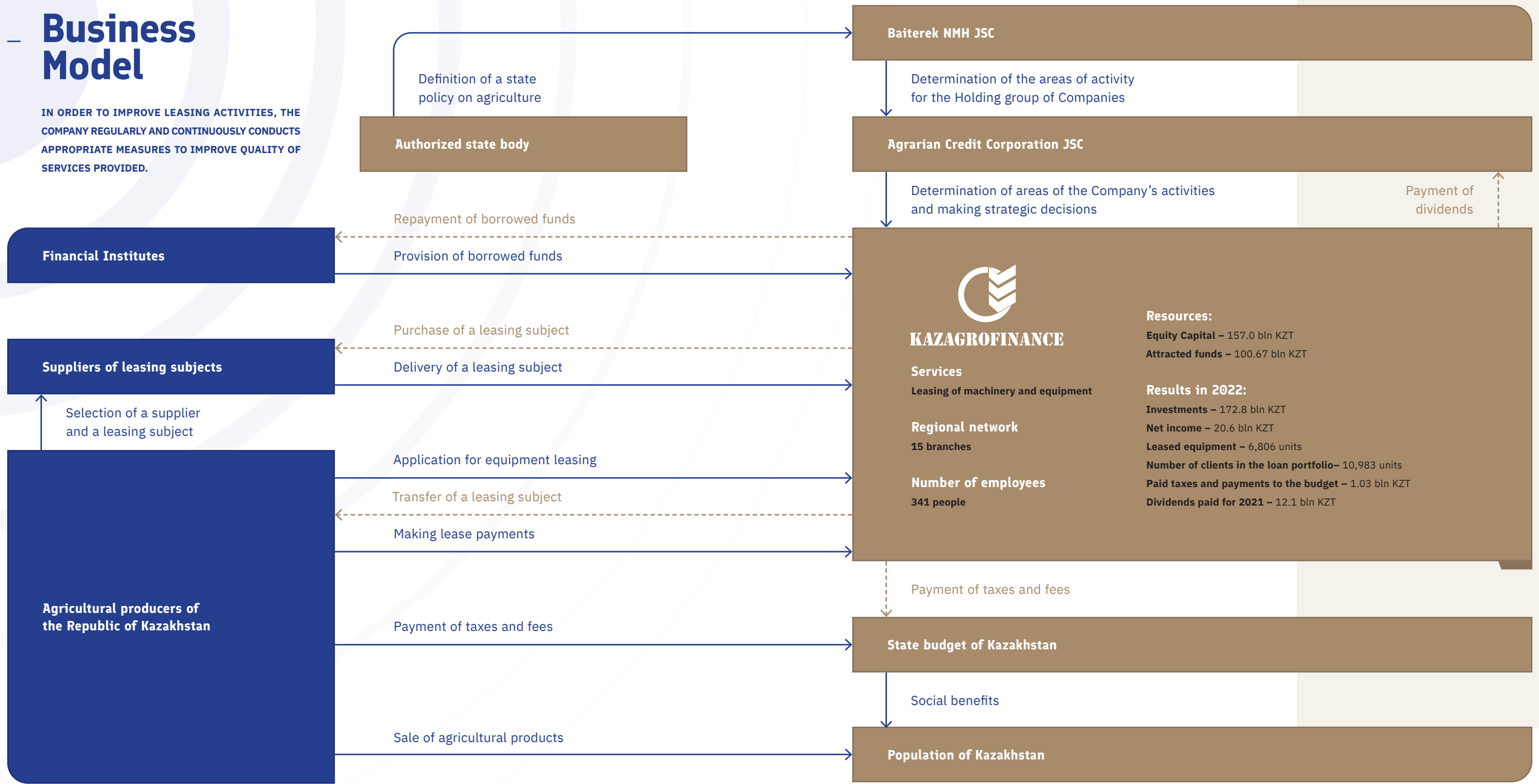
2022

The BPM platform **online.kaf.kz** has been implemented for accepting online applications from clients.



Business Model

IN ORDER TO IMPROVE LEASING ACTIVITIES, THE COMPANY REGULARLY AND CONTINUOUSLY CONDUCTS APPROPRIATE MEASURES TO IMPROVE QUALITY OF SERVICES PROVIDED.



Competitive Advantages

More than 23 years of experience in the leasing industry	Affordable terms of financing	Client-oriented standards for service provision
Recognizable brand and positive reputation	High credit rating	Wide branch network
Successful experience in raising funds using market tools	High competence of the personnel	Availability of a large base of leading suppliers and manufacturers of agricultural machinery
Listing on the Kazakhstan Stock Exchange since 2008	High level of operational transparency	Continuous work to improve corporate governance, risk management and internal control systems

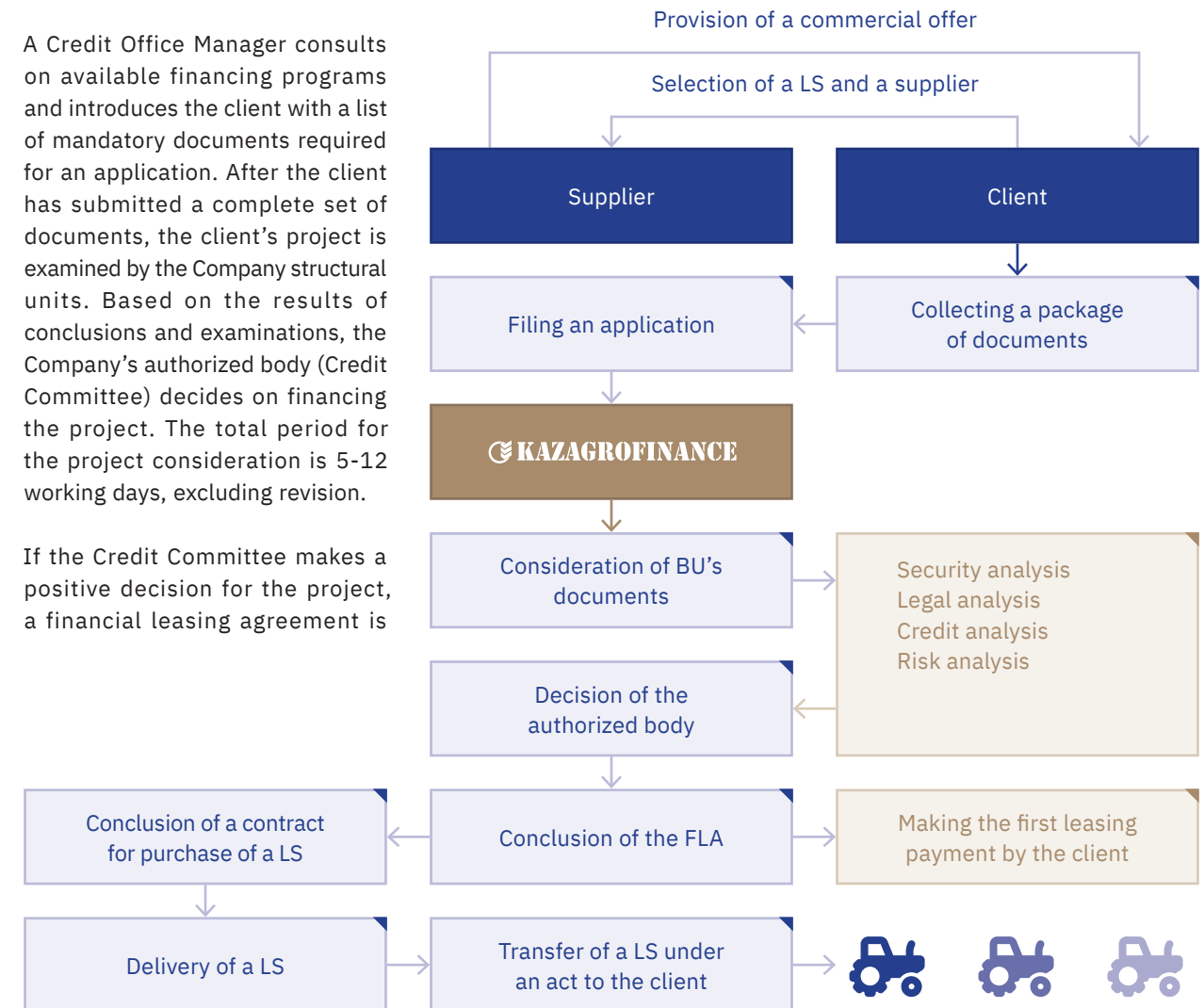
Leasing Process

LEASING PROCESS BEGINS WITH A SELECTING OF A LEASING SUBJECT AND A SUPPLIER BY A CLIENT. AFTER RECEIVING A COMMERCIAL PROPOSAL FROM A SUPPLIER, THE CLIENT CONTACTS KAZAGROFINANCE.

A Credit Office Manager consults on available financing programs and introduces the client with a list of mandatory documents required for an application. After the client has submitted a complete set of documents, the client's project is examined by the Company structural units. Based on the results of conclusions and examinations, the Company's authorized body (Credit Committee) decides on financing the project. The total period for the project consideration is 5-12 working days, excluding revision.

If the Credit Committee makes a positive decision for the project, a financial leasing agreement is

concluded, the client makes the first lease payment, and then a contract for purchase of the leasing subject is signed with the supplier. After delivery, the leasing subject is transferred to the lessee.



Areas of Activity



THE COMPANY IMPLEMENTS A WIDE BALANCED PRODUCT LINE OF FINANCING PROGRAMS THAT MEETS THE INTERESTS AND NEEDS OF VARIOUS CATEGORIES OF

AGRICULTURAL MANUFACTURERS AND ALLOWS FOR PURCHASING EQUIPMENT ON FAVORABLE TERMS.

The Company's activity is leasing of agricultural machinery, special equipment, vehicles.

Financing programs in 2022

	Term	Advance Payment	Rate
Standard Leasing Conditions			
1 Agricultural machinery	up to 10 years	not less than 15%	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies) 17% ACC funds (6% including subsidies)
2 Special equipment for land reclamation and agricultural work	up to 7 years	not less than 20%	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies) 17% ACC funds (6% including subsidies)
3 Vehicles* for transportation of agricultural and fish products and products of their processing, biological assets	up to 7 years	not less than 15%	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies) 17% ACC funds (6% including subsidies)
Conditions of Special Financing Programs			
1 Made in Kazakhstan Agricultural machinery and vehicles for manufacturing/ assembly	up to 10 years	not less than 15%	6% (NF RK)
2 Reliable Farmer Leasing without advance payment	up to 10 years	0	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies)
3 Preferential Leasing Self-propelled domestically manufactured/assembled agricultural machinery	up to 10 years	0	6% (Industrial Development Fund)
4 Express Leasing Without confirmation of income	up to 10 years	not less than 20%	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies) 17% ACC funds (6% including subsidies)
5 Master-Leasing Leasing line for 1 year	up to 10 years	not less than 15%	Base rate of the National Bank of Kazakhstan plus 7.5% (6% including subsidies) 6% (NF RK)

* including tractors and trailers

Preferential conditions of financing in a form of leasing are the provision of machinery without collateral, without paying fees, with a grace period, long-term financing, without an advance payment (at the expense of investment subsidies of up to **25% of the cost of machinery**). The interest rate is subsidized by the state, the final interest rate for the client is 6% per annum.



Subsidy Processes



Subsidizing Part of Costs Incurred by an Agro-Industrial Complex Entity in case of Investment

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

Due to this measure of state support, Kazakhstan agricultural

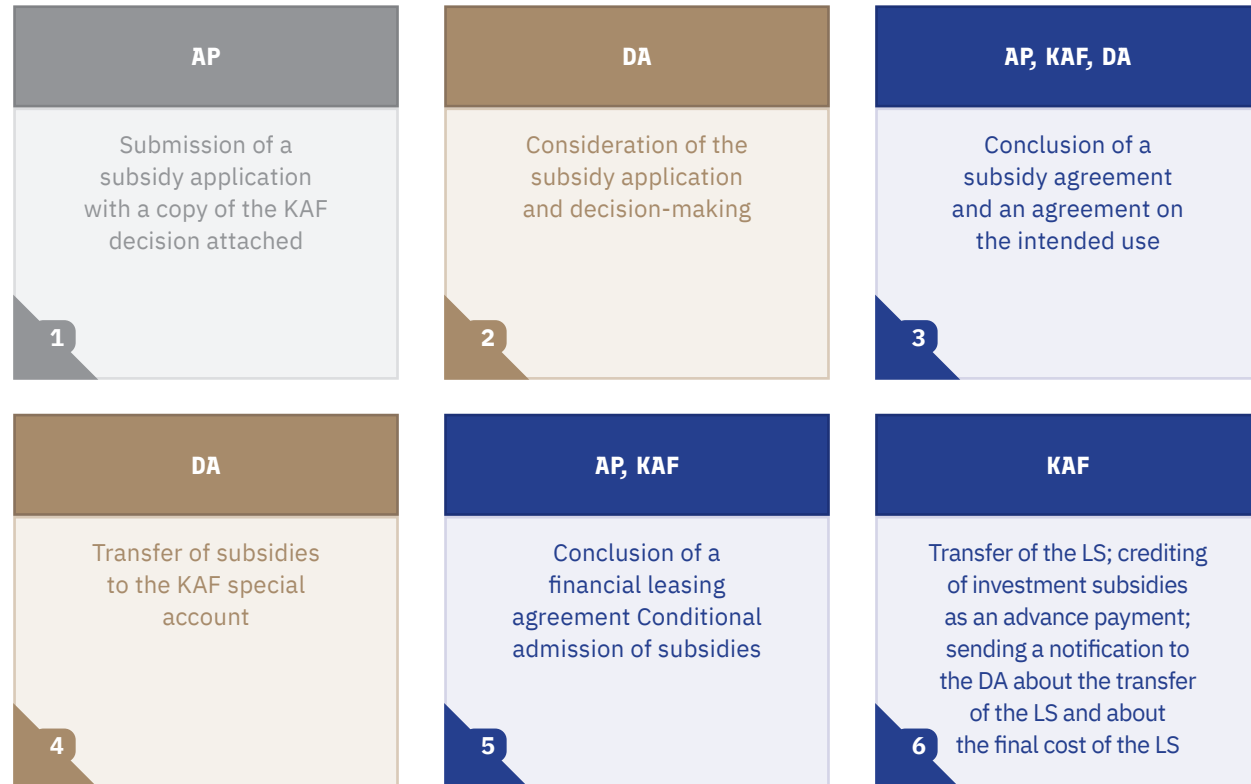
manufacturers can provide an advance payment through investment subsidies when purchasing equipment on lease. The possibility of obtaining investment subsidies significantly eases the financial burden on clients and increases the availability of equipment.

According to the results of 2022, under the investment subsidy program, investment subsidies for repayment of an advance payment totaling 6.6 billion KZT under 871 financial leasing agreements were received to the Company's special account.

Provision of investment subsidies in advance



Investment subsidies are used as an advance payment for equipment leasing, the amount of investment subsidies is from 25% of the value of the leasing subject



Subsidizing an Interest Rate



Remuneration rate is subsidized by the state, the final remuneration rate for a client is 6% per annum.



KazAgroFinance participates in the state program of subsidizing the interest rate on loans, as well as leasing of technological equipment and agricultural machinery. The program is aimed at increasing the availability of financial services for the agro-industrial complex entities.

According to the Program of Subsidizing an Interest Rate in 2022 through the Qoldau.kz system 3.341 Financial Leasing and Loan Agreements for the total amount of the principal debt of 78.4 billion KZT were approved for subsidization. In total, in 2022, subsidies totaling 22.2 billion KZT were received to the Company's special account.

Business Processes Optimization

IN ORDER TO IMPROVE LENDING AND LEASING ACTIVITIES, THE COMPANY IS IMPLEMENTING A SET OF APPROPRIATE MEASURES TO IMPROVE CONDITIONS AND INCREASE QUALITY OF PROVIDED SERVICES.

In the reporting year, the terms of product line offered by the Company were updated and improved, namely: a new special “Preferential Leasing” program has been approved and introduced, which allows clients to purchase domestically manufactured/assembled tractors and combines without an advance payment, for a financing period of up to 10 years, at a preferential interest rate of 6% per annum.

In order to increase availability, the Company increased the financing limit under the Express Leasing Program, which is in great demand, from 150 million KZT to 300 million KZT. The advantages of this program are accelerated consideration of the

application for a more than 5 working days on the basis of a minimized package of documents.

In 2022, as part of automation and optimization of core business processes, the BPM platform online.kaf.kz was introduced in the Company to receive online applications from clients. The project focuses on automated application filing by signing the necessary documents via EDS.

The project provides for an applicant to apply for financing after choosing the necessary product, selecting main parameters of the leasing subject with appropriate automatic checks of client’s details.

In 2023, KazAgroFinance will continue optimizing business processes and developing a product line in the interests of its clients.



Supplier Management

A LEASING SUBJECT AND A SUPPLIER OF A LEASING SUBJECT ARE SELECTED BY A CLIENT INDEPENDENTLY IN ACCORDANCE WITH THE LAW OF THE REPUBLIC OF KAZAKHSTAN “ON FINANCIAL LEASING.”

The Company maintains a database of suppliers of agricultural machinery and equipment with which it has prior experience of cooperation. The information is publicly available for stakeholders on the Company’s corporate website www.kaf.kz.

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

The Company’s requirements for suppliers of leasing subjects are unified for everyone and placed on the Company’s website, which simplifies the interaction with the Company for suppliers.

Basic requirements for suppliers include:

- professional qualification and at least 6 months experience in

the market of a leasing subject to be supplied;

- no unfulfilled (overdue in accordance with the leasing subject purchase agreement) obligations to the Company;

- certificates, licenses required to deliver the leasing subject;

- warranty and post-warranty service;

- absence in the Register of Unfair Participants of Public Procurement;

- no status of an unreliable supplier.

After conclusion of a Leasing Subject Purchase and Equipment Supply Agreement with a supplier, the Company accepts the leasing subject, pays for it to the supplier and then transfers it to the lessee. Logistics of the leasing subject, customs clearance and other actions related to delivery are performed by the Company’s employees, making the leasing process for lessees as simple and accessible as possible.



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03

Management Report



KAZAGROFINANCE

Macroeconomic Indicators

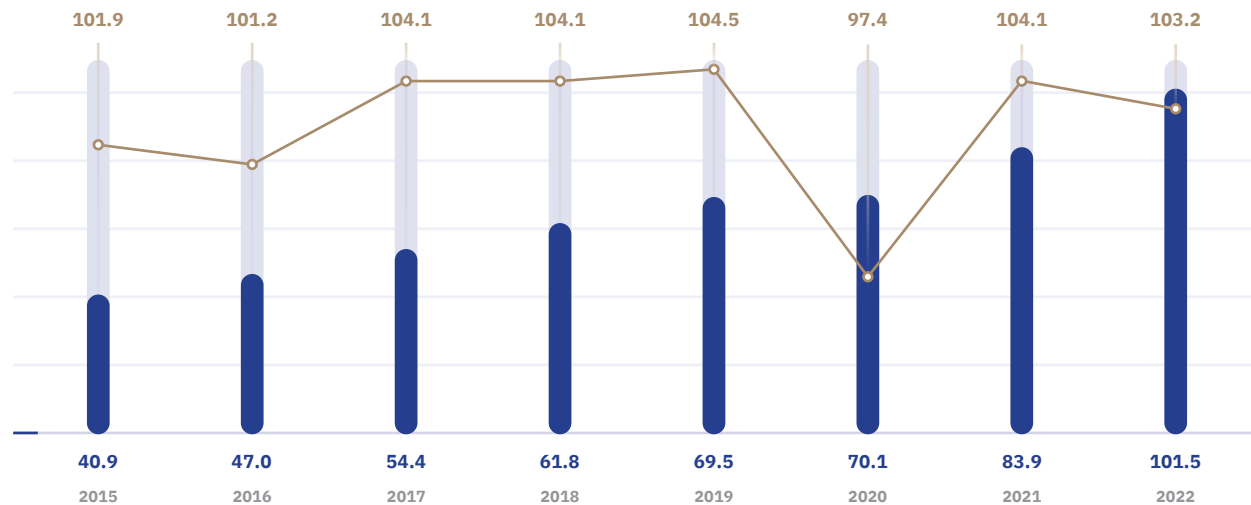
ECONOMIC DEVELOPMENT OF THE COUNTRY IN 2021-2022 IS DETERMINED BY RECOVERY AFTER THE COVID-19, THE GEOPOLITICAL SITUATION, AS WELL AS THE INTRODUCTION OF RESTRICTIVE MEASURES.

Despite external negative factors, by the end of 2022, Kazakhstan's economy has achieved steady

growth, so, according to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan (Bureau of Statistics), in January-December 2022, gross domestic product growth amounted to 3.2% compared to the same period in 2021, or 101,522,983.7 million KZT.

Short-term economic indicator, which includes dynamics of the development of 6 key industries (manufacturing, agriculture, construction, trade, transport, communications), amounted to 103.2%.

GDP Dynamics



- Gross domestic product by production method, trillion KZT, **trillion KZT**
- Index of physical volume of GDP by production method, %

Source: Data of Bureau of National Statistics of ASPR of the RoK

GROSS OUTPUT OF AGRICULTURAL, FORESTRY AND FISHERIES PRODUCTS (SERVICES) IN 2022 WAS

9,257.4
BLN KZT,
INCLUDING



5,574.1
BLN KZT
CROP PRODUCTION

3,634.5
BLN KZT
LIVESTOCK PRODUCTION

14.4
BLN KZT
AGRICULTURAL SERVICES

1.2
BLN KZT
THE HUNTING SECTOR

18.9
BLN KZT
FORESTRY

14.3
BLN KZT
FISHERIES AND AQUACULTURE

as a percentage	January-December 2022 by January-December 2021	January-December 2021 by January-December 2020
Gross output of agricultural, forestry and fisheries products (services)	109.1	97.8
from it:		
• gross crop production	115.0	93.4
• gross livestock production	100.9	103.6

Volume of investments in 2022 was:

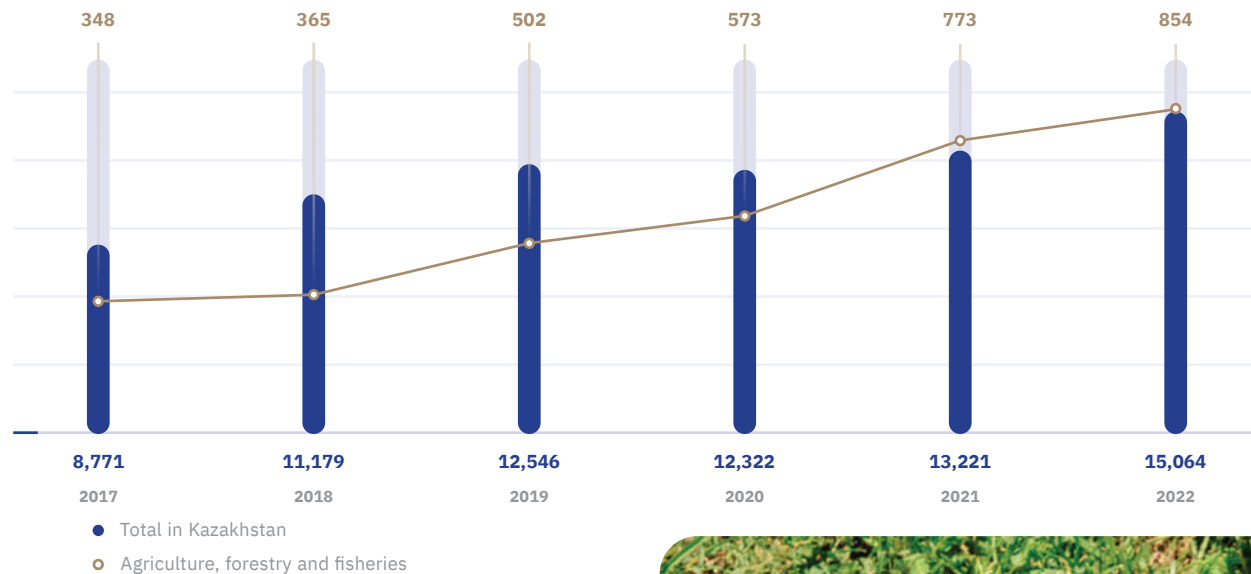
- **in the fixed capital of 15,064.4 billion KZT, the growth amounted to 7.9% by 2021.**
- **in agriculture, forestry and fisheries amounted to 853.5 billion KZT, or 106.7% compared to 2021.**

Predominant sources of investment financing remain the own funds of economic entities, amounting to 11,083.2 billion KZT or 73.6% of the total.

Budget funds were 15.5% of the total investment in fixed capital, while they increased by 7.2% compared to 2021.

Share of the banking sector in financing the real sector of the economy is still small – 2.1% in the total volume of investments in fixed capital, share of loans from foreign banks in the total volume was 0.2%.

Investments in Fixed Capital, bln KZT



Source: Data of Bureau of National Statistics of ASPR of the RoK

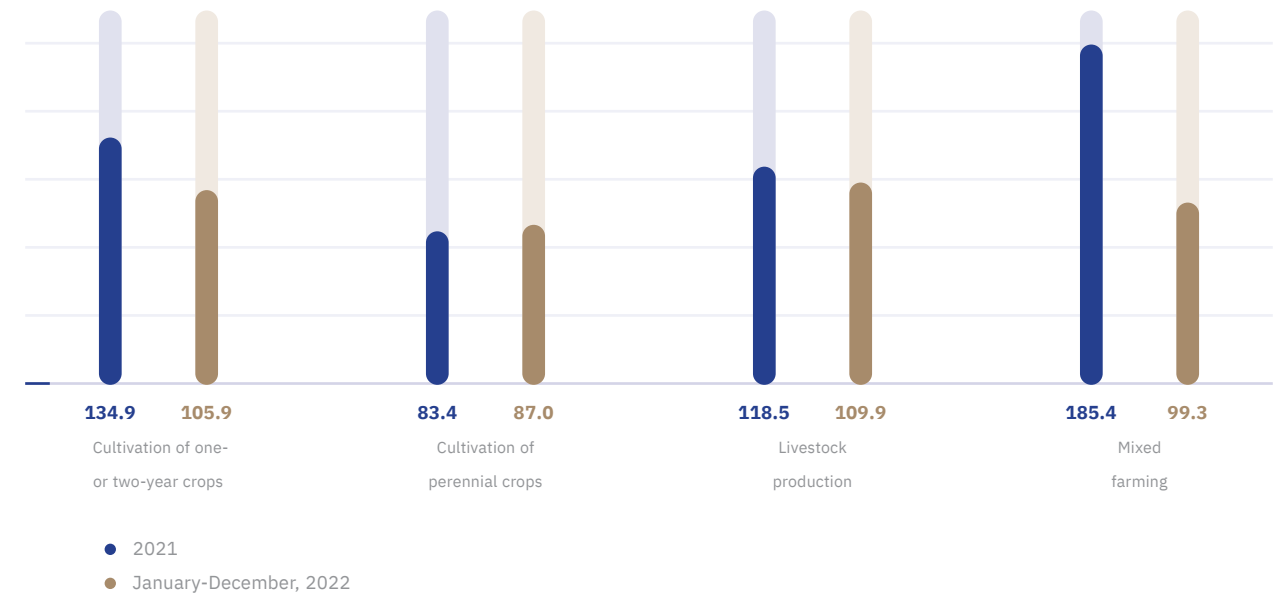
15,064.4
BLN KZT
INVESTMENT VOLUME
IN 2022



Main grain-growing regions – Akmola, Kostanay and North Kazakhstan regions allocated 357.3 billion KZT to the industry, which amounted to 42% of the total investment in agriculture, forestry and fisheries.

In the total volume of investments in fixed capital in agriculture, forestry and fisheries, the largest investments are in one- or two-year crops (60.2%) and livestock production (26.2%).

Volume of Investment in Agriculture by Sectors as a percentage of the previous year



Source: Data of Bureau of National Statistics of ASPR of the RoK

Inflation

ONE OF THE MOST ACUTE PROBLEMS IN 2022 WAS THE RISE IN FOOD PRICES. THE GROWTH IN THE COST OF SOCIALLY SIGNIFICANT FOOD PRODUCTS WAS SET AT 22.3%.

The National Bank of Kazakhstan decided to set the base rate at 16.75% per annum with a corridor of +/- 1 percentage points.

By the end of 2022, the annual inflation rate was 20.3% and accelerated by 0.7% (in November

2022 – 19.6%), and amounted to within the forecast range of 20-21%.

According to the National Bank of Kazakhstan, the US dollar exchange rate at the end of 2022 was 462.65 KZT per 1 US dollar against 431.67 KZT of the same period last year.

Analysis of AIC Sector

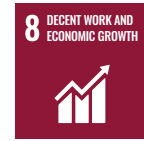
KAZAKHSTAN AGRO-INDUSTRIAL COMPLEX IS THE LARGEST CROSS-INDUSTRY NETWORK THAT UNITES SEVERAL BRANCHES OF THE ECONOMY, AIMED AT PRODUCTION AND PROCESSING OF AGRICULTURAL RAW MATERIALS AND MAKING PRODUCTS FROM IT, BROUGHT TO THE END CONSUMER. THIS IS A SET OF BRANCHES OF THE COUNTRY'S ECONOMY, INCLUDING AGRICULTURE AND INDUSTRIES CLOSELY RELATED TO AGRICULTURAL PRODUCTION, TRANSPORTING, STORING, PROCESSING OF AGRICULTURAL PRODUCTS, SUPPLYING THEM TO CONSUMERS, PROVIDING AGRICULTURE WITH MACHINERY, CHEMICALS AND FERTILIZERS, SERVICING AGRICULTURAL PRODUCTION.

Kazakhstan has a huge potential for the development of agriculture: the country ranks fifth in the world in terms of agricultural land area. The country has sufficient water resources, a relatively clean natural production base that opens up the possibility for production of high-quality products, proximity to large markets and significant growing investments in transport and trade corridors.

The Government intends to use the significant untapped potential of agriculture (including livestock production) to create added value,

develop exports, create jobs, and achieve inclusive and sustainable growth.

Development of agriculture is one of the important factors of economic growth in rural areas.



Land Structure

BEING ONE OF THE PRIORITY DIRECTIONS FOR DEVELOPMENT OF THE REPUBLIC'S ECONOMY, AGRICULTURE HAS HUGE POTENTIAL AND LARGE RESERVES. DIVERSE CLIMATIC CONDITIONS OF KAZAKHSTAN MAKE IT POSSIBLE TO GROW ALMOST ALL CROPS OF THE TEMPERATE HEAT ZONE AND DEVELOP LIVESTOCK PRODUCTION.

The agro-industrial complex is the largest cross-industry network that unites several branches of the economy, aimed at production and processing of agricultural raw materials and making products from it, brought to the end consumer.

Agriculture is rightfully the leading sector of agro-industrial complex, since it employs the majority of able-bodied rural population, and it often determines the main specialization of agriculture in one or another part of the republic.

TOTAL AREA OF AGRICULTURAL LAND IN THE REPUBLIC IS



In the structure of agricultural lands

arable land occupies – **22.9%**, perennial plantations – **0.05%**, fallow – **1.7%**, hayfields – **2.01%**, pastures – **70.7%**.

In 2022, the crop area of all agricultural crops was 23.4 million ha, which is 368.5 thousand ha more than in 2021. Of these, cereals and legumes – 16.1 million ha (more by 30.7 thousand ha), including wheat – 12.9 million ha (more by 21.3 thousand ha). Oilseed crops occupy 3.5 million ha (more by 370.1 thousand ha), fodder crops – 3.2

million ha (less by 31.3 thousand ha), cotton – 126.3 thousand ha (more by 126.3 thousand ha), rice – 87.9 thousand ha (less by 8.5 thousand ha), sugar beet – 11.6 thousand ha (less by 10.1 thousand ha), potatoes – 198.9 thousand ha (more by 3.7 thousand ha) and vegetable crops – 169.7 thousand ha (more by 1.0 thousand ha) and melons and

gourds – 100.3 thousand ha (less by 9.5 thousand ha).

Main areas of arable land as part of agricultural lands are registered in grain regions: in Kostanay (6.2 million ha), Akmola (6.0 million ha) and North Kazakhstan (4.9 million ha) regions.

Dynamics of arable land area by region for 1991-2021:

	1991	2000	2020	2021	Changes (+, -)	
					2021 by 1991	2021 by 2020
Total thousand ha	35,412.9	21,369.8	26,324.5	26,660.5	-8,756.1	+336.0

Analysis of the dynamics of arable land areas by regions shows that the increase in arable land continues, mainly in the main grain-growing regions of the republic. In 2021, the following was additionally included in the arable land of Pavlodar – 87.7 thousand ha, Akmola – 85.0 thousand ha, Karaganda – 69.3 thousand

ha, Kostanay – 61.4 thousand ha, North Kazakhstan – 21.1 thousand ha, Turkestan – 10 thousand ha, East Kazakhstan – 6.7 thousand ha, Kyzylorda – 4.2 thousand ha.

Considering that the years 2021-2022 were arid, much attention is paid to the forage production and irrigation

of land, which is why the agricultural lands are transformed into pastures.

Main part of forage crops falls on Akmola – 0.4 million ha (11%), Turkestan – 0.2 million ha (6.9%), Zhambyl and Kostanay – 0.2 million ha (6.7%), Pavlodar region – 0.2 million ha (6.3%).

All categories	Land, million ha
Total crop area	23.4
including:	
• Cereals (except for rice), legumes and oilseeds	19.7
• Rice	0.1
• Vegetables and melons, root crops and tubers	0.5
• Fodder crops	3.1

In order to solve the problem of the fodder base in 2022, the Kazakhstan Ministry of Agriculture developed and approved a Roadmap for Feed Industry Development for 2022-2025, which includes systematic measures for provision of agricultural animals with fodder.

According to the Kazakhstan Ministry of Agriculture, about 75% or 205.4 million ha of agricultural land in Kazakhstan have been digitized and reflected on a digital map, which will be available by 2024¹.

Kazakhstan belongs to the zone of insufficient moisture, and the

central and southern regions, with the exception of foothill and mountain areas, belong to the arid zone. In this regard, main volume of agricultural land reclamation is occupied by irrigated lands, which allows, with proper use, regardless of natural conditions, to obtain stable yields of agricultural crops.

— Crop Production

IN 2022, THE SPECIFIED SOWN AREA OF CEREALS (INCLUDING RICE) AND LEGUMES IN THE REPUBLIC WAS 16,114.4 THOUSAND HA (AT THE LEVEL OF LAST YEAR), VEGETABLES AND MELONS, ROOT CROPS AND TUBERS – 480.2 THOUSAND HA (98.2% BY 2021), INCLUDING OPEN-GROUND VEGETABLES –

170.2 THOUSAND HA (100.9%), POTATOES – 199.5 THOUSAND HA (101.9%), COTTON – 126.3 THOUSAND HA (114.8%), RESPECTIVELY.

The gross harvest of cereals (including rice) and legumes (in weight after refinement) increased

by 34.5% compared to 2021 and amounted to 22,030.5 thousand tons, oilseeds – by 25.6% and 3,051.3 thousand tons, respectively.

The gross harvest of vegetables and melons, root crops and tubers

decreased by 1.4% and was 11,739.0 thousand tons, while an increase was recorded in open-ground vegetables (by 2.2% by 2021 or 4,610.2 thousand tons), potatoes (by 1.2% and 4,080.5 thousand tons), a decrease in protected ground

vegetables (by 28.9% or 182.4 thousand tons) and melon crops (by 7.9% or 2,560.3 thousand tons).

Compared with 2021, the yield of cereals (including rice) and legumes (in weight after refinement) increased by

32.7% and was 13.8 cwt/ha, vegetables and melons, root crops and tubers – by 0.5% and amounted to 242.3 cwt/ha. Also, the year turned out to be fruitful for open-ground vegetables (an increase of 1.2%), melons (by 1.1%) and sugar beet (by 23.9%).

— Livestock Production

THE MAIN FACTORS INFLUENCING THE VOLUME OF LIVESTOCK PRODUCTION ARE SLAUGHTER OR SALE OF LIVESTOCK AND POULTRY, MILK YIELD, EGG PRODUCTION.

Results in 2022:

- 50.2% of cattle were registered in households of the population; 40.2% – in peasant or farm enterprises and individual

entrepreneurs; 9.6% – in agricultural enterprises; for sheep – 46.8%, 47.1% and 6.1%, respectively; goats – 66%, 33% and 1%; pigs – 57.8%, 9.7% and 32.5%; poultry – 23.9%, 1.1% and 75%.

- the volume of slaughter in farms or sale for slaughter of all types of livestock and poultry

in live weight increased by 0.4% compared to last year, cow's milk production, respectively, by 2%, chicken eggs increased by 4.4%.

- the average milk yield per dairy cow increased by 2.1% compared to last year, the average yield of eggs per laying hen increased by 23.7%.

— Food Production

IN KAZAKHSTAN, FOOD PRODUCTION IN JANUARY-DECEMBER 2022 INCREASED BY 3.9% AND AMOUNTED TO 2.9 TRILLION KZT.

There is an increase in the production of vegetable oil by 49.5% (from 431.0 thousand tons to 644.3 thousand tons), sugar by 34.4% (from 255.9 thousand tons to 343.9 thousand tons), fresh, chilled

or frozen fish by 15.5% (from 41.1 thousand tons to 47.5 thousand tons), cereals by 11.5% (from 83.8 thousand tons to 93.4 thousand tons), flour by 10.2% (from 3,011.5 thousand tons to 3,318.2 thousand tons), sausage products by 5% (from 62.6 thousand tons to 65.8 thousand tons), pasta by 3.8% (from 160.0 thousand tons to 166.1 thousand tons), processed rice by

3.1% (from 217.2 thousand tons to 223.9 thousand tons).

This growth was achieved mainly due to an increase in crop production by 15% (5.6 trillion KZT).

The volume of gross livestock production for the specified period increased by 0.9% and amounted to 3.6 trillion KZT.

¹ JerKarta interactive map – <https://jerkarta.gharysh.kz/ru/>

Industrial production in physical terms in 2022 is volatile:

Food production, tons	2021	2022	Change (+ -)
Meat	339,423	349,727	10,304
Milk	614,996	573,323	-41,673
Flour	3,011,548	3,318,172	306,624
Bread	523,083	518,626	-4,457
Cereals	83,794	93,422	9,628

— Statistics of Entities

According to the Bureau of Statistics, the number of active agricultural manufacturers as of January 1, 2023 was:

Legal entities		Individual entrepreneurs		Peasant or farm enter-prises	
total	including women	total	including women	total	including women
17,595	3,001	21,535	6,916	239,908	64,758



— Price Indices

FOOD PRICES FOR THE YEAR INCREASED BY 25.3% (IN NOVEMBER – 24.1%), NON-FOOD PRICES – BY 19.4% (IN NOVEMBER – 18.6%), PRICES FOR PAID SERVICES – BY 14.1% (IN NOVEMBER – 14.1%).

Compared to December last year, an increase in prices was noted

for sugar by 64.9%, cucumbers by 47.9%, bananas by 46.2%, canned milk by 43.3%, flour by 43.2%, pearl barley by 42.3%, sour cream by 38%, pasta by 36.2%, bakery and flour products by 35.8%. A decrease in prices was observed for cabbage by 15.2%, carrots by 0.8%.

Diesel fuel rose in price by 14.2%, and liquefied gas in cylinders fell in price by 23%.

Manufacturer price indices in agriculture, in %:

	December 2022 by December 2021.	December 2022 by November 2022	January-December 2022 by January-December 2021
Agricultural products	109	99.5	117.2
Crop products	107.7	99.1	119.8
Livestock products	112.6	100.4	110.1

AGRICULTURE IS ONE OF THE KEY BRANCHES OF THE KAZAKHSTAN ECONOMY. THE LEVEL OF DEVELOPMENT OF THE AGRARIAN SECTOR HAS ALWAYS BEEN AND CONTINUES TO BE A DETERMINING FACTOR IN THE ECONOMIC AND SOCIO-POLITICAL STABILITY OF KAZAKHSTANI SOCIETY.

To boost the rural economy, there are state and sectoral programs for the development and support of the Kazakhstan agro-industrial complex:

- Decree of the President of the Republic of Kazakhstan dated February 15, 2018 No. 636

“On Approval of the National Development Plan of the Republic of Kazakhstan until 2025 and Invalidation of Certain Decrees of the President of the Republic of Kazakhstan”, in terms of implementation of Objective 5. “Reforming the Agro-Industrial Sector to Adapt to New Conditions”;

- Decree of the Government of the Republic of Kazakhstan dated October 12, 2021 No. 732 “On Approval of the National Project for Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2021-

2025” (the National Project);

- Decree of the Government of the Republic of Kazakhstan dated December 30, 2021 No. 960 “On Approval of the Concept of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2021-2030” (the Concept);
- Order of the Ministry of Agriculture of the Republic of Kazakhstan dated 31.12.2019 No. 476 “On Approval of the Strategic Plan of the Ministry of Agriculture of the Republic of Kazakhstan for 2020-2024”.

Analysis of the Agricultural Equipment Fleet



PROVIDING AGRICULTURAL ENTITIES WITH MODERN MACHINERY REMAINS AN IMPORTANT AND PRIORITY TASK, SINCE OLD TECHNOLOGIES AND OBSOLETE FLEET OF AGRICULTURAL MACHINERY HINDER THE GROWTH OF LABOR EFFICIENCY AND INCREASED PRODUCTION.

In addition, the use of worn-out machinery leads to increased consumption of fuels and lubricants and spare parts, loss of production and reduced quality, equipment

downtime due to malfunctions and other negative consequences.

However, development of technical equipment and introduction of global developments require significant financial investment.

Thus, within the framework of the Concept of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2021-2030 (approved by the Decree of the Government of

the Republic of Kazakhstan dated December 30, 2021 No. 960), the task was set to update the pace of the agricultural equipment fleet by stimulating the purchase of agricultural machinery (including domestically manufactured) by farmers, by implementing investment subsidy programs for part of the cost of purchased agricultural machinery, funding development institutions of Baiterek NMH JSC for the implementation of leasing programs.



MORE THAN 688.7 THOU UNITS OF AGRICULTURAL MACHINERY ACCORDING TO MA RK AS OF JANUARY 1, 2023 BY MAIN TYPES:

Main types of agricultural machinery of the AIC entities by periods

Types of machinery	2018	2019	2020	2021	2022
Tractors	147,344	145,224	141,750	147,731	149,895
Harvesters	41,219	40,105	39,602	41,098	41,226
Seeders	79,467	78,444	73,226	76,876	76,381
Reapers	14,869	14,817	12,894	13,293	13,566
Sowing machines	3,900	4,060	4,302	4,743	4,987

Source: According to the Ministry of Agriculture of the Republic of Kazakhstan

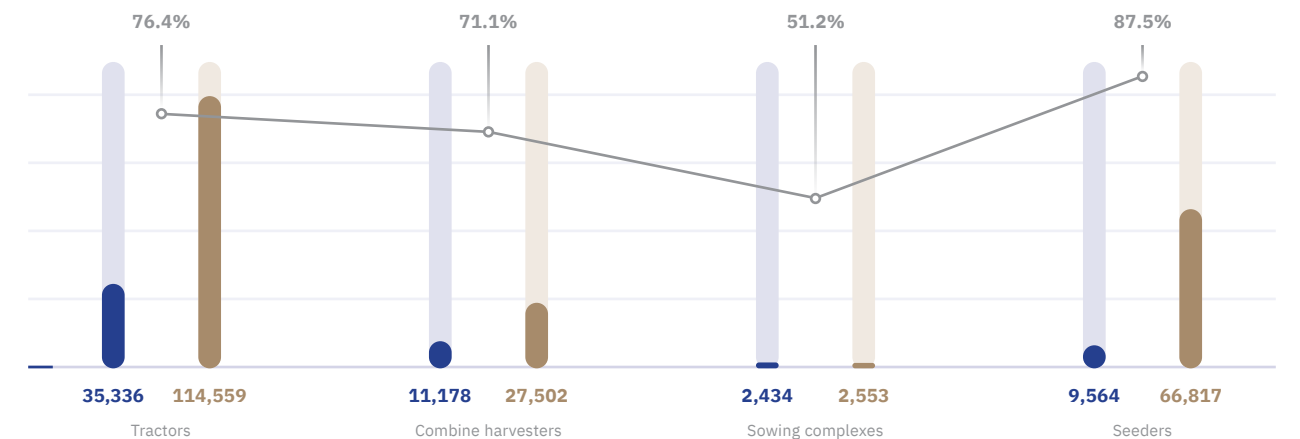
The country's agriculture has a significant but insufficient fleet of tractors, combines and other agricultural machinery. Thus, according to the Ministry of Agriculture of the Republic of Kazakhstan, the average depreciation of the machine and

tractor fleet is about 80%. Share of extremely worn-out main types of agricultural machinery (over 15 years old) is: tractors – 79%, combines – 54%, seeders – 86%, reapers – 63%². At the same time, a standard service life of agricultural machinery, which is determined by

depreciation periods of operation, is (10-12 years).

In 2021, the average indicator of obsolete agricultural machinery by main types was 70.5%, and in 2022 this indicator increased and was 71.5%.

Share of Absolute Agricultural Machinery as of 01.01.2023



- Agricultural machinery purchased in 2013-2022, units
- Availability of obsolete agricultural machinery in Kazakhstan, units
- Share of obsolete MA from AMF in Kazakhstan, %

² <https://qazindustry.gov.kz/ru/article/2136-traktornoe-i-selskokhozyaystvennoe-mashinostroenie-v-kazakhstane-tekushchee-sostoyanie-problemy-i-perspektivy-rosta>

Source: According to the Ministry of Agriculture of the Republic of Kazakhstan

With the required technological level of 12.5% per year, the rate of renewal of agricultural machinery does not actually exceed 3.5%³.

There is a slight increase in the purchase of agricultural machinery. In 2022, 17,343 units of equipment were purchased in the republic. In

2021, the number of purchased equipment amounted to 17,171 units.

Company's share in the renewal of the agricultural equipment fleet by the end of 2022

Equipment name	Purchase of equipment in 2022 in Kazakhstan, units	Purchase of equipment of KazAgroFinance in 2022, units	Share of participation of KazAgroFinance in the renewal of agricultural equipment, %
Tractors	5,844	2,896	49.6%
Harvesters	1,236	507	41.0%
Seeders	1,685	283	16.8%
Sowing machines	275	190	69.1%
Other	8,303	2,930	35.3%
Total	17,343	6,806	39.2%

Source: According to the Ministry of Agriculture of the Republic of Kazakhstan and the Company

Share of all types of machinery purchased in 2022 by the agro-industrial entities through the Company leasing services in total

volume of purchases of agricultural machinery in the republic is 39.2% (6,806 units out of 17,343 units). In particular, volume

of domestically manufactured agricultural machinery purchased through KazAgroFinance was 4,250 units.

Share of the Company's participation in the renewal by types of equipment

Name of equipment by type, units	Tractors	Harvesters	Seeders	Sowing machines	Other	Total
Purchased in Kazakhstan	5,844	1,236	1,685	275	8,303	17,343
including purchased by KazAgroFinance	2,896	507	283	190	2,930	6,806
including domestically manufactured	2,388	389	82	8	1,383	4,250

Source: According to the Ministry of Agriculture of the Republic of Kazakhstan and the Company

The structure of agricultural machinery suppliers today is represented by both global and local manufacturers. Global

manufacturers include: Rostselmash (Russia), Gomselmash, Minsk Tractor Plant, Bobruiskagropromash

(Belarus), John Deere, Case IH, New Holland (USA), CLAAS (Germany), Techsystems Kft. (Canada), etc.

³ <https://agrosektor.kz/agriculture-news/minselhoz-rk-v-tekushhem-godu-uvelichil-gospodderzhku-na-obnovlenie-selhozparka-na-139-mlrd.-tenge.html>

They are distinguished by format of their presence in the structure of agricultural machinery. Russian, Belarusian, German and Chinese have set up assembly plants with localization of products.

In Kazakhstan, the Company cooperates with machine-building enterprises such as Semaz LLP, KAIC LLP, ST Assembly LLP, AgromashHolding KZ JSC, Kazrost Engineering Ltd. Private

Company, KAMAZ-Engineering JSC, Saryarkaavtoprom LLP, Kostanay Tractor Plant LLP, Don Mar LLP, DAFA LLP, AVAGRO LLP, Kostanay Agro-Mechanical Plant LLP and Kaz Kioti LLP.

Structure of Agricultural Machinery Transferred by the Company, Broken Down by Domestic and Foreign Equipment, units



Source: Company data

Economic efficiency of crop production depends entirely on the pace of renewal of the tractor fleet in farms.

Taking into account many factors, as well as the lack of available funds for farmers, the rate of equipment retirement from the fleet exceeds the rate of renewal.

Small and medium-sized farms, as a rule, are equipped with obsolete equipment and heavy tractors DT-75, T-150K, use heavy disc harrows BDT-4, etc. heavy cultivators KTS-4. Heavy

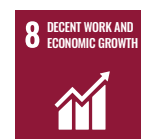
disk harrow does not allow grinding the roots of weeds properly. And this can lead to overgrowth of fields and huge costs for their restoration.

In addition, the situation is aggravated by deterioration of soil fertility; the machinery itself is unsafe for the environment, harms the ecosystem, polluting the air as well, takes up a lot of space.

Solution to these is to use lighter modern models of tractors and machinery in the fields.

The Forecast of Socio-Economic Development of the Republic of Kazakhstan for 2023-2027 notes that due to the continuation of investment subsidies and expansion of the leasing program of agricultural machinery through KazAgroFinance,

the level of renewal of agricultural machinery will be brought to 6%, which will ensure sowing and harvesting in optimal time, as well as reducing additional costs for fuel and spare parts for 15-20%.



Leasing Market Analysis

LEASING IS AN EFFECTIVE TOOL FOR UPDATING FIXED ASSETS AND IS ACTIVELY USED IN THE WORLD PRACTICE. IN KAZAKHSTAN, LEASING ACTIVITIES ARE REGULATED BY THE LAW OF THE REPUBLIC OF KAZAKHSTAN “ON FINANCIAL LEASING” DATED JULY 5, 2000, NO. 78-II, THE CIVIL CODE OF THE REPUBLIC OF KAZAKHSTAN (SPECIAL PART) AND THE CODE OF THE REPUBLIC OF KAZAKHSTAN “ON TAXES AND OTHER OBLIGATORY PAYMENTS TO THE BUDGET (TAX CODE)”.

According to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the

Republic of Kazakhstan, there are 70 leasing companies operating in the country, of which, according to the Internet resources of companies, leasing of agricultural machinery and equipment is provided by the following:

1. **KazAgroFinance JSC;**
2. **Industrial Development Fund JSC;**
3. **Halyk Leasing JSC;**
4. **NUR LEASING Leasing company Nurbank Subsidiary JSC;**
5. **TechnoLeasing LLP;**
6. **Al Sakr Finance JSC;**
7. **Leasing Group JSC;**

8. **ForteLeasing JSC;**
9. **ComTransLeasing LLP.**

Due to the wide distribution of state support tools, the leasing market in Kazakhstan is showing stable growth. Companies that have special programs for leasing agricultural machinery and equipment offer the following financing conditions:

Leasing companies	Asset financing	Conditions		
		Financing period	Interest rate	Cofinancing
Industrial Development Fund JSC	Equipment for the manufacturing industry, domestically manufactured	3-10 years	from 3% (for leasing up to 1 billion KZT) from 7% (for leasing from 1 billion KZT)	not less than 15%
ForteLeasing JSC	Equipment, special equipment, vehicles	1-7 years	Base rate + 6%	
	Goods and passenger vehicles and special equipment	1-2 years	from 16%	from 20% (with an additional collateral) from 40% (without additional collateral)
	Fixed assets – equipment, vehicles, special equipment, etc.	1-5 years	from 14%	from 20%
TechnoLeasing LLP	Agricultural machinery and equipment	3-5 years	from 9 %	from 20%
	Road construction, special machinery and equipment	3 years	14%	30%
	Under the DAMU program: leasing of agricultural, road construction machinery and special equipment	up to 7 years	no more than 16%	from 20%
Halyk Leasing JSC	Construction equipment	up to 5 years	From 21.75% per annum (at least the Base rate of the NB RK + 5%)	from 20%
	Agricultural machinery	up to 5 years	24.25% (not less than the Base rate of the NB RK +7.5%) (for the client: 6% of the Ministry of Agriculture)	from 20%
	Special equipment	up to 5 years	From 21.75% per annum (at least the Base rate of the NB RK + 5%)	from 20%
	Motor transport	up to 5 years	From 21.75% per annum (at least the Base rate of the NB RK + 5%)	from 20%
	Equipment	3-5 лет	19%	from 20%
Leasing Group JSC	Special equipment, cargo transport and cars	from 3 years	16% per annum	from 20%
	Leasing under the Damu program	up to 7 years	16% per annum	from 20%
	Agricultural machinery	from 3 years	15% per annum	from 15%
NUR LEASING	Leasing of trucks; special equipment; machinery; production complexes; aircraft; sea and river vessels; rolling stock.	from 3 years	from 21.75%	from 20%
	Under the DAMU program	up to 7 years	16% per annum	from 20%
Al Sakr Finance JSC	Drop-side trucks, dump trucks, buses, special vehicles, etc.	3-5 years	19% per annum in KZT	from 20-30%
			There is no information on rates in the currency	from 20%
ComTransLeasing LLP	Leasing for Belarus tractors	up to 5 years	23%	from 25%

Source: Internet resources of companies

Amid uncertainty of the geopolitical situation, continuing high food prices, as well as the domestic economy factors, including high inflation expectations of the population, an imbalance of supply and demand, on December 5, 2022, the National Bank increased the base rate to 16.75% with an interest rate collar of +/-1 percentage points, in view of which, financial institutions increased commercial interest rates⁴.

In addition, state programs of supporting the economy continue to have a significant impact on the leasing industry, primarily in AIC, industry, small and medium-sized businesses, since state support is often provided through leasing financing.

At the moment, the Company remains an undisputed leader in the AIC leasing market, despite the lack of budgetary investments since 2014. The Company's programs are preferred by farmers due to the seasonal schedule of principal repayment (payment once a year after harvest), long leasing terms, no fees, a low amount of advance payment and a fairly extensive experience in this area. At the same time, the key advantages of the Company's lease financing for farmers are:

- more flexible terms and schemes of lease financing. When regis-

tering a lease, no additional collateral is required, since it is the leasing subject itself;

- through the Ministry of Agriculture of the Republic of Kazakhstan, there are programs for subsidizing interest rates and subsidizing investments in machinery and equipment;
- wide regional coverage (15 branches), which no leasing company in Kazakhstan can provide.

In addition, an important and main factor is the tax advantages, as well as certain financing products, in particular, the Express Leasing program is in great demand, the financing rate is 6% per annum (including subsidies), a period is up to 10 years, co-financing is at least 20% of the cost of the leasing subject.

Official statistics show that financial leasing is not fully applied in the country, including in the agricultural sector.

Geopolitical situation, increase in energy prices, food and problems with logistics supply chains affect the country's food security. There is a shortage of basic food products – meat, cereals, vegetables (potatoes, carrots).

Underfunding of the AIC affects food security, where farmers do not update equipment and machinery in a timely manner, reducing productivity and leading to shortages, respectively, to higher prices.

In its activities, the Company is guided by the main directions of state policy on AIC development, as well as the objectives set by the President and the Government of the Republic of Kazakhstan.

So, on July 14, 2022, the Head of State at an expanded meeting of the Government instructed to launch a program for leasing agricultural machinery from the recycling fees.

To fulfill the instruction, the Government of the Republic of Kazakhstan adopted Resolution No. 530 dated 04.08.2022 “On Amendments to the Resolution of the Government of the Republic of Kazakhstan dated September 2, 2021 No. 604 “On Approval of the Rules for Financing by the Operator of Extended Obligations of Manufacturers (Importers) of an Organization, fifty or more percent of Voting Shares (Stakes in the Authorized Capital) of which are Directly or Indirectly Owned by the State and/or the National Managing Holding, for further Financing of Manufacturing Industry Projects aimed at Improving the Environment”

and on 05.08.2022, the Company began accepting applications under a preferential leasing program.

PEST Analysis

A PEST analysis of key political, economic, social and technological factors that can directly or indirectly affect the Company's activities is given to assess macro-environment factors.

Political factors

Opportunities

Targeted State Policy for Agricultural Development is enacted in the law:

- Decree of the President of the Republic of Kazakhstan dated November 26, 2022 No. 2 “On Measures to Implement the Election Program of the President of the Republic of Kazakhstan “Fair Kazakhstan – for All and Everyone. Now and Forever” provides an event on ensuring preferential conditions for lease of agricultural machinery.
- The National Project is aimed at increasing labor efficiency in the AIC by 2.5 times, providing basic domestically manufactured goods, doubling the export of agricultural products with an increase in the share of processed products to 70%, steadily increasing the incomes of 1 million rural residents due to establishment of seven large ecosystems and implementation of investment projects.
- The Concept for AIC Development of the Republic of Kazakhstan for 2021-2030 is aimed at increasing the potential of AIC sector, ensuring its sustainable development and introducing mechanisms (reforms) to stimulate further development.

Threats

Unstable geopolitical situation

- for the Kazakhstan economy, against the background of currency volatility, inflation expectations, anti-Russian sanctions and other aspects, there will be consequences in terms of rising commodity prices and reduced solvency over the following periods.

Cancellation of state support measures:

- may affect a significant decrease in the technological level of renewal of the agricultural equipment fleet.

Amendments to the tax legislation of the Republic of Kazakhstan:

- a reduction in the list of goods whose import VAT is paid by the offset method can significantly deteriorate investment climate, as well as make leasing economically unattractive for both potential lessees and lessors.

⁴ <https://nationalbank.kz/ru/news/grafik-prinyatiya-resheniy-po-bazovoy-stavke/rubrics/1843>

Economic factors	
Opportunities	Threats
<p>Tax benefits:</p> <ul style="list-style-type: none"> contribute to the renewal of the machine and tractor fleet, increase productivity and efficiency of the agricultural sector and curb the growth of prices for agricultural products <p>State support measures:</p> <ul style="list-style-type: none"> subsidizing the reimbursement of part of the expenses incurred by the agro-industrial entity, with investments; subsidizing interest rates when crediting the agro-industrial entities, as well as leasing for the purchase of agricultural animals, machinery and technological equipment. <p>Favorable investment business climate:</p> <ul style="list-style-type: none"> over the past 3 years, investments in fixed assets in agriculture tend to increase. 573 billion KZT was invested in agriculture, forestry and fisheries in 2020, 773 billion KZT in 2021, 854 billion KZT in 2022. <p>Sufficient provision of the industry with resources:</p> <ul style="list-style-type: none"> provision with a sufficient fund of agricultural land, as well as a stable raw material base; increase in sown areas and expansion of irrigated land. 	<p>Cancellation of tax preferences:</p> <ul style="list-style-type: none"> cancellation of the benefits will lead to an outflow of the lessor's free cash to pay the tax and to a corresponding reduction in the amount of financing, as well as an increase in the cost of inputs. <p>Instability of economic factors:</p> <ul style="list-style-type: none"> economic consequences in an unstable geopolitical situation, expressed in a decrease in the national currency, increase in inflation, increase in the base rate by the National Bank of Kazakhstan, increase in restrictions due to the sanctions, etc.; increase in the base rate by the National Bank of Kazakhstan, contributing to the growth of inflation and rise in the cost of financial services; risks of increasing product prices (shortage of raw materials, components, logistics) can have a critical impact on availability of equipment and customer needs; high prices of manufacturers of agricultural machinery, assembly plants and suppliers (increase from 35% to 50% for various reasons, and for some commodity items the rise in price occurred by more than 90%), logistics problems, changes in equipment supply routes, disruptions of agricultural machinery supplies, etc. <p>High risks in agricultural sector:</p> <ul style="list-style-type: none"> high dependence of the crop sector on weather and climate, and the livestock sector on the risks of epizootics, poor logistics of agricultural products to be processed, long logistics routes within the country, as well as complex logistics of export routes, limited sales markets, dependence of domestic prices for finished products on the import and trade duties.

Social factors	
Opportunities	Threats
<p>Constant need for agricultural products:</p> <ul style="list-style-type: none"> in context of an increasing population, it creates the preconditions for maintaining a long-term growth in the agricultural sector. <p>Professional training of personnel:</p> <ul style="list-style-type: none"> state agricultural universities operate in Kazakhstan, which annually graduate specialists to work at various AIC enterprises. 	<p>Climate change:</p> <ul style="list-style-type: none"> increasing concentration of CO₂ in the atmosphere due to fuel combustion, land use, reduction of the ozone layer, livestock production and deforestation, negatively affect the climate and the environment. <p>Low income:</p> <ul style="list-style-type: none"> traditionally, the average monthly nominal salary of agricultural workers is low, averaging about 70% of the average monthly nominal salary of workers in all types of economic activities and demonstrating weak growth dynamics year on year. <p>Outflow of the rural population:</p> <ul style="list-style-type: none"> according to the ASPR Bureau of National Statistics, in recent years there has been a negative balance of rural migration within the country. So, in 2022, the migration balance of the rural population was minus 67 thousand people. The villagers moved both inside Kazakhstan, to larger settlements, and abroad. In addition, for 8 years there has been a decrease in the number of people employed in agriculture (from 1,605.1 thousand people to 1,176.4 thousand people); <p>Seasonality:</p> <ul style="list-style-type: none"> different seasons require different amounts of labor to complete the agricultural cycle. As a result, uneven labor demand arises. During the season, 1.4 million people are employed, and the rest of time – about 1.2 million people.

Technological factors	
Opportunities	Threats
<p>Government stimulation of new technologies and innovations:</p> <ul style="list-style-type: none"> the state promotes digitalization of agricultural technologies and innovative technologies at the AIC enterprises, automation of technological processes, as well as the scientific research. <p>Increase in manufacturability of domestic agricultural production</p> <ul style="list-style-type: none"> may increase the demand of agricultural manufacturers. <p>Automation of applications for financing:</p> <ul style="list-style-type: none"> will allow reaching the audience for provision of services as much as possible in the shortest possible time. 	<p>Technological equipment of domestic agricultural machinery and dependence on foreign technologies:</p> <ul style="list-style-type: none"> weak technical equipment of agricultural engineering enterprises; no domestic new developments of promising models of agricultural machinery; decrease in competitiveness of domestically manufactured tractors and agricultural machinery due to low localization, dependence on the supply of machine kits and increase in the cost of equipment. <p>State of the material and technical base:</p> <ul style="list-style-type: none"> more than half of agricultural machinery and equipment is used beyond the amortization period. According to the Ministry of Agriculture of the Republic of Kazakhstan, today the service life of many available tractors and combines of agricultural manufacturers exceeds 10-12 years.

The analysis shows that the state support, provision with raw materials, new technologies and increase in the manufacturability together are the system-forming factors that have a positive impact on development of the Company's activities and the industry as a whole.

SWOT Analysis

THIS SWOT ANALYSIS REFLECTS STRENGTHS AND WEAKNESSES, AS WELL AS EXISTING OPPORTUNITIES AND THREATS FOR THE COMPANY'S ACTIVITIES.

Strengths include extensive experience in leasing and lending in the AIC, high competence and qualified personnel, an effective risk management system, and a high level of corporate governance. Weaknesses

include a lack of budget funding, a shortage of funds for state support measures, introduction of a recycling fee, increase in the cost of the leasing subject for machinery.

Strengths	Weaknesses
<ol style="list-style-type: none"> Extensive experience in leasing and lending in the AIC, experience in interacting with private business. High competence in the provision of leasing services and qualified personnel. Wide branch network and customer base of AIC entities. Established partnerships with domestic and global manufacturers of agricultural machinery and equipment. High level of corporate governance. Availability of an effective integrated risk management system. Recognizable brand for AIC entities and the Company's demand in the agricultural machinery market. Positive dynamics in the number of clients and a high level of confidence in the Company's activities. Diversified portfolio of funding sources and significant experience in raising borrowed funds in the domestic and international markets. Support for domestic manufacturer. 	<ol style="list-style-type: none"> Concentration of the loan portfolio in one sector of the economy. High interest rate for leasing products due to lack of budget funding and an increase in the base rate by the National Bank of Kazakhstan. High dependence on political decision-making and fiscal authorities. Volatility of the tenge and currency exchange rate.
Opportunities	Threats
<ol style="list-style-type: none"> Development of effective state support for the industry. Increasing the state support for the AIC, including on the issues of updating the machine and tractor fleet. Possible increase of investments through attracted and state sources of financing. A significant number of AIC entities not covered by the Company services. Strengthening the Company's brand positioned as the best partner for AIC entities in renewal of agricultural machinery and equipment. Improvement of business processes for consideration of applications, including transition to online client service. Digitalization of land issues, reduction of unused land (arable land), including through the resource-saving technologies. Automation of processes in the Company. 	<ol style="list-style-type: none"> Insufficient funds allocated for state subsidies for investment and/or interest rates on loan products in the AIC sector. Macroeconomic risks caused by deterioration of internal and external environment, import dependence, as well as the world price conjuncture, affecting an increase in the cost of equipment. Impact of the geopolitical situation and anti-Russian sanctions, as well as risk of pandemic or other external factors that affect the economy of the country and the Company. Risk of force majeure, restrictive measures, climate change and other situations entailing a reduced production in the AIC, decreased demand for equipment and fulfillment of client's contractual obligations. Increase in the cost of a leasing subject for imported equipment due to depreciation of tenge, increase in taxes, etc.

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

However, recent events have shown the need for constant monitoring of risks and flexibility in terms of providing financing conditions.

Development Strategy Implementation



IN 2022, THE COMPANY IMPLEMENTED AND ACHIEVED STRATEGIC KEY PERFORMANCE INDICATORS OF THE COMPANY ACCORDING TO THE KAZAGROFINANCE DEVELOPMENT STRATEGY FOR 2020-2023 (THE DEVELOPMENT STRATEGY).

According to the results of 2022, the SKPIs were achieved as follows:

Key indicators of the Company's Development Strategy (quantitative or qualitative)	UoM	Value of indicators of 2022			Plan for 2023
		plan	actual	% achieved	
Strategic direction No. 1: Promoting the development of competitiveness of the AIC through technical and technological equipment					
KPI 1. Volume of leasing of agricultural machinery and equipment	bln KZT	102	172.8	169.4	105
KPI 2. Revenue volume of enterprises supported by KazAgroFinance (per year)	bln KZT	75.6	94.7	125.3	62.3
KPI 3. Export revenue volume of enterprises supported by KazAgroFinance (per year)	bln KZT	2.3	2.5	108.7	2.3
Strategic direction 2. Company performance					
KPI 4. ROA	%	2.77	4.59	165.7	2-2.2
KPI 5. Share of non-state sources of borrowing in the total structure of borrowing for the reporting year	%	70	70	100	70
KPI 6. Share of the loan and investment portfolio from the total assets of KazAgroFinance	%	79	84	106.3	77
KPI 7. NPL90+	%	13.49	8.17	165.1	13.2
KPI 8. Repayment of the principal debt on projects financed from the National Fund of Kazakhstan	%	46	49	106.5	65
KPI 9. Corporate Governance Rating	%	-	-	-	85-100

The Company's strategic goals and objectives are aimed at the Kazakhstan sustainable development to implement state policy and achieve the agricultural development goals. The effective implementation of the

Company's objective on sustainable development is monitored through the achievement of the KPI "Volume of leasing of agricultural machinery and equipment" and the KPI "Corporate Governance Rating".

Strategic direction 1:

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

As part of implementation of the Goal *“Increasing technical equipment and export potential in agriculture”*, the Company's Development Strategy provides for the following strategic key performance indicators (SKPI):

- **SKPI “Leasing of agricultural machinery and equipment”.** In 2022, the volume of investments

in leasing of agricultural machinery and equipment has been increased. As of January 1, 2023, the purchase of 6,806 units of agricultural machinery and equipment for a total amount of 172.8 billion KZT was financed, with a plan of 102 billion KZT, SKPIs were 169.4% completed;

- **SKPI “Revenue volume of enterprises supported by KazAgroFinance”.** The volume of revenue of enterprises from the sale of products under investment projects, according

to the financial statements for 2022 amounted to 94.7 billion KZT, with a plan of 75.6 billion KZT or 125.3% completed;

- **SKPI “Export revenue volume of enterprises supported by KazAgroFinance”.** The volume of export revenue from the sale of products under investment projects, according to the financial statements of enterprises, amounted to 4,070.3 tons for 2.5 billion KZT or 108.7% completed, with a plan of 2.3 billion KZT.

Strategic direction 2:

Company performance

As part of implementation of the Goal *“Increasing the profitability of the Company's activities”*, the following SKPIs have been established:

- **SKPI “ROA”.** For 2022, with the planned annual value in the Development Strategy of 2.77%, the ROA was 4.59%, 165.7% completed. ROA demonstrates the effective use of capital involved in the Company's activities;
- **SKPI “Share of non-state sources of borrowing in the**

total structure of borrowing for the reporting period”. KPI by the end of 2022 was 70%, with a planned value of 70%, which is 100% completed;

- **SKPI “Share of the loan and investment portfolio from the total assets of KazAgroFinance”.** With an annual target value of 79%, the achievement for the year was 84%, which amounted to 106.3% of the achievement;
- **SKPI “NPL 90+, %”.** NPL90+ was 8.17%, 165.1% completed. Calculation was made according to the amount of the principal debt. NPL reflects quality of

the Company's loan portfolio. In order to improve quality of the loan portfolio, the Company every month monitored observance of the client payment discipline, recovered overdue debts, as well as performed rehabilitation procedures for problematic projects;

- **SKPI “Repayment of the principal debt on projects financed from the National Fund of Kazakhstan”.** Loan portfolio of the National Fund of the Republic of Kazakhstan amounted to 27.393 billion KZT. SKPI completion was 49% with an annual planned value of 46%, which is 106.5% completed.

As part of implementation of the Goal *“Corporate development of KazAgroFinance in accordance with best practice”*

- **SKPI “Corporate Governance Rating”.** SKPI planned value for

2022 has not been established. At the same time, in the reporting year, the Company improved the corporate governance, risk management and internal control systems, introduced the principles of sustainable

development into the key processes of the Company's activities and developed corporate culture (detailed information is disclosed in the relevant sections of the Annual Report).

— Conclusions on the results of implementation of the Company's Development Strategy

AS PART OF THE SET GOALS, THE COMPANY HAS TAKEN ALL NECESSARY MEASURES TO IMPLEMENT THE OBJECTIVES SET.

Due to stable activity in difficult conditions for the country and the world, associated with rising prices and inflation, the Company, with a small gap compared to 2021, leased 6,806 agricultural machinery units in 2022, concluding 5,513 transactions. At the same time, the coverage of new customers increased and amounted to 3,334 borrowers

One of the factors of labor efficiency and export growth in the AIC is the use of high-tech agricultural machinery, as well as introduction of innovative technologies in the agricultural sector. In this connection, the Company keeps improving technical equipment and upgrading the AIC by increasing investments in equipment leasing. The measures carried out by the Company in 2022 to optimize and automate business processes were aimed at improving and developing

leasing services with a focus on consumer demand, which in turn influenced the increase in loyalty of existing and attracting new clients and allowed the Company not only to increase the total number of clients, but also to fulfill the financing plan for agricultural machinery.

With the annual planned value in the Development Strategy, ROA has been fully achieved, which indicates the Company's performance.

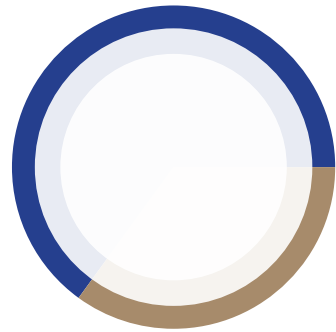
The Company strives to improve the loan portfolio quality. To this end, measures are taken to implement the client payment discipline, ensure an optimal NPL level, and recover overdue debts.

 **3,334**
BORROWERS
▲ REACHING NEW CUSTOMERS

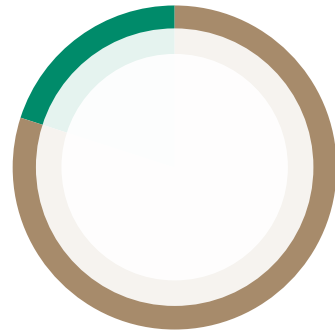


Operating Results

Funded new clients in 2022



1,227.5 bln KZT
Invested in the AIC from 2000 to 2022



65% New clients
35% Current clients

80% Extra-budgetary funds
20% Government funds



Operating Results (performance)

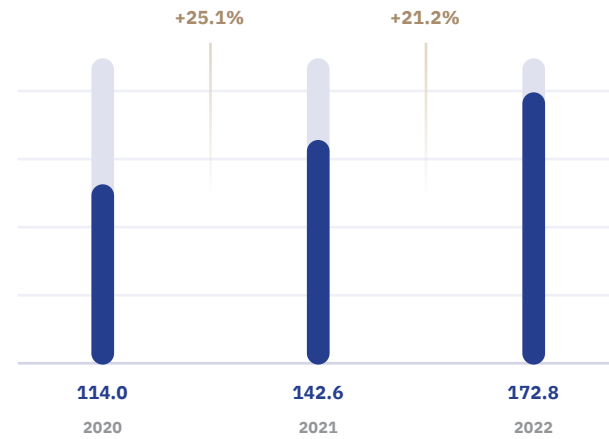
	2021	2022	Dynamics
AMOUNT OF FINANCING BLN KZT	141.6	172.8	22.0% ▲
QUANTITY OF MACHINERY UNITS	7,276	6,806	6.5% ▼
INCLUDING KZ MACHINERY UNITS	3,755	4,250	13.2% ▲
LOAN PORTFOLIO BLN KZT	349	423	21.2% ▲
NPL,90+	10.3%	8.17%	20.7% ▼
PROVISIONS	11.6%	10.36%	10.7% ▼
QUANTITY OF CLIENTS AP	9,583	10,983	14.6% ▲

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

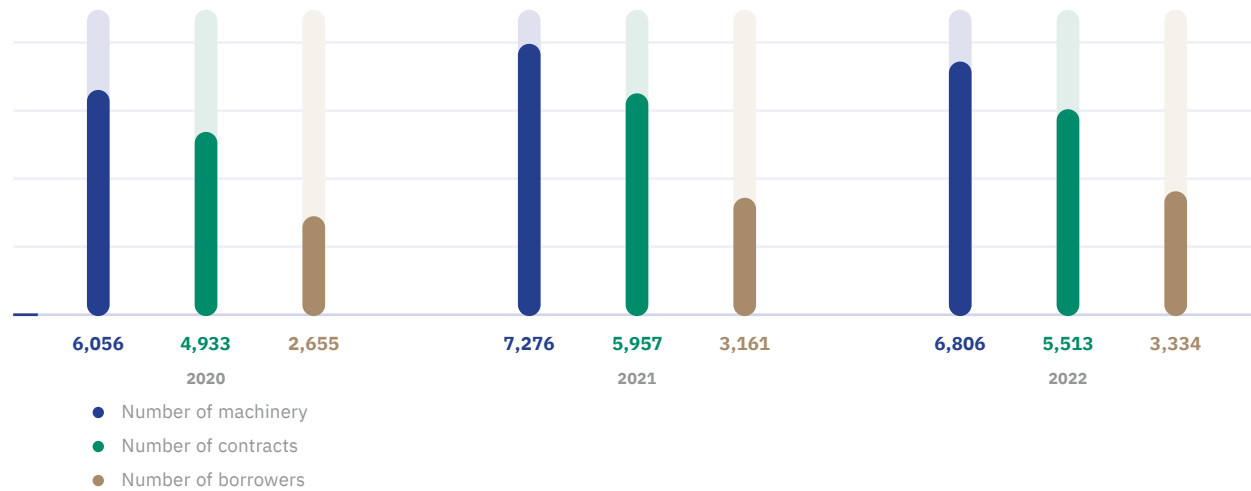
Over the past 7 years, the AIC has been invested from the Company's own and borrowed funds.

From 2000 to 2022, the Company invested about 1,227.5 billion KZT in the AIC, including equipment leasing and loans, under previously financed investment projects.

Investment Dynamics in 2020-2022, bln KZT



Number of Clients Served, Financing Agreements Concluded and Equipment Leased, units



Source: Company data

Dynamics for 2022, compared with 2021, shows slight decrease in the number of equipment and financing contracts concluded, while the annual growth in the number of the Company's clients

remains. This fact suggests that demand for equipment continues to increase.

KazAgroFinance from January 1, 2000 to December 31, 2022 has

financed the acquisition of about 69 thousand units of agricultural machinery and equipment for a total amount of 1,027 billion KZT. The leased equipment cultivates 15 million hectares of sown land.



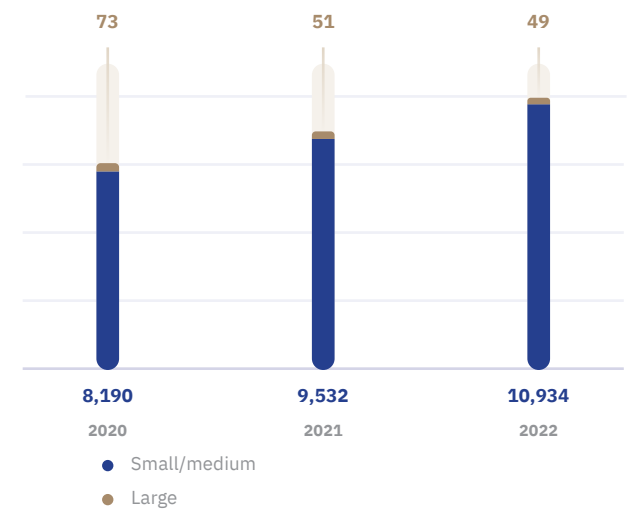
Agricultural machinery provided by the Company on lease, mln KZT

Name of equipment	2020		2021		2022		Total 2000-2022	
	unit	sum	unit	sum	unit	sum	unit	sum
Sowing machines	130	4,933	258	10,515	190	8,547	1,977	76,859
Tractors	1,996	35,550	2,431	45,521	2,896	65,308	21,751	268,477
Harvesters	539	36,237	633	44,408	507	57,375	12,518	388,176
Seeders	346	7,544	258	7,513	283	9,251	3,482	40,058
Other machinery	3,045	25,774	3,696	33,669	2,930	32,355	28,698	194,229
Equipment							604	58,897
Total	6,056	110,038	7,276	141,625	6,806	172,836	69,030	1,026,697

Source: Company data

According to the results of 2022, the number of active clients in the Company's portfolio was 10,983 units, which is 14.6% more than in 2021 (9,583 agricultural manufacturers). The predominant share is occupied by small and medium-sized businesses of 10,934 clients, which is about 99.5%.

Number of Clients by Business Size, units



Source: Company data

▲ **ACCORDING TO THE RESULTS OF 2022, THE NUMBER OF ACTIVE CLIENTS IN THE COMPANY'S PORTFOLIO WAS**

10,983
UNITS

KazAgroFinance constantly develops and improve of the product line.

Leasing Structure by Financing Programs

Program	Number of agreements	Number of equipment, unit	Equipment value, mln KZT
Master-leasing	476	777	43,378.6
Express-leasing	2,100	2,448	35,769.0
Made in Kazakhstan	320	352	5,566.4
Reliable Farmer	1	1	3.7
Preferential Leasing	954	1,072	39,588.2
Leasing of machinery and vehicles	1,662	2,156	48,530.0
Total	5,513	6,806	172,835.9

Source: Company data

Such programs as Express Leasing, Preferential Leasing and Leasing of Equipment and Vehicles under standard financing terms were the most popular in 2022.

Advantages of the Express Leasing include the opportunity to consider an application for leasing equipment worth up to 300 million KZT as soon as possible (5 days) without confirming

income based on a minimum package of documents (without providing a business plan and financial statements).

The Preferential Leasing program was launched in 2022 and was of high demand. The main advantages of the program are a preferential interest rate of 6% per annum and the absence of an initial payment (advance payment) on leasing.



Structure of clients in the portfolio by regions in 2022



★ The West Kazakhstan and Turkestan regions have more than a thousand clients in the Company's regional client map.

Source: Company data



KAZAGROFINANCE

Financial Results

Key financial indicators

<i>mln KZT</i>	2022	2021
Assets		
Cash and cash equivalents	64,764	30,011
Funds from credit institutions	62	35,098
Loans to customers	13,287	21,720
Finance lease receivables	393,664	314,712
Stocks	2,870	3,001
Fixed assets	973	903
Other assets	9,639	7,901
Total assets	485,259	413,346
Liabilities		
Debt to the Shareholder	22,062	12,087
Debt to Baiterek NMH JSC	11,584	
Funds of credit institutions	30,638	66,311
Debt securities issued	206,717	157,204
Government subsidies	27,026	
Other liabilities	30,282	30,274
Total liabilities	328,309	265,876
Equity	156,950	147,470
ROA	4.59	4.52
ROE	13.56	13.36
Book value of one ordinary share (in KZT)	1889.28	1774.3

<i>bln KZT</i>	2022	2021	2022, in % by 2021
Income, total	59.0	49.0	120.3%
including:			
• Remuneration income	58.1	47.0	123.7%
Expenses, total	37.9	32.1	118.0%
including:			
• Remuneration expenses	28.8	22.9	125.6%
• Expenses for provision	3.3	2.9	112.8%
CIT	0.4	-0.4	-97.7%
Net income	20.6	17.3	119.2%

KAZAGROFINANCE CONTINUES TO DEMONSTRATE POSITIVE FINANCIAL PERFORMANCE, REFLECTING SUCCESSFUL OPERATIONS IN THE AGRICULTURAL SECTOR, FINANCIAL STABILITY AND CONSISTENT DEVELOPMENT OF THE COMPANY.

Key Factors of Financial Stability

- 1. High capitalization.** Share of equity in the balance sheet is 32.3% of the Company's assets, which indicates the support from the Sole Shareholder, profitable activities of the Company and a high ability to absorb various financial risks. In 2022, the Company received a net profit of 20.6 billion KZT.
- 2. Acceptable level of liquidity.** The Company maintains a sufficient level of liquid funds to ensure stable growth of the loan portfolio, proper performance of obligations to creditors. Share of liquid assets in assets was 13.4%.
- 3. High credit rating.** On November 10, 2022, the international Fitch Ratings agency upgraded the long-term ratings of KazAgroFinance in

foreign and national currencies from "BB+" to "BBB-", the rating outlook is "Stable". The agency's confirmation of the high ratings of KazAgroFinance reflects strengthened position of KazAgroFinance in the national structure of development institutions as a key provider of leasing services to agricultural companies in the country. According to Fitch, in the absence of real substitutes, the role of KazAgroFinance in development of the country's agricultural sector is of high importance.

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

- 5. Compliance with prudential regulations.** The Company complies with prudential standards and limits for mortgage companies and subsidiaries of the national managing holding in the field of the agro-industrial complex, approved by the Resolution of the Board of the National Bank of Kazakhstan dated December 26, 2016 No. 308. There are significant reserves for all ratios. The Company is constantly working to prevent violations of the established standards.

- 6. Profitability.** The Company received a net profit for 2022 in the amount of 20.6 billion KZT, which is 19.2% more than in 2021. Accordingly, return on equity in 2022 was 13.56%, in 2021 – 13.36%.

Revenue Forecast

Main source of revenue of KazAgroFinance is the revenue received as remuneration based on the results of its core activities. In 2023, revenue is projected at 60.2 billion KZT, including:

- on current accounts – 0.1 billion KZT;
- on placed deposits – 1.0 billion KZT;
- on loans granted and temporary financial assistance provided – 0.9 billion KZT;
- on the provided financial lease – 56.8 billion KZT;
- on securities – 0.7 billion KZT;
- on reverse repo operations – 0.7 billion KZT.

Increase in revenue in comparison with the fact of 2022 (58.1 billion KZT) by 2.1 billion KZT is explained by an increase in the volume of the loan portfolio.



Development Prospects

KAZAGROFINANCE IS A LEADING FINANCIAL INSTITUTION IN THE AIC LEASING MARKET. IN 2022, THE COMPANY ACHIEVED HIGH RESULTS IN ALL KEY PERFORMANCE INDICATORS OF THE KAZAGROFINANCE DEVELOPMENT STRATEGY FOR 2020–2023, PLANNED IN THE REPORTING PERIOD. SHARE OF KAZAGROFINANCE BY THE NUMBER OF PURCHASED EQUIPMENT IN THE COUNTRY IS 39.2%, WHICH INDICATES A HIGH LEVEL OF TRUST FROM THE COMPANY'S CLIENTS.

The priority of the Company's activities is the interests of domestic agricultural manufacturers of the Company's clients. To do this, the Company will systematically and continuously improve services and quality of their provision.

Volume of financing of leasing of agricultural machinery will be one of the key indicators of the Company's activity in the long term.

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

This will also be facilitated by state support measures provided for by the National Project and the Development Concept.

Allocating additional budget investments will increase the level of provision of forage and agricultural machinery.

To ensure the annual increase in the volume of investments in leasing of equipment, the necessary funds from various sources of financing will be systematically attracted.

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

KazAgroFinance is steadily striving to increase its effective activity and rating by providing affordable and high-quality services, including on the basis of automation of information processes.

In order to maximize client satisfaction, the Company will

continue to develop its product line depending on the segmentation of client groups and their needs.

Continuous improvement of quality of the services provided is one of the important conditions for sustainable development of the Company. Main characteristics of a high-quality service for the Company are: a high level of consulting by managers, respectful and attentive attitude to clients and their wishes, the fastest possible time to receive the service, no omissions and shortcomings at any stages of the service.

KazAgroFinance JSC will keep implementing a client-oriented policy, within the framework of which the front-office employees will be permanently trained to improve quality of client service, and quality of consultations and services will be monitored. Main goal of implementing client-oriented standards is to strive to exceed expectations of its clients and help them achieve success in agribusiness.

In the process of improving client-oriented standards, the Company will apply international practice in

the provision of financial services, as well as modern methods of obtaining feedback from clients on quality assessment.

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

Main indicator of effective capital and asset management is the Company's positive financial result due to high-quality fundraising, maintaining an optimal level of reserves/provisions, effective management of free liquidity and financial liabilities, as well as maintaining an optimal amount of administrative expenses.

The optimal level of provisions will be achieved through constant work with the problem portfolio and increased monitoring of the repayment of obligations by existing clients.

The Company will continue to improve efficiency of liquidity management by maximizing the

profitability of highly liquid assets and minimizing financial risks, as well as reducing operational risks in treasury operations.

In order to increase financial performance and ensure effective attraction of funds, the Company will continue continuous and long-term improvement of quality of the Company's loan portfolio.

Implementing the measures to improve the Company performance through improving quality of the loan portfolio, increasing efficient use of equity and assets, will ensure profitability and investment attractiveness of the Company's activities.

Development and organization of a risk management and internal control system will ensure the Company's effective achievement of strategic and operational goals by building a system capable of quickly responding to risks, controlling over the main and auxiliary business processes, daily operations of the Company.

An important goal of the Company remains corporate development,

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

Development of the system of annual performance assessment of the Boards of Directors and its committees will continue, followed by adoption of the necessary corrective measures. Corporate governance level will be regularly diagnosed for compliance with the legislation, internal documents, and international practice of corporate governance with assigning the appropriate ratings. Based on obtained results, main areas for further improving corporate governance and taking the necessary measures will be determined.

Corporate risk management system will be continuously improved to support efficiency of the Company's business management and develop the corporate risk culture.

The Company will strengthen the role of risk management in all areas of activity by strengthening the organizational and analytical functions of the Risk Management

Unit, as well as increasing the role and responsibility of structural units for risk management within their processes, functionality and competencies.

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

The Company's objectives to implement the principles of sustainable development will remain one of the key objectives in development perspective. Possible financing through the issuance of social bonds will be considered.

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

Implementing an effective human resources policy will allow the Company retain and attract a highly qualified personnel that can make a significant contribution to

the development and growth of efficiency, and get the maximum possible return on investment in human resources.

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

Taking into account current trends and rapid development of automation systems, the Company plans to develop the KazAgroFinance Development Strategy for 2024-2033 with a focus on technical automation of a number of modules in 2023:

- creation of a mobile application and a personal account for AIC entities;
- providing a full range of leasing services in an automated mode;
- automation of the processes of consideration, decision-making and signing of financing agreements;

- integration with government databases;
- creation of an analytical platform for forecasting client needs.

These events are directly consistent with the instructions of the Head of State regarding the development of automation and digital transformation.

Implementing the above objectives will not only reduce labor costs, but also contribute to the improvement and development of services with a focus on client demand to increase satisfaction of existing and attract new clients of the Company.

Introduction of conceptually new principles, approaches and procedures, as well as transparent and understandable mechanisms for the provision of services will have a positive impact on the level of trust from external and internal target audiences and will affect profitability, shareholder value and image of the Company.

Taken together, these measures will allow the Company to maintain its position in the AIC leasing market.





04

Corporate Governance

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Components of the corporate governance system:

THE COMPANY CONSIDERS CORPORATE GOVERNANCE AS A MEANS OF INCREASING THE EFFICIENCY OF ITS ACTIVITIES, ENSURING TRANSPARENCY AND ACCOUNTABILITY, STRENGTHENING ITS REPUTATION AND REDUCING THE COSTS OF RAISING CAPITAL BY THEM.

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

- 1. honesty** – the Company protects the rights of the Sole Shareholder and takes effective measures in case of violations of its rights;
- 2. accountability** – the Company ensures the accountability of the Company executive body to the Board of Directors and accountability of the Board of Directors to the Sole Shareholder;
- 3. responsibility** – the Company ensures recognition of the legal rights of the Sole Shareholder, encourages cooperation between the Company and the Sole Shareholder in matters of the financial well-being and stability of the Company;
- 4. transparency** – the Company ensures timely and reliable disclosure of information on all significant issues that may affect the decisions of stakeholders.

An established corporate governance system has been formed and is functioning in the Company, the necessary internal regulatory documents regulating the activities of the Company and its bodies have been developed and approved, the internal audit service is effectively functioning, carrying out an assessment in the field of internal control, risk management and corporate governance. The Company's management processes and procedures are structured in such a way as to ensure compliance with legislation, internal regulatory documents and create optimal

conditions for making far-sighted and responsible decisions.

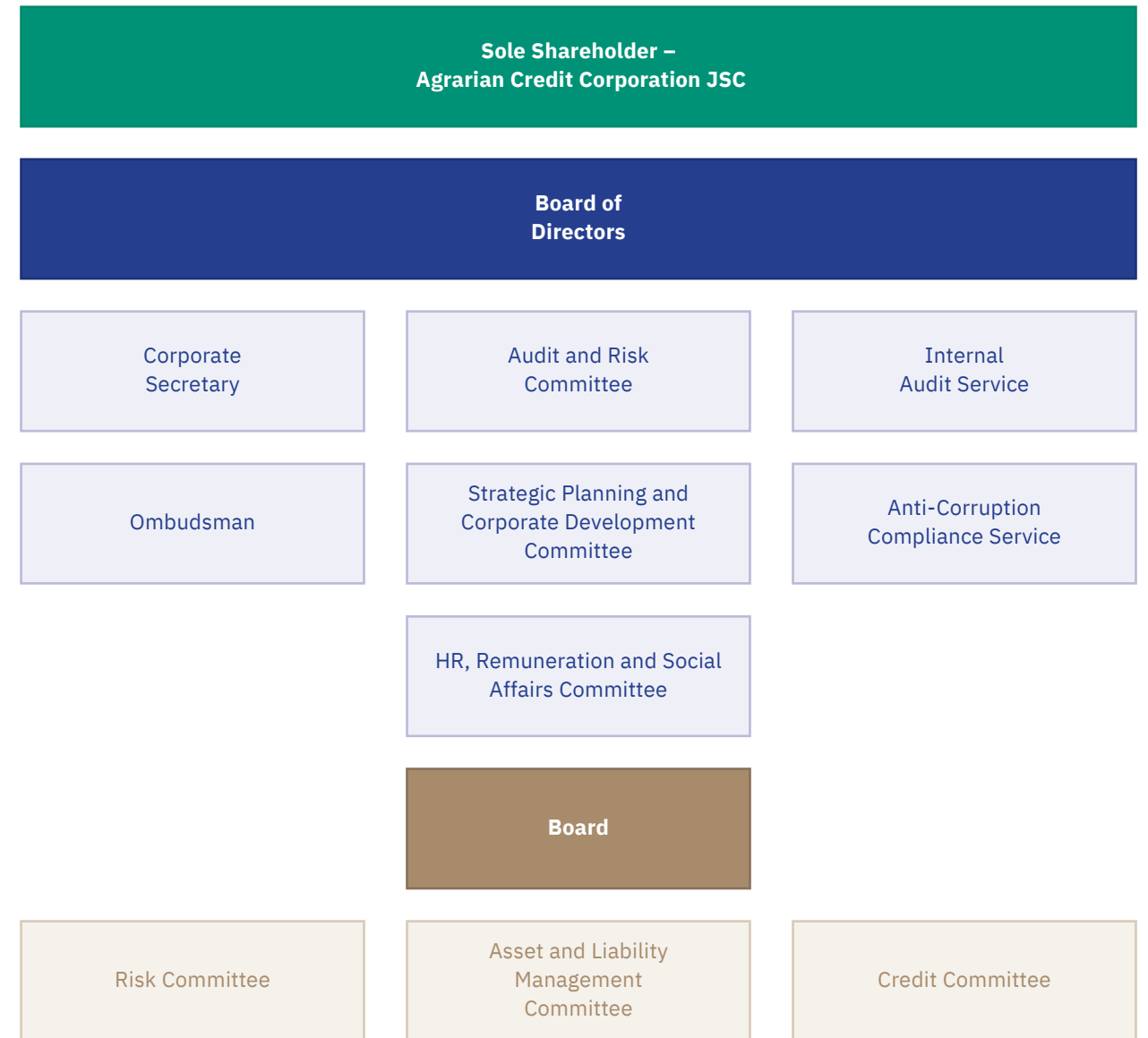
The KazAgroFinance supreme body is the Sole Shareholder, the management body is the Board of Directors, the executive body is the Board.

The Company's Board of Directors has established committees whose competence includes consideration of issues related to audit, risks, strategic planning, corporate development, personnel, remuneration and social issues. Committees under

the Board have been established to prepare advisory decisions for the Board in certain areas of the Company's activities, including for the preparation and preliminary consideration of issues within the competence of the Board.

Interaction with the Sole Shareholder is carried out in accordance with legislation of the Republic of Kazakhstan, the KazAgroFinance's Charter, which enshrines the exclusive competence of the Sole Shareholder, and the Corporate Governance Code of the Company.

Management Organisational Chart



Corporate Governance Rating

IMPROVING THE CORPORATE GOVERNANCE SYSTEM AND INCREASING THE TRANSPARENCY ARE AMONG THE KEY OBJECTIVES OF KAZAGROFINANCE IN ACHIEVING THE CORPORATE DEVELOPMENT GOAL IN ACCORDANCE WITH THE BEST CORPORATE GOVERNANCE PRACTICES.

For purpose of quality monitoring of the corporate governance system, the corporate governance rating is included in the Company's

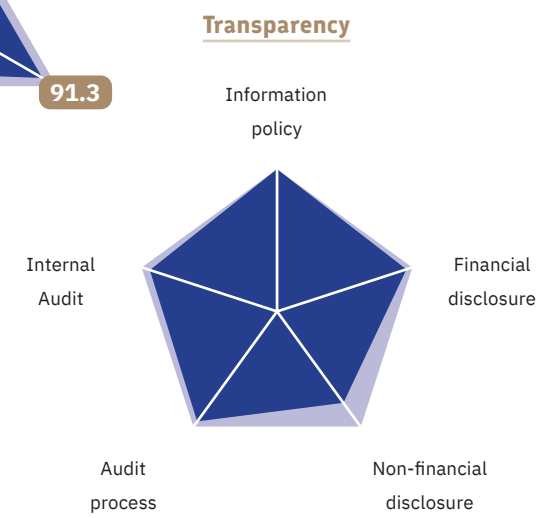
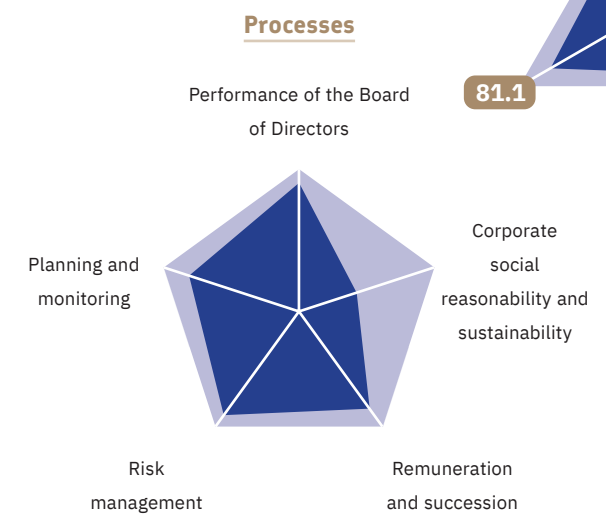
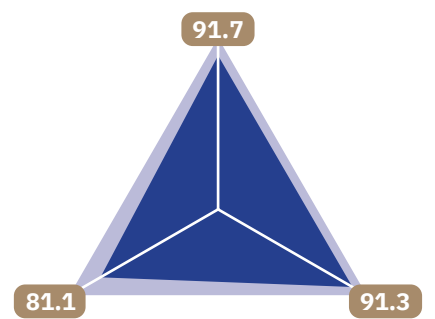
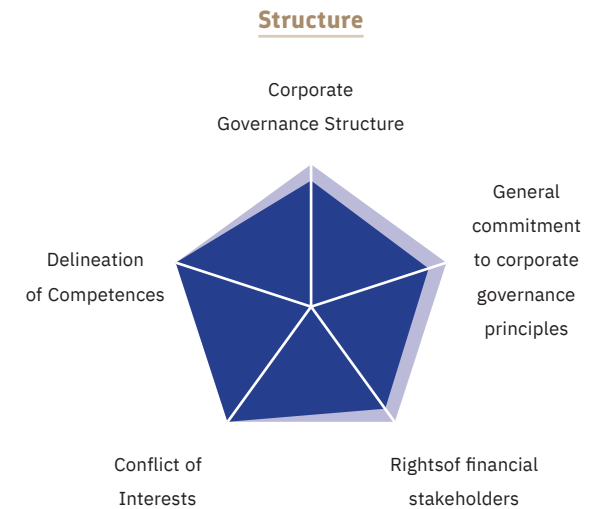
Development Strategy as one of the key performance indicators. Internal assessment of performance of the corporate governance system is carried out by the Company's internal audit service at least once every two years in accordance with the Company's internal regulatory documents. External assessment of the corporate governance level will be carried out once every three years by an independent

organization (according to the results of assessment of the corporate governance level, an appropriate rating is assigned).

The corporate governance level was diagnosed by the Internal Audit Service in 2021, the audit covered the period from January 01, 2018 to July 01, 2021. According to the audit results, the corporate governance level of the Company was 87.6%.



KAZAGROFINANCE ANNUAL REPORT 2022



Continuous improvement of the corporate governance and decision-making system is an important strategic direction of the Company's development, ensuring its performance and efficiency. In order to further develop the corporate governance system of KazAgroFinance, the Action Plan for Improving the Corporate Governance System of KazAgroFinance for 2022-2023

was approved by the decision of the Company's Board of Directors No.15 dated December 23, 2021 (CGS Action Plan). The Report on Implementation of the CGS Action Plan is reviewed annually by the Company's Board of Directors.

The results of implementation of the CGS Action Plan were reviewed and approved by the Board of

Directors on January 30, 2023 (Minutes No. 1). In total, the CGS Action Plan for 2022 provides for 12 events, all planned events have been executed.

The Company continues improving the level of corporate governance by bringing the management system to the standards of best corporate governance practices.

Report on Compliance with the Principles and Provisions of the Corporate Governance Code

THE COMPANY IN ITS ACTIVITIES IS GUIDED BY THE CODE OF CORPORATE GOVERNANCE, WHICH PROVIDES FOR RESPECT FOR THE RIGHTS AND INTERESTS OF ALL STAKEHOLDERS FOR THE SUCCESSFUL OPERATION OF THE COMPANY, INCLUDING THE GROWTH OF ITS VALUE, MAINTAINING FINANCIAL STABILITY AND PROFITABILITY.

The fundamental principles of the Corporate Governance Code are:

1. the principle of separation of powers;
2. the principle of protecting the rights and interests of the Sole Shareholder;

3. the principle of the Company effective management by the Board of Directors and the Board;
4. the principle of sustainable development;
5. the principle of risk management, internal control and internal audit;
6. the principle of regulating corporate conflicts and conflicts of interest;
7. the principles of transparency and objectivity of disclosure of information about the Company's activities.

The Company annually prepares a report on implementation of the principles and provisions of the Corporate Governance Code, considered at a meeting of the Board of Directors. The Report on Compliance/Non-Compliance with the Principles and Provisions of the Corporate Governance Code of KazAgroFinance JSC for 2022 was approved by decision of the Board of Directors No. 3 dated April 14, 2023.

Analysis of the Company's compliance with the principles and provisions of the Corporate Governance Code for

2022 showed that KazAgroFinance complies with all the principles and provisions of the Corporate Governance Code, except for 2 provisions that are partially complied with.

A brief version of the Report on Compliance/Non-compliance with

the Principles and Provisions of the Corporate Governance Code of KazAgroFinance JSC for 2022 is provided in the Appendix to the Annual Report (the full version is available on the Company's corporate Internet resource www.kaf.kz).

Information on Securities and Composition of Participants

THE BOARD OF DIRECTORS OF BAITEREK NATIONAL MANAGING HOLDING JSC DATED JULY 15, 2022 NO. 05/22 DECIDED TO ALIENATE 100% OF THE COMMON SHARES OF KAZAGROFINANCE JSC OWNED BY BAITEREK NATIONAL MANAGING HOLDING JSC IN THE PAYMENT FOR OUTSTANDING COMMON SHARES OF AGRARIAN CREDIT CORPORATION JSC, BY EXERCISING THE BAITEREK NATIONAL MANAGING HOLDING JSC, AS THE SOLE SHAREHOLDER OF AGRARIAN CREDIT CORPORATION JSC, OF ITS PREEMPTIVE RIGHT OF PURCHASE OF SHARES OF AGRARIAN CREDIT CORPORATION JSC.

Placed shares were paid by transferring 100% of the common shares of KazAgroFinance JSC owned by Baiterek National Managing Holding on July 25, 2022.

The number of declared and placed ordinary shares of the Company as of December 31, 2022 was 82,837,204 ordinary shares.

The Regulation on the Company's Dividend Policy regulates rights of the Sole Shareholder related to participation in the KazAgroFinance management, including rights to receive dividends and participate in distribution of net income. Pursuant to the decision of the Board of Baiterek National Managing Holding JSC dated May 26, 2022 No. 23/22, on June 27, 2022, dividends were paid to the Sole Shareholder for 2021 in the amount of 12.1 billion KZT, which is 70% of the Company's net income.



Key Decisions of the Sole Shareholder in 2022

- Amendments to the Company's Charter.
- Approval of the annual financial statements.
- Approval of the KazAgroFinance Annual Report.
- Election and early termination of powers of members of the Board of Directors.
- Approval of the Regulations on the Company's Dividend Policy.
- Approval of the Unified Personnel Policy of Baiterek National Managing Holding Joint Stock Company and legal entities, more than fifty percent of the voting shares (participation interests) of which are directly owned by Baiterek National Managing Holding Joint Stock Company on
- the right of ownership or trust management for 2022-2024.
- Amendments and additions to the Regulations on the Company's Board of Directors.
- Determination of quantitative composition, term of office of the Board of KazAgroFinance, election of members of the Board.



Board of Directors

THE BOARD OF DIRECTORS IS A GOVERNING BODY RESPONSIBLE FOR GENERAL MANAGEMENT OF THE COMPANY, EXCEPT FOR RESOLVING ISSUES ATTRIBUTED BY LEGISLATION AND/OR THE COMPANY'S CHARTER TO THE EXCLUSIVE COMPETENCE OF THE SOLE SHAREHOLDER AND THE BOARD.

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

- determination of the Company Development Strategy (directions and results);
- setting and monitoring a Development Plan;
- organizing and supervising the effective functioning of risk

- management, internal control and corporate governance systems;
- approval and monitoring of the effective implementation of key strategic projects within the competence of the Board of Directors;
- election, remuneration, succession planning and supervision of the Board;
- compliance with the Company's Corporate Governance Code and internal documents on business ethics.

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

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

As of December 31, 2022, the Board of Directors consisted of 6 people, 2 members of which of the Board of Directors were independent directors.

Chairman of the KazAgroFinance Board of Directors is a representative of Baiterek NMH JSC Aydapkelov Nurbolat Sergaliyevich.

Powers of the represented Board of Directors expire on June 16, 2024.

Composition of the Board of Directors as of December 31, 2022

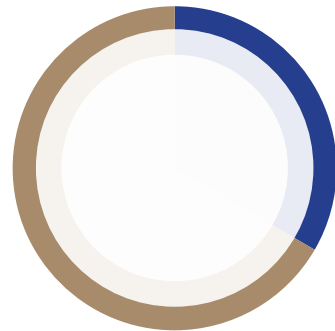
		Date and number of the decision on Election to the Board of Directors
Nurbolat Sergaliyevich Aydapkelov	Chairman of the Board of Directors, First Deputy Chairman of the Board of Baiterek NMH JSC	Decision of the Sole Shareholder No. 06/22 dated February 1, 2022
Niyaz Zhenisovich Koshkimbayev	Member of the Board of Directors, Managing Director of Baiterek NMH JSC	Decision of the Sole Shareholder No. 28/22 dated June 30, 2022
Aliya Yerbolatkyzy Murzagaliyeva	Member of the Board of Directors, Director of Asset Management Department of Baiterek NMH JSC	Decision of the Sole Shareholder No. 30/21 dated June 16, 2021
Ruslan Sagadatovich Orazbayev	Member of the Board of Directors – Independent Director – Member of the Board of Directors	Decision of the Sole Shareholder No. 30/21 dated June 16, 2021
Serzhan Nurakhanovich Madiyev	Member of the Board of Directors – Independent Director – Member of the Board of Directors	Decision of the Sole Shareholder No. 30/21 dated June 16, 2021
Aydar Gilimovich Prashev	Member of the Board of Directors – Chairman of the Board – Member of the Board of Directors	Decision of the Sole Shareholder No. 30/21 dated June 16, 2021

Structure of the board of directors by category, %



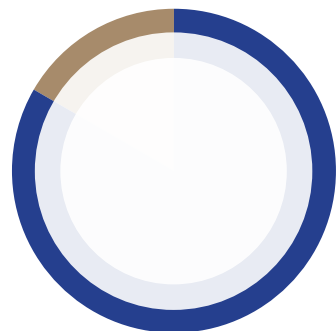
33% Independent Directors
50% Shareholder's representatives
17% Executive Directors

Term on the company's board of directors, %



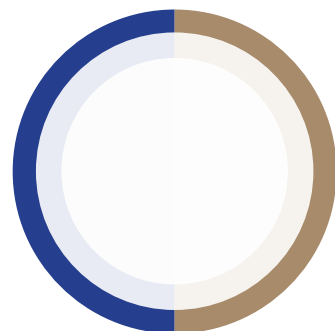
33.3% up to one year
66.7% up to 5 years

Gender structure of the board of directors, %



83% Men
17% Women

Age structure of the board of directors, %



50% up to 40 years old
50% 40-45 years old

Changes in Composition of the Board of Directors in 2022

1. Powers of Kanysh Temirtayevich Izbastin as a member of the Board of Directors have been terminated prematurely at his own request since January 26, 2022.
2. Nurbolat Sergaliyevich Aydapkelov was elected as a representative of the Sole Shareholder by the decision of the Sole Shareholder dated February 1, 2022 No. 06/22.
3. Due to the early termination of her powers as a member of the Board of Directors, Aigul Kenesbekovna Dzhuanyshbayeva, Niyaz Zhenisovich Koshkimbayev was elected as a representative of the Sole Shareholder — a member of the Board of Directors by the decision of the Sole Shareholder No. 28/22 dated June 30, 2022.

Composition of the Board of Directors



Nurbolat Sergaliyevich Aydapkelov

CHAIRMAN OF THE BOARD OF DIRECTORS – A REPRESENTATIVE OF THE KAZAGROFINANCE SOLE SHAREHOLDER

Born on July 22, 1979, a citizen of Kazakhstan.

Education:

- Kazakh State Academy of Management, with a degree in Accounting and Audit.
- Kazakh Humanitarian and Legal University with a degree in law, awarded the Lawyer qualification (Kazakhstan).

Work Experience:

- Since 2022 – First Deputy Chairman of the Board of Baiterek National Managing Holding JSC.
- 2020-2022 – Head of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan
- 2016-2020 – Chairman of the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan.

Other Positions Held:

- First Deputy Chairman of the Board of Baiterek National Managing Holding JSC.
- Chairman of the Board of Directors of Agrarian Credit Corporation JSC.
- Member of the Board of Directors of Development Bank of Kazakhstan JSC.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.



— **Niyaz
Zhenisovich
Koshkimbayev**

MEMBER OF THE BOARD OF
DIRECTORS – A REPRESENTATIVE
OF THE KAZAGROFINANCE SOLE
SHAREHOLDER

*Born on September 5, 1979, a citizen
of Kazakhstan.*

Education:

- Karaganda State Technical University, with a degree in Power Supply and Electrification.
- Karaganda State Technical University, with a degree in Economics (in the social sphere and industries).

Work Experience:

- February 2005 – March 2006 Specialist, Head of the Astana Department of Economics and Budget Planning.
- March 2006 – February 2007 Chief Specialist of the Department of Analysis and Methodology of State Budget Execution, the Consolidated Analytical Department of the Ministry of Finance of the Republic of Kazakhstan.
- February 2007 – April 2007 Chief Specialist of the Budget Department, Department of Financial Support of the Ministry of Agriculture of the Republic of Kazakhstan.
- May 2007 – March 2009 Manager, Chief Manager of the Department of Economics and Finance, Financial Department of KazAgro National Holding JSC.
- October 2009 – November 2010 Acting Adviser, Adviser to the Chairman of the Agency of the Republic of Kazakhstan on Statistics.
- November 2010 – October 2014 Deputy Director, Director of the Department of Finance and Documentation Support of the Agency of the Republic of Kazakhstan on Statistics.

- November 2017 – October 2020 Deputy Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan.
- October 2020 – June 2022 Deputy Head of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.
- From June 2022 to the present, the Managing Director of Baiterek National Managing Holding JSC.

Other Positions Held:

- Managing Director of Baiterek NMH JSC. Member of the Board of Directors of Agrarian Credit Corporation JSC.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.



— **Aliya
Yerbolatkyzy
Murzagaliyeva**

MEMBER OF THE BOARD OF
DIRECTORS – A REPRESENTATIVE
OF THE KAZAGROFINANCE SOLE
SHAREHOLDER

*Born on February 9, 1980, a citizen
of Kazakhstan.*

Education:

- Institute of Management and Law, with a degree in the Highest Qualification Lawyer.

Work Experience:

- 2012-2017 – Deputy Director of Department of Development of Economic Sectors of the Ministry of National Economy of the Republic of Kazakhstan.
- 2017-2018 – Director of Strategic Planning Department of DBK-Leasing JSC.
- 2018-2019 – Director of Project Management Department of the Ministry of National Economy of the Republic of Kazakhstan.
- Present time – Director of Asset Management Department of Baiterek NMH JSC.

Other Positions Held:

- Director of Asset Management Department of Baiterek NMH JSC. Member of the Board of Directors of Kazakhstan Housing Company JSC.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.



— **Aydar
Gilimovich
Prashev**

**MEMBER OF THE BOARD OF DIRECTORS –
CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

*Born on September 29, 1983,
a citizen of Kazakhstan.*

Education:

- Almaty Academy of Economics and Statistics, with a degree in Personnel Management, Economist.
- Aktobe Regional State University named after K. Zhubanov, with a degree in Management, Master of Economics and Business.

Work Experience:

- January 2006 – February 2007 – Inspector of Customs Control of the Department of Customs Control in Aktobe region of the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan.
- February 2007 – December 2008 – worked in the banking system of Kazkommertsbank JSC.
- 2009-2019 – worked in the KAF branches as a Director of branches in Atyrau region, Aktobe region and Kostanay region.
- December 2020 – June 2021 – Managing Director – Member of the Board of KazAgroFinance.
- From June 2021 to the present – Chairman of the Board of KazAgroFinance.

Other Positions Held:

- Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.



— **Ruslan
Sagadatovich
Orazbayev**

**MEMBER OF THE BOARD OF DIRECTORS –
INDEPENDENT DIRECTOR OF
KAZAGROFINANCE**

*Born on April 7, 1983, a citizen of
Kazakhstan.*

Education:

- S. Seifullin Akmola Agrarian University, with a degree in Finance and Credit.
- Eurasian Humanitarian Institute, with a degree in Law.

Work Experience:

- April 2015 – January 2017 – Regional Managing Director, Director of Astana Branch of Astana Bank JSC.
- November 2016 – January 2017 – Advisor to the Chairman of the Board of Directors of Astana Bank JSC.
- January – March 2017 – Deputy General Director of NEXUM LLP.
- January 2017 – January 2018 – Executive Director of “Standard” Insurance Company JSC.
- April – October 2017 – Vice-President of Astana Bank JSC, Astana.
- October 2017 – October 2018 – Managing Director of Astana Bank JSC, Astana.
- December 6, 2018 – October 2019 – Director of the AUTOCASH LLP Pawnshop.
- February 2015 – June 2019 – Independent Director, member of the Board of Directors of Financial Center JSC (under the Ministry of Education of the Republic of Kazakhstan).
- July 2021 – May 2022 – Managing Director for Finance and Economics – Member of the

Board of the National Agrarian Scientific and Educational Center.

Other Positions Held:

- no

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.



— **Serzhan Nurakhanovich Madiyev**

MEMBER OF THE BOARD OF DIRECTORS – INDEPENDENT DIRECTOR OF KAZAGROFINANCE

Born on January 23, 1983, a citizen of Kazakhstan.

Education:

- University of Wisconsin, with a degree in Banking.
- L.N. Gumilyov Eurasian National University, with a degree in International Economics.
- Warwick Business School, with a degree in Finance.
- CFA Institute, with a degree in Finance.

Work Experience:

- Leading specialist of the Treasury of KazAgroFinance, Manager of Structural Finance Department of Development Bank of Kazakhstan JSC, Director of Financial and Economic Department of Almaty Regional Financial Centre JSC, Director of Financial Consulting and Investment Analysis Department of ARFC JSC, Managing Director of ETS Commodity Exchange JSC, Deputy Chairman of the Board of ETS Commodity Exchange JSC, Director of Department of Corporate Finance of Baiterek NMH JSC, Managing Director of Baiterek NMH JSC.
- July 2016 – 2017 – Chairman of the Board of Economic Research Institute JSC.
- From 2018 to the present – Deputy General Director for Financial Affairs of the Documentolog, Founder and Director of the Private Company “Smart Capital Management ltd”.

Other Positions Held:

- Member of the Board of Directors – Independent Director of Agrarian Credit Corporation JSC, Member of the Board of Directors of Intergas Central Asia JSC.

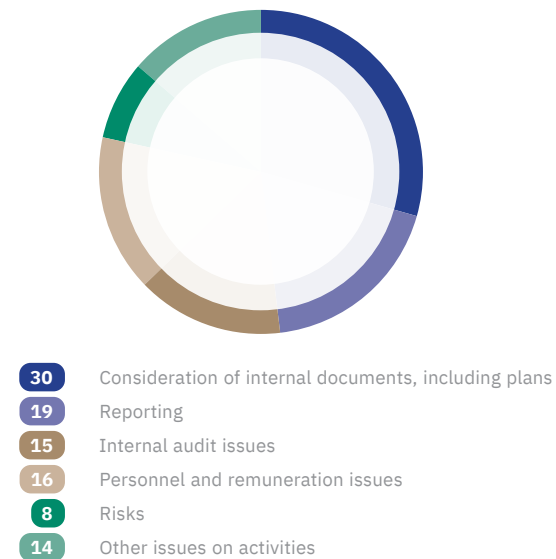
HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

— **Activities of the Board of Directors**

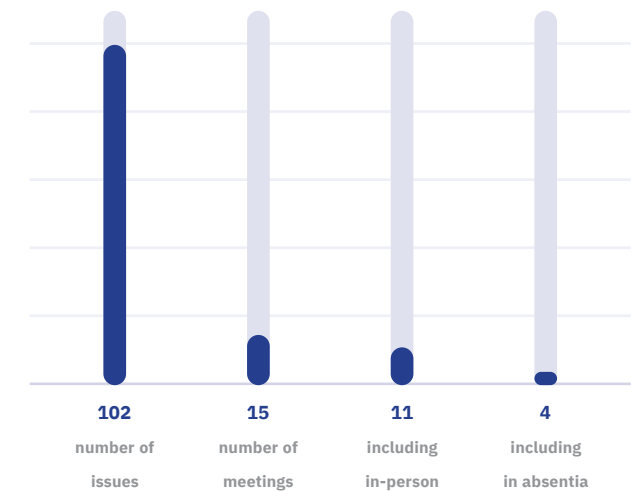
Activities of the Board of Directors are based on the principles of professionalism, rationality and discretion, honesty and objectivity, the principle of protecting the rights of the Sole Shareholder.

In 2022, 15 meetings of the Board of Directors were held, including 11 meetings in person and 4 meetings in absentia. 102 issues were considered and decisions were made.

Structure of Issues Considered by the Board of Directors in 2022



Work of the Board of Directors in 2022



Main decisions taken were related to the following issues:

- approval of the Regulations on the Board of KazAgroFinance;
- approval of Risk Reports;
- approval of Reports on Performance of the Internal Audit Service;
- approval of the Report on Key Performance Indicators of the Internal Audit Service, the Head and Employees of the Internal Audit Service;
- approval of the Report on Key Performance Indicators of the Compliance Service;
- approval of the Report on Automation and Optimization of KazAgroFinance Main Business Processes for 2021, the Automation Work Plan for 2022;
- approval of the KazAgroFinance Development Strategy for 2021-2023;
- approval of the Report on Performance of the Board of Directors, the Committees of the Board of Directors and the Corporate Secretary;
- amendments and additions to the Internal Credit Policy;
- review of the Report on Compliance with the Principles and Provisions of the Corporate Governance Code of KazAgroFinance;
- approval of the Report on Key Performance Indicators of Members of the Board of KazAgroFinance for 2021;
- approval of KazAgroFinance's Annual Financial Statements for 2021;
- approval of the Action Plan for Critical Risk Management of KazAgroFinance JSC for 2022;
- review of the results of performance assessment of the Board of Directors and its Committees for 2021;
- approval of the Report on Implementation of the KazAgroFinance Development Strategy for 2021-2023, for 2021;
- approval of Key Risk Indicators for 2023;
- approval of KazAgroFinance Risk Appetite for 2023;
- approval of the Annual Audit Plan of the Internal Audit Service of KazAgroFinance JSC for 2023;
- approval of the Maps of Key Performance Indicators of the Members of the Board of KazAgroFinance JSC and their target values for 2023.

Information on Participation of Members of the Board of Directors in Meetings of the Board of Directors and its Committees

Full name	Meetings of the Board of Directors	Meetings of Strategic Planning and Corporate Development Committee	Meetings of Audit and Risk Committee	Meetings of HR, Remuneration and Social Affairs Committee
N.S. Aydapkelov	15/15	-	-	-
A.K. Dzhuanysbayeva	5/5	-	-	-
N.Zh. Koshkimbayev	7/7	-	-	-
A.Ye. Murzagaliyeva*	14/15	-	-	-
R.S. Orazbayev	15/15	12/12	14/14	11/11
S.N. Madiyev	15/15	12/12	14/14	11/11
A.G. Prashev	15/15	-	-	-

* did not attend the meeting on 04.08.2022 (labor leave)

Committees of the Board of Directors

THE COMMITTEES ARE ADVISORY BODIES OF THE BOARD OF DIRECTORS.

The Committees are established to conduct a detailed analysis and develop recommendations on a range of the most important issues before they are considered at a meeting of the Board of Directors. A final decision on the issues considered by the committees is made by the Board of Directors.

The following Committees of the Board of Directors have been established and operate under the Company's Board of Directors:

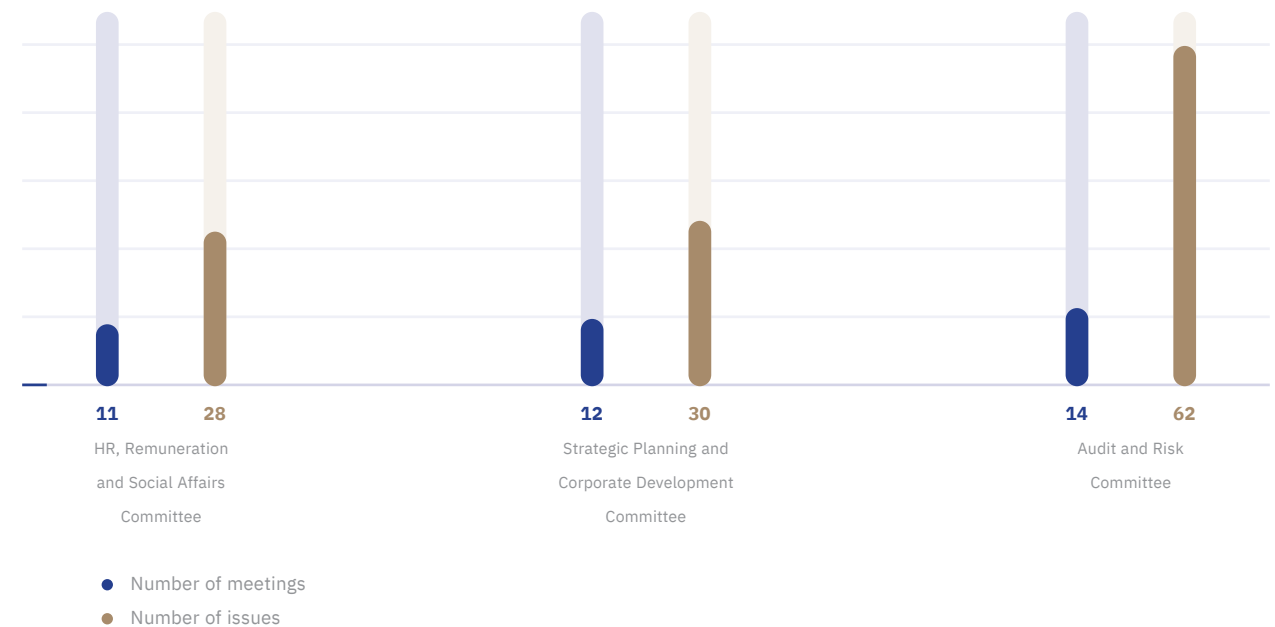
- Audit and Risk Committee;
- Strategic Planning and Corporate Development Committee;
- Human Resources, Remuneration and Social Affairs Committee.

In accordance with generally accepted principles of corporate governance, the Committees of the

Board of Directors are headed by members of the Board of Directors from among independent directors.

Activities of the committees are regulated by internal documents approved by the Board of Directors, containing provisions on the composition, competence, procedure for electing committee members, a procedure for the work of committees, as well as rights and obligations of their members.

Performance of the Committees of the Board of Directors in 2022



Audit and Risk Committee of the Board of Directors

Main functions of the Audit and Risk Committee include internal and external audit, financial reporting, internal control and risk management, compliance with the legislation of Kazakhstan, internal documents and other issues on behalf of the Board of Directors.

Composition of the Audit and Risk Committee:

- Chairman of the Committee is Serzhan Nurakhanovich Madiyev;
- Member of the Committee is Ruslan Sagadatovich Orzabayev.

In total, the Audit and Risk Committee held 14 meetings and considered 62 issues in 2022.

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

- On preliminary consideration of the issue “On approval of the Report and the Plan of Corrective and/or Preventive Actions based on the Assessment Results of Performance of the Corporate Risk Management System”.
- On preliminary consideration of the issue “On consideration of the Audit Report “Audit of Compliance Functions of the Company, including Assessment of Performance of the Internal Control System to Counteract the Legalization (Laundering)

of Proceeds from Crime and Financing of Terrorism” of the Internal Audit Service of KazAgroFinance JSC.

- On preliminary consideration of the issue “On consideration of the Audit Report “Audit of Monitoring and Accounting of Collateral” of the Internal Audit Service of KazAgroFinance JSC.
- On preliminary consideration of the issue “On consideration of the Report on Performance of the Internal Audit Service for 2021 and the Report on Results of the Internal Assessment of Quality of Internal Audit Activities for 2021”.
- On preliminary consideration of the issue “On approval of Reports on Performance and Key Performance Indicators of the KazAgroFinance JSC Compliance Service and its Employees”.
- On preliminary consideration of the issue “On Amendments and Additions to the Information Security Policy of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On consideration of the Audit Report “Monitoring of Limits of Certain Administrative Expenses of the Company”.
- On preliminary consideration of the issue “On consideration of the Audit Report “Audit of Consideration of Appeals of Individuals and Legal Entities”.
- On preliminary consideration of the issue “On preliminary

approval of the Annual Financial Statements of KazAgroFinance JSC for 2021, making proposals to the Sole Shareholder on distribution of net income received at the end of 2021, payment of dividends on common shares and approval of amount of the dividend per common share at the end of 2021, consideration of information on the appeals of the Sole Shareholder on the actions of KazAgroFinance JSC and its officials, amount and composition of remuneration of members of the Board of Directors and the Board of KazAgroFinance.

- On preliminary consideration of the issue “On submitting the issue “On approval of the KazAgroFinance Dividend Policy” for consideration by the Sole Shareholder of KazAgroFinance.
- On preliminary consideration of the issue “On consideration of the Audit Report “Audit of Implementation and Monitoring of the KazAgroFinance Development Strategy”.
- On preliminary consideration of the issue “On conclusion of the KazAgroFinance Interested Party Transaction”.
- On preliminary consideration of the issue “On Approval of Key Risk Indicators and Risk Appetite of KazAgroFinance for 2023”.
- On preliminary consideration of the issue “On Approval of the Matrix of Business

Processes, Risks and Controls of KazAgroFinance in a New Edition”.

- On consideration of the Report on Results of the Independent Assessment of the Internal Audit Service and the Plan to Improve Activities of the Internal Audit Service of KazAgroFinance JSC.
- On consideration of the Map of Audit Areas of KazAgroFinance JSC and the Annual Audit Plan of the Internal Audit Service of KazAgroFinance JSC for 2023.
- On consideration of the Methodology of Audit of Information Systems in KazAgroFinance JSC.
- Hearing of KPMG Audit LLP, which audits the KazAgroFinance JSC for 2022.
- On approval of the Work Plan of the Audit and Risk Committee of the Board of Directors of KazAgroFinance JSC for 2023.

Strategic Planning and Corporate Development Committee of the Board of Directors

Main functions of the Strategic Planning and Corporate Development Committee are to develop and submit recommendations to the Company's Board of Directors on the development of KazAgroFinance business priorities and its development strategy, including development of measures to improve the Company performance its

profitable activities and sustainable development.

Composition of the Strategic Planning and Corporate Development Committee:

- Chairman of the Committee is Ruslan Sagadatovich Orzabayev;
- Member of the Committee is Serzhan Nurakhanovich Madiyev.

In total, the Strategic Planning and Corporate Development Committee held 12 meetings and considered 30 issues in 2022.

The following main issues were considered at the meetings of the Strategic Planning and Corporate Development Committee:

- On preliminary consideration of the issue “On Early Termination of Powers of a Member of the Board of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Election of the Chairman of the Board of Directors of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Approval of the Code of Business Ethics of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Regulations on Ombudsman of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Regulations on Corporate Secretary of KazAgroFinance in a New Edition”.

- On preliminary consideration of the issue “On Amendments to the General Terms of Financing of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Issue and Determination of Conditions for the Issue of Non-State Bonds of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Report on Compliance/ Non-Compliance with the Principles and Provisions of the Corporate Governance Code of KazAgroFinance for 2021”.
- On preliminary consideration of the issue “On Submitting the issue “On Approval of the Annual Report of KazAgroFinance JSC for 2021” for consideration by the Sole Shareholder of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Report on Implementation of the Adjusted Development Plan of KazAgroFinance JSC for 2019 – 2023 for 2021”.
- On preliminary consideration of the issue “On Approval of the Report on Development Strategy Implementation of KazAgroFinance JSC for 2020-2029 based on the results of 2021”.
- On preliminary consideration of the issue “On Approval of the Development Strategy of KazAgroFinance Joint Stock Company for 2020-2023”.

- On preliminary consideration of the issue “On Additions and Amendments to the List of Documents Regulating the Internal Activities of KazAgroFinance Joint Stock Company, subject to Approval by the Board of Directors”.
 - On preliminary consideration of the issue “On Consideration of the Report on execution of letter on expectations of the Sole Shareholder of KazAgroFinance JSC for 2022 for the first half of 2022”.
 - On preliminary consideration of the issue “On Approval of the Regulations on Branches of KazAgroFinance Joint Stock Company in Zhetisu region, in Almaty and Almaty Regions”.
 - On preliminary consideration of the issue “On Approval of the Regulations on Branch of KazAgroFinance Joint Stock Company in Abay Region”.
 - On preliminary consideration of the issue “On Issue and Determination of Conditions for the Issue of Non-State Bonds of KazAgroFinance JSC”.
 - On preliminary consideration of the issue “On Submitting the issue “On Amending the Charter of KazAgroFinance Joint Stock Company” for consideration by the Sole Shareholder of KazAgroFinance JSC.
 - On preliminary consideration of the issue “On Amendments to the Development Strategy of KazAgroFinance Joint Stock Company for 2020-2023”.
 - On approval of the Work Plan of the Strategic Planning and Corporate Development Committee of the Board of Directors of KazAgroFinance JSC for 2022.
- Human Resources, Remuneration and Social Affairs Committee of the Board of Directors**
- Main functions of the Committee include appointment (election), setting motivational KPIs, performance assessment, remuneration and succession planning of the Chairman and members of the Board, appointment and remuneration of the Corporate Secretary, as well as participation in the consideration of these issues with respect to the composition of the Board of Directors itself, in cases where such powers are granted by the Sole Shareholder.
- Composition of the Human Resources, Remuneration and Social Affairs Committee:**
- Chairman of the Committee is Ruslan Sagadatovich Orazbayev;
 - Member of the Committee is Serzhan Nurakhanovich Madiyev.
- In total, the Human Resources, Remuneration and Social Affairs Committee held 11 meetings and considered 28 issues in 2022.

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

- On preliminary consideration of the issue “On Election of the Chairman of the Board of Directors of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Early Termination of Powers of a Member of the Board of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Code of Business Ethics of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Regulations on the Ombudsman of KazAgroFinance JSC”.
- On preliminary consideration of the issue “On Approval of the Regulations on the Corporate Secretary of KazAgroFinance JSC in a new edition”.
- On assessment of performance of remuneration policy of the KazAgroFinance’s executives.
- On preliminary consideration of the issue “On Approval of Results of the Performance Assessment of the Board of Directors of KazAgroFinance JSC and its Committees for 2021”.
- On preliminary consideration of the issue “On Early Termination of Powers of a Member of the Board of KazAgroFinance JSC, Election of a Member of the Board of KazAgroFinance JSC and Determination of the Official Salary Amount”.

- On preliminary consideration of the issue “On Early Termination of the Powers of Ombudsman of KazAgroFinance JSC, Appointment and Determination of the Term of Office of the Ombudsman of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Determining the Quantitative Composition, Term of Office of the Board of KazAgroFinance JSC, Election of Members of the Board, Determination of Official Salary Amount of the Chairman and Members of the Board of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Approval of the Report on Key Performance Indicators of Members of the Board of KazAgroFinance JSC for 2021 and payment of remuneration to the Chairman and Members of the Board of KazAgroFinance JSC for 2021.
- On preliminary consideration of the issue “On Approval of the Total Number of Employees of KazAgroFinance JSC”.
- Meeting with members of the Personnel Reserve of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Approval of the Maps of Key Performance Indicators of Members of the Board of KazAgroFinance JSC and their Target Values for 2023”.
- On preliminary consideration of the issue “On Approval of Salary Schemes (based on grades) of Executives and Employees Accountable to the Board of Directors of KazAgroFinance Joint Stock Company.
- On preliminary consideration of the issue “On Determination of Official Salary Amount of the Chairman and Members of the Board, as well as Employees Accountable to the Board of Directors of KazAgroFinance JSC.
- On preliminary consideration of the issue “On Approval of the Work Plan of the Board of Directors of KazAgroFinance JSC for 2023 and Performance Assessment of the Board of Directors of KazAgroFinance JSC and its Committees by the end of 2022”.
- On preliminary consideration of the issue “On approval of the Maps of key Performance Indicators of the Corporate Secretary of KazAgroFinance JSC for 2023”.

— Selection and Nomination

QUANTITATIVE COMPOSITION OF THE BOARD OF DIRECTORS SHALL BE DETERMINED BY THE SOLE SHAREHOLDER.

Sole Shareholder shall elect members of the Board of Directors of KazAgroFinance in accordance with a procedure established by the legislation of the Republic of Kazakhstan, the Company's Charter and internal documents, taking into account competencies, skills, achievements, business reputation and professional experience of candidates.

When re-electing individual members of the Board of Directors or the entire Board of Directors for a new term, results of assessment of performance of members of the Company's Board of Directors shall be taken into account.

When selecting candidates for the Board of Directors, the following conditions shall be taken into account:

1. work experience in executive positions;
2. work experience as a member of the Board of Directors;
3. record of work;
4. education, specialization, including availability of international certificates;

5. competence/management experience of at least two (2) years in areas and industries (industries may vary depending on the asset portfolio);
6. business reputation;
7. existence of a direct or potential conflict of interest;
8. availability of a professional director certification "Certified Director" (for Independent Directors).

A person may not be elected to the Board of Directors under the below terms and conditions:

- being a participant, head of an executive body, member of a management body or an employee of a legal entity that competes with the Company;
- who has previously committed a corruption-related offence;
- who has a criminal record which has not been removed or expunged in accordance with the legislation of the Republic of Kazakhstan;
- who has previously served as the Chairman of the Board of Directors, top executive officer, deputy top executive officer, chief accountant of the other legal entity for a period of not more than one year prior to the decision made on winding-up,

or compulsory acquisition of shares, or temporary closing of another legal entity declared bankrupt according to the established procedure. This requirement shall be applied for five (5) years after the date of decision made on winding-up, or compulsory acquisition of shares, or temporary closing of another legal entity declared bankrupt according to the established procedure;

- who is a member of the Board of Directors of four (4) or more companies, with the exception of a member of the board of directors who is a representative of the sole shareholder.

The term of office of the Board of Directors shall be set by the Sole Shareholder.

Independent Directors shall be elected for a term not exceeding three (3) years, subject to satisfactory performance, and thereafter may be re-elected for a further term of up to three (3) years.

Any term of election to the Board of Directors for more than six (6) consecutive years (e.g. two three-year terms) shall be specially considered, taking into account

performance assessment of a member of the Board of Directors, as well as the need for qualitative renewal of the Board of Directors according to the procedure established by an internal document of the Company.

The same person from among Independent Directors may not be elected to the Board of Directors for more than nine (9) consecutive years (e.g. three three-year terms). In exceptional cases, it is allowed to be elected for more than 9 (nine) years,

therewith, election of such person to the Board of Directors shall take place annually or at another time, with a detailed explanation of the need to elect this member of the Board of Directors and an impact of this fact on the independence of decision-making.

— Competences of Members of the Board of Directors in Professional Fields

Members of the Board of Directors of KazAgroFinance have a high level of competence and extensive experience to enable them to perform their functions efficiently.

Key Competences, Skills and Experience	N.S. Aydapkelov	N.Zh. Koshkimbayev	A.Ye. Murzagaliyeva	R.S. Orazbayev	S.N. Madiyev	A.G. Prashev
Risk Management and Audit	✓				✓	
Strategic Planning	✓	✓	✓	✓	✓	✓
Finance and Economics	✓	✓	✓	✓	✓	✓
Business Management		✓		✓	✓	✓
Human Resource Management	✓	✓	✓			✓
Legal Affairs	✓		✓	✓		

— Independence

PRESENCE AND PARTICIPATION OF INDEPENDENT DIRECTORS ON THE BOARD OF DIRECTORS IS MANDATORY.

A candidate for election as an Independent Director to the Board of Directors shall:

- meet the definition of Independent Director in accordance with paragraph 20, Article 1 of the Law of the Republic of Kazakhstan “On Joint Stock Companies”:

Independent Director is a member of the Board of Directors who is not an affiliated person of this joint stock company and has not been one for three (3) years prior to his/her election to the Board of Directors (except in case of his/her tenure as an Independent Director of this joint stock company), shall not be an affiliated person in relation to affiliated persons of this joint stock company; shall not be subordinated to officials of this joint stock company or affiliated organizations of this joint stock company and shall not be subordinated to these persons during three (3) years preceding his/her election to the Board of Directors; shall not be a civil agent; shall not be not a shareholder’s representative at meetings of the bodies of this joint stock company and has not been one for three (3) years prior to his/her election to the Board of Directors; shall not participate in the audit of this joint

stock company as an auditor working within an audit organization, and shall not participate in such an audit during three (3) years preceding his/her election to the Board of Directors;

- have a general knowledge of key issues specific to the organization, similar in scope and nature of the Company’s activities; have professional experience of at least 2 (two) years prior to nomination, and demonstrate an understanding of:
 1. legal requirements for the Company;
 2. competitive environment on national and international markets;
- be able to analyze and assess information provided and develop an independent position on an issue based on principles of legality, fairness and equal treatment of all shareholders in good faith; Have an ability to express own opinion and defend the point of view in a reasoned manner;
- know principles of corporate governance and sustainable development;
- have impeccable reputation/positive achievements in business and/or industry background. A candidate’s curriculum vitae shall be free of economic crimes and administrative offences in business activities;

- have sufficient time to participate in the work of the Board of Directors not only during meetings of the Board of Directors, but also to review materials for meetings of the Board of Directors properly;
- not be a member of more than three (3) Boards of Directors of other companies;
- inform the Company in case of loss of the status of Independent Director.

The Board of Directors of KazAgroFinance consists of two independent directors.

During 2022, the following independent directors of the Board of Directors were:

- Ruslan Sagadatovich Orazbayev;
- Serzhan Nurakhanovich Madiyev.

All independent directors meet the listed criteria of independence when making decisions by the Company’s Board of Directors.

— Performance Assessment of the Board of Directors

PERFORMANCE OF THE BOARD OF DIRECTORS IS ASSESSED TO OBTAIN A COMPREHENSIVE ANALYSIS OF THE MAIN AREAS OF ACTIVITY OF THE BOARD OF DIRECTORS. THE ASSESSMENT ENABLES ANALYZING AND DETERMINING STRENGTHS AND WEAKNESSES OF ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES AND MAKES ADJUSTMENTS TO THE WORK OF THE BOARD OF DIRECTORS. IN ADDITION, THE ASSESSMENT MAKES IT POSSIBLE TO DETERMINE HOW THE STRUCTURE AND COMPOSITION OF THE COMPANY’S BOARD OF DIRECTORS CONTRIBUTE TO SOLVING THE COMPANY’S STRATEGIC OBJECTIVES, PERFORMANCE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND EACH MEMBER OF THE BOARD OF DIRECTORS, AS WELL AS TO DETERMINE THE REMUNERATION SYSTEM PERFORMANCE.

Performance of the Board of Directors and its committees is assessed on an annual basis. The assessment can be carried out on its own, as well as with involvement of consultants, professional associations and organizations that assign corporate governance ratings.

In accordance with the Company’s Corporate Governance Code and based on the range of issues within the competence of the Board of Directors, the Board of Directors performs the following types of assessment:

- assessment of its own performance;
- assessment of performance of the Board of Directors and

Committees of the Company’s Board of Directors.

Decision of the Board of Directors No. 15 dated December 21, 2022 determined to assess performance of the Board of Directors of KazAgroFinance and its committees for 2022 on its own as required by the legislation of the Republic of Kazakhstan and internal regulatory documents of the Company. The assessment was carried out by the questionnaire method.

- when making decisions, the Board of Directors focuses on achieving its goals and protecting the interests of the Company and the Sole Shareholder;
- The Board of Directors actively participates in development of the Company’s Development Strategy, properly defining the Company business priorities. The Development Strategy Implementation is monitored at a high level, in a timely and adequate manner; a significant role of the Board of Directors in making key decisions on approval of the development plan and budget, establishment of a system of motivation and assessment of management activities, as well as control over reliability and performance of the systems of risk management, internal control, internal audit

and corporate governance systems is noted;

- reporting on the Company’s activities meets the established requirements;
- work of the Board of Directors is arranged in accordance with the norms of corporate governance;
- the members of the Board of Directors responsibly perform their assigned tasks, carefully study the Company’s activities, which allows them to effectively perform their control functions;
- professional experience of the members of the Board of Directors of the Company, knowledge of the specifics of the industry is noted;
- effective management of the Chairman of the Board of Directors at the level of the Board of Directors itself;
- Chairmen of the committees of the Board of Directors ensure performance of the committees they head in all aspects and effective interaction of the committees with the Board of Directors and the executive body of the Company;
- high level of attendance by members of the Board of Directors at meetings of the Board of Directors and Committees;
- timely signing of minutes of the Board of Directors and Committees;

- a format of the meetings allows for an open exchange of views, active participation of members of the Board of Directors and timely resolution of issues.

Based on the assessment results, performance of the Board of Directors and its committees is assessed positively and recognized as effective.

The assessment results were reviewed at the meeting of the Board of Directors and approved by the Board of Directors Decision No. 4 dated May 2, 2023.

— Training and Professional Development of Members of the Board of Directors

THE NEED FOR TRAINING AND PROFESSIONAL DEVELOPMENT OF MEMBERS OF THE BOARD OF DIRECTORS IS DETERMINED BY THE BOARD OF DIRECTORS BY RESULTS OF THE PERFORMANCE ASSESSMENT OF THE BOARD OF DIRECTORS AND ITS COMMITTEES.

In accordance with the Regulations on the Board of Directors, the Board of Directors requests the Sole Shareholder to take specific measures to improve its performance, including establishing an effective

training system for members of the Board of Directors. In 2022, no professional development for members of the Board of Directors was carried out.

— Conflict of Interest Management and Resolution of Corporate Conflict

AVOIDING CONFLICTS OF INTEREST IS IMPORTANT FOR PROTECTION OF INTERESTS OF THE SOLE SHAREHOLDER, THE COMPANY, OFFICIALS AND EMPLOYEES. ALL OFFICIALS AND EMPLOYEES OF THE COMPANY ARE RESPONSIBLE FOR MAKING TRANSPARENT, TIMELY AND ADEQUATE DECISIONS, FREE FROM CONFLICTS OF INTEREST.

Members of the Board of Directors and the Board of the Company, employees of the Company, shall perform their professional duties in good faith and reasonably in the interests of shareholders and KazAgroFinance, avoiding conflicts.

Corporate Conflicts

Corporate conflict is a disagreement or dispute between: the Sole Shareholder and other Company's bodies; the Company's bodies; members of the Board of Directors and the Board of the Company; the head of the Internal Audit Service of the Company, the Corporate Secretary of the Company, which negatively affect interests of the Sole Shareholder and the Company's activities.

In case of corporate conflicts, the participants seek ways to resolve

them through negotiations to ensure effective protection of the interests of the Company and stakeholders. At the same time, Company officials promptly inform the Corporate Secretary and/or the Ombudsman about the presence (occurrence) of a conflict.

Effective prevention and resolution of corporate conflicts presupposes identification of such conflicts and coordination of actions of all Company bodies in full and quick manners.

Corporate conflicts with the assistance of the Corporate Secretary and/or the Ombudsman are considered by the Chairman of the Board of Directors of the Company. If the Chairman of the Board of Directors is involved in a corporate conflict, such cases are considered by the HR, Remuneration and Social Affairs Committee.

In order to ensure an objective assessment of the corporate conflict and create conditions for its effective resolution, persons whose interests are affected by the conflict or may be affected do not participate in its resolution.

If it is impossible to resolve corporate conflicts through negotiations, they are resolved strictly in accordance with the legislation of the Republic of Kazakhstan.

The Board of Directors resolves corporate conflicts on issues within its competence. In this case, the Corporate Secretary and/or the Ombudsman are responsible for ensuring that the Board of Directors is informed as much as possible about an essence of the corporate conflict and a role of a mediator in resolving the corporate conflict.

The Chairman of the Board, on behalf of KazAgroFinance, resolves corporate conflicts on all issues, which decision-making is not

within the competence of the Company's Board of Directors, and also independently determines a procedure for resolving corporate conflicts.

The Board of Directors considers individual corporate conflicts within the competence of the Board (for example, if a subject of the conflict is the actions (inaction) of this body).

Conflict of Interest

A conflict of interest is defined as a situation in which the personal interest of an employee of the Company affects or may affect the impartial performance of official duties.

The Company's employees do not allow a situation in which a conflict of interests may arise, either in relation to themselves (or related persons), or in relation to others. The employee shall immediately inform his/her line manager about any commercial or other interest in transactions, contracts, projects related to the Company.

In order to prevent and resolve corporate conflicts and conflicts of interest in the Company, as well as coordinate the actions of all bodies and officials, the Company is guided by the Rules for Resolution of Corporate Conflicts and Conflicts

of Interest in the Company, approved by the decision of the Board of Directors of the Company dated November 04, 2015 No. 17.

In addition, the following documents were approved by the decision of the Company's Board of Directors No. 2 dated February 23, 2022:

1. The Company's Code of Business Ethics establishes the fundamental values and principles of corporate (business) ethics;
2. The Regulation on the Company's Ombudsman defines the functions of the Ombudsman institution in resolving labor disputes, conflicts, problematic issues of a social and labor nature, as well as in compliance with the principles of business ethics by the Company's employees.

In 2022, the Company has not recorded any cases of corporate conflicts and conflicts of interest in decision-making.

— Informing on Problems

The Board of Directors is informed on problems in accordance with the Regulations on the Board of Directors,

the Company's Charter by providing relevant reports and information. In the reporting year, all issues requiring

attention were considered within the framework of the current meetings. There were no “critical” issues.

— Remuneration of Members of the Board of Directors

IN ACCORDANCE WITH A PROCEDURE ESTABLISHED BY THE LEGISLATION OF THE REPUBLIC OF KAZAKHSTAN, THE COMPANY'S CHARTER, INTERNAL DOCUMENTS, MEMBERS OF THE BOARD OF DIRECTORS OF THE COMPANY, DURING PERFORMANCE OF THEIR DUTIES, MAY BE PAID REMUNERATION AND/OR COMPENSATED FOR EXPENSES RELATED TO THE PERFORMANCE OF THEIR FUNCTIONS AS MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS.

Remuneration of independent directors is fixed and is paid for participation in meetings of the Board of Directors and Committees of the Board of Directors quarterly.

The amount and conditions of remuneration payment are determined by the decision of the Sole Shareholder. Remuneration is paid to independent directors of the Board of Directors net of taxes in accordance with the tax legislation of the Republic of Kazakhstan, regulatory legal acts and other documents.

Remuneration for the reporting period is paid in proportion to the participation of an independent director in all meetings of the Board of Directors/committees of the Board of Directors held in person and in absentia during the reporting period.

Remuneration is not paid if an independent director participates in less than half of all meetings of the Board of Directors held in person and in absentia in the reporting period (quarter). Remuneration of Members of the Board of Directors – representatives of the Sole Shareholder, the head of the Company's executive body for participation in meetings of the Board of Directors is not provided.

Remuneration of Members of the KazAgroFinance Board of Directors (independent directors) consisting of 2 people in 2022 includes the following positions:

<i>thousand KZT</i>	2022
Remuneration accrued	7,959
Taxes and social security benefits	815
Total remuneration	8,774

— Executive Body

THE COMPANY'S EXECUTIVE BODY IS THE BOARD, WHICH MANAGES THE CURRENT ACTIVITIES OF THE COMPANY. THE COMPANY'S BOARD CONSISTS OF 5

MEMBERS, INCLUDING THE CHAIRMAN OF THE BOARD AND DEPUTY CHAIRMEN OF THE BOARD. THE POWERS OF THE REPRESENTED BOARD MEMBERS EXPIRE ON JULY 31, 2025.

Composition of the Board as of December 31, 2022

		Date and number of the decision on election to the Board
Aydar Gilimovich Prashev	Chairman of the Board	Decision of the Sole Shareholder No. 30/22 dated July 20, 2022
Aydos Bauyrzhanovich Seytzhano	Deputy Chairman of the Board	Decision of the Board of Directors No. 9 dated July 19, 2022.
Zhanuzak Zhenisovich Orazbayev	Deputy Chairman of the Board	Decision of the Board of Directors No. 9 dated July 19, 2022.
Yerkebulan Yerlanovich Zhumzhayev	Deputy Chairman of the Board	Decision of the Board of Directors No. 9 dated July 19, 2022.
Mars Karaltayevich Alish	Deputy Chairman of the Board	Decision of the Board of Directors No. 9 dated July 19, 2022.



— Composition of the Board (as of December 31, 2022)



— **Aydar
Gilimovich
Prashev**

**CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

*Born on September 29, 1983,
a citizen of Kazakhstan.*

Education:

- Almaty Academy of Economics and Statistics, with a degree in Personnel Management, Economist.

- Aktobe Regional State University named after K. Zhubanov, with a degree in Management, Master of Economics and Business.

Work Experience:

- January 2006 – February 2007 – Inspector of Customs Control of the Department of Customs Control in Aktobe region of the Customs Control Committee of the Ministry of Finance of the Republic of Kazakhstan.
- February 2007 – December 2008 – worked in the banking system of Kazkommertsbank JSC.
- 2009-2019 – worked in the KAF branches as a Director of branches in Atyrau, Aktobe and Kostanay regions.
- December 2020 – June 2021 – Managing Director – Member of the Board of KazAgroFinance.
- June 2021 to the present – Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE,

AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

PART-TIME WORK AND MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER ORGANIZATIONS AT THE PRESENT TIME – NO.



— **Aydos
Bauyrzhanovich
Seytzhanov**

**DEPUTY CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

Functions performed: coordinates the Company's activities on the asset expertise, administrative and economic activities and human resource management, and also works with branches in terms of supervised areas of activity.

Born on May 10, 1990, a citizen of Kazakhstan.

Education:

- L.N. Gumilyov Eurasian National University with a degree in Finance, Bachelor of Finance.
- Myrzakhetov Kokshetau State University, with a degree in Law, Bachelor of Law.

June 30, 2021, he was elected as the Deputy Chairman of the Board of KazAgroFinance by the decision of the Board of Directors of KazAgroFinance.

Work Experience:

- December 2010 – 2019 – Temirbank JSC, Eurasian Bank JSC, Development Bank of Kazakhstan JSC in the area of lending to small and medium-sized, as well as corporate business.
- October 2019 – June 2021 – Director of the KazAgroFinance branch in Astana.
- June 2021 to the present – Deputy Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES

NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

PART-TIME WORK AND MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER ORGANIZATIONS AT THE PRESENT TIME – NO.



— **Zhanuzak
Zhenisovich
Orazbayev**

**DEPUTY CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

Functions performed: coordination of activities in terms of financial and economic issues, borrowing, accounting and reporting issues of KazAgroFinance.

Born on July 9, 1972, a citizen of Kazakhstan.

Education:

- Kazakh State Academy of Architecture and Construction, with a degree in Heat and Gas Supply and Ventilation, Qualification of Civil Engineer.

- Ryskulov Kazakh Economic University, with a degree in Accounting and Audit, Bachelor of Accounting and Audit.
- Swiss Business School, with a degree in MBA – Master of Business Administration.

February 22, 2022, he was elected as the Deputy Chairman of the Board of KazAgroFinance by the decision of the Board of Directors of KazAgroFinance.

Work Experience:

- Since September 2001, Head of the Sales Department of Koktem LLP.
- January 2004 – February 2007, Chief (Procurement) Specialist of the Financial Department of State Insurance Corporation for Insurance of Export Credits and Investments JSC.
- March 2007 – March 2009 – Director of the Administrative Department of KazAgro National Holding JSC.
- April – August 2009 – Head of the Subscriber Section of AstanaEnergoSbyt LLP.
- September – November 2009 – Deputy Director of the Branch of KazMunayGasNC JSC, Ozen-Yeles LLP.
- December 2009 – November 2019, Deputy Director of the

Information and Computing Center of the Committee on Statistics of Ministry of National Economy of the Republic of Kazakhstan.

- December 2019 – December 2021 – Managing Director of the Fund of Financial Support for Agriculture JSC.
- February 2022 to the present – Deputy Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

PART-TIME WORK AND MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER ORGANIZATIONS AT THE PRESENT TIME – NO.



— **Yerkebulan
Yerlanovich
Zhumzhayev**

**DEPUTY CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

Functions performed: coordination of the Company's activities in terms of credit and leasing activities.

Born on May 8, 1988, a citizen of Kazakhstan.

Education:

- L.N. Gumilyov Eurasian National University, with a degree in Finance, Bachelor of Finance.
- Kazakh University of Economics, Finance and International Trade, with a degree in Finance, Master of Economics and Business.

- Regional Socio-Innovative University, with a degree in Law, Bachelor of Law.

June 30, 2022, he was elected as Deputy Chairman of the Board of KazAgroFinance by the decision of the Board of Directors of KazAgroFinance.

Work Experience:

- Since April 2011, the Engineer of the Satpayev Channel RSE of the Ministry of Agriculture of the Republic of Kazakhstan.
- April 2013 – August 2018, Senior Manager, Senior Analyst and Head of the Credit Analysis Department at branches of Halyk Bank JSC.
- Since August 2018, held various positions in subsidiaries of the Baiterek National Managing Holding JSC.
- June 2022 to the present – Deputy Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

PART-TIME WORK AND MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER ORGANIZATIONS AT THE PRESENT TIME – NO.



**Mars
Karaltayevich
Alish**

**DEPUTY CHAIRMAN OF THE BOARD OF
KAZAGROFINANCE**

Functions performed: coordination of the Company's activities on issues of working with problematic projects, project administration, information technology development.

Born on August 14, 1984, a citizen of Kazakhstan.

Education:

- Aktobe State University named after K.Zhubanov, with a degree in Accounting and Audit.
- M.V. Lomonosov Moscow State University, with a degree in Master of Business Administration.

May 3, 2022, he was elected as the Deputy Chairman of the Board of KazAgroFinance by the decision of the Board of Directors of KazAgroFinance.

Work Experience:

- April 2006 – September 2015, Leading Manager, Senior Manager, Head of the Small Business Department of Kazkommertsbank JSC.
- October 2015 – October 2016, Deputy Director for Small and Medium-Sized Businesses at ATF Bank JSC.
- November 2016 – August 2017, the Project Manager of Astana Best Consulting Group LLP.
- August 2017 – June 2018, Deputy Director for the Development of Small and Medium-Sized Businesses at Kazkommertsbank JSC.
- June 2018 – February 2019, Director of the Finance and Planning Department, Executive Director of Kaspi NC SEC JSC.
- March 2019 – February 2021, the Expert of KMG Karachaganak LLP.
- February 2021 – May 2022, Head of the Leasing and Lending Department, Director of the KazAgroFinance branch in Astana.
- May 2022 to the present, Deputy Chairman of the Board of KazAgroFinance.

HAS NO SHARES (PARTICIPATION INTERESTS) OF KAZAGROFINANCE, AFFILIATED COMPANIES, AND ALSO DOES NOT OWN SHARES OF SUPPLIERS AND COMPETITORS OF KAZAGROFINANCE.

PART-TIME WORK AND MEMBERSHIP IN THE BOARDS OF DIRECTORS OF OTHER ORGANIZATIONS AT THE PRESENT TIME – NO.

— Work of the Board

THE BOARD MANAGES CURRENT ACTIVITIES OF THE COMPANY AND IS RESPONSIBLE FOR IMPLEMENTATION OF THE DEVELOPMENT STRATEGY, DEVELOPMENT PLAN AND DECISIONS MADE BY THE BOARD OF DIRECTORS AND THE SOLE SHAREHOLDER.

Activities of the Board are governed by the Regulations on the Board of the Company.

During 2022, 41 Board meetings were held, all in person, meetings

were held on a regular basis. There was a high attendance of meetings by members of the Board, except in cases of absence for a good reason.

Attendance of Members of the Board at its meetings

Full name	Quantity
A.G. Prashev	34/41
N.Sh. Karnakova*	6/7
A.B. Ashirbekov*	3/7
A.B. Seytzhannov	36/41
D.S. Kayirzhuban**	15/19
Zh.Zh. Orazbayev	32/34
M.K. Alish	27/28
E.E. Zhumzhayev	17/18

* Resigned from the Board pursuant to the Decision of the Board of Directors dated 22.02.2022

** Resigned from the Board pursuant to the Decision of the Board of Directors dated 30.06.2022

The main objective of the Board is the effective implementation of the Development Strategy and the Development Plan of KazAgroFinance.

The Board's basic principles:

- transparency and openness;
- responsibility and accountability;
- objective distribution of responsibilities;

- proper approval and adoption of operations;
- comprehensiveness and systematic approach;
- continuous development and improvement;
- flexibility;
- timely identification and response to any material drawbacks and weak pockets of control;

- priority of the Board's areas of activity;
- performance;
- competence of employees;
- documentation of procedures;
- reliability and completeness of information.

Committees under the Board

Risk Committee

The main objectives of the Risk Committee are implementation of Risk Management Policy, identification, assessment, control and monitoring of risks at all levels of the Company.

Analysis of factors that led to the operational risk, including in cases when facts were revealed that information about realized risks was not entered into the database in a timely manner.

Credit Committee

A collegial body authorized to make decisions on issues related to the Company's credit activities and dealing with problem debt, as well as on the acquisition of leasing subjects.

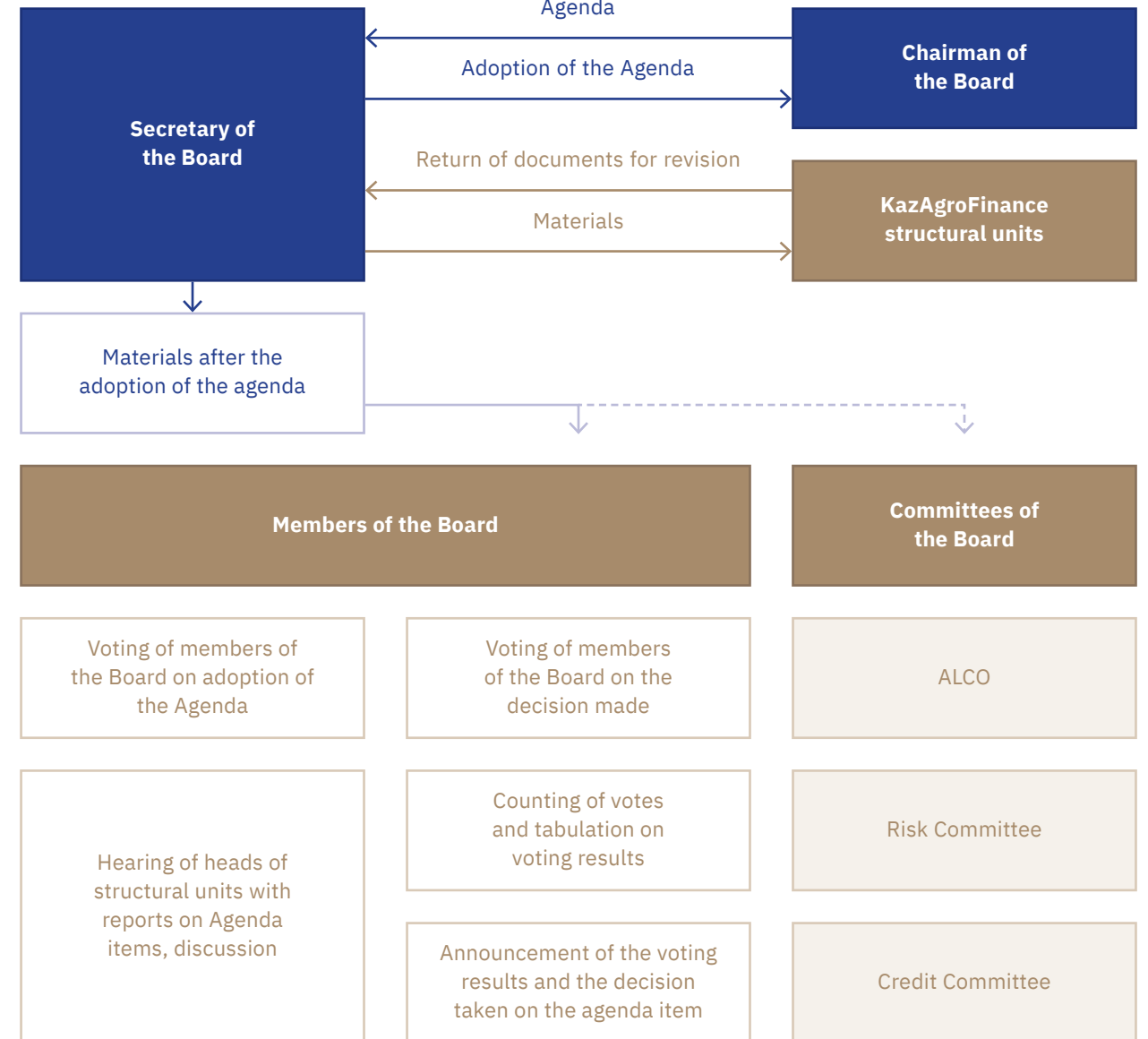
The objectives of the Credit Committee are implementation of the Company's credit policy, minimizing the level of credit risk during credit transactions, ensuring the prevention of transactions related to the legalization (laundering) of illegally obtained income and terrorist financing.

Asset and Liability Management Committee

Permanent collegial body of KazAgroFinance (ALCO). The ALCO pursues the Company's policy on asset and liability management, develops recommendations to the Board to make effective and timely decisions on asset and liability management, as well as temporarily free money.



Interaction with the Board



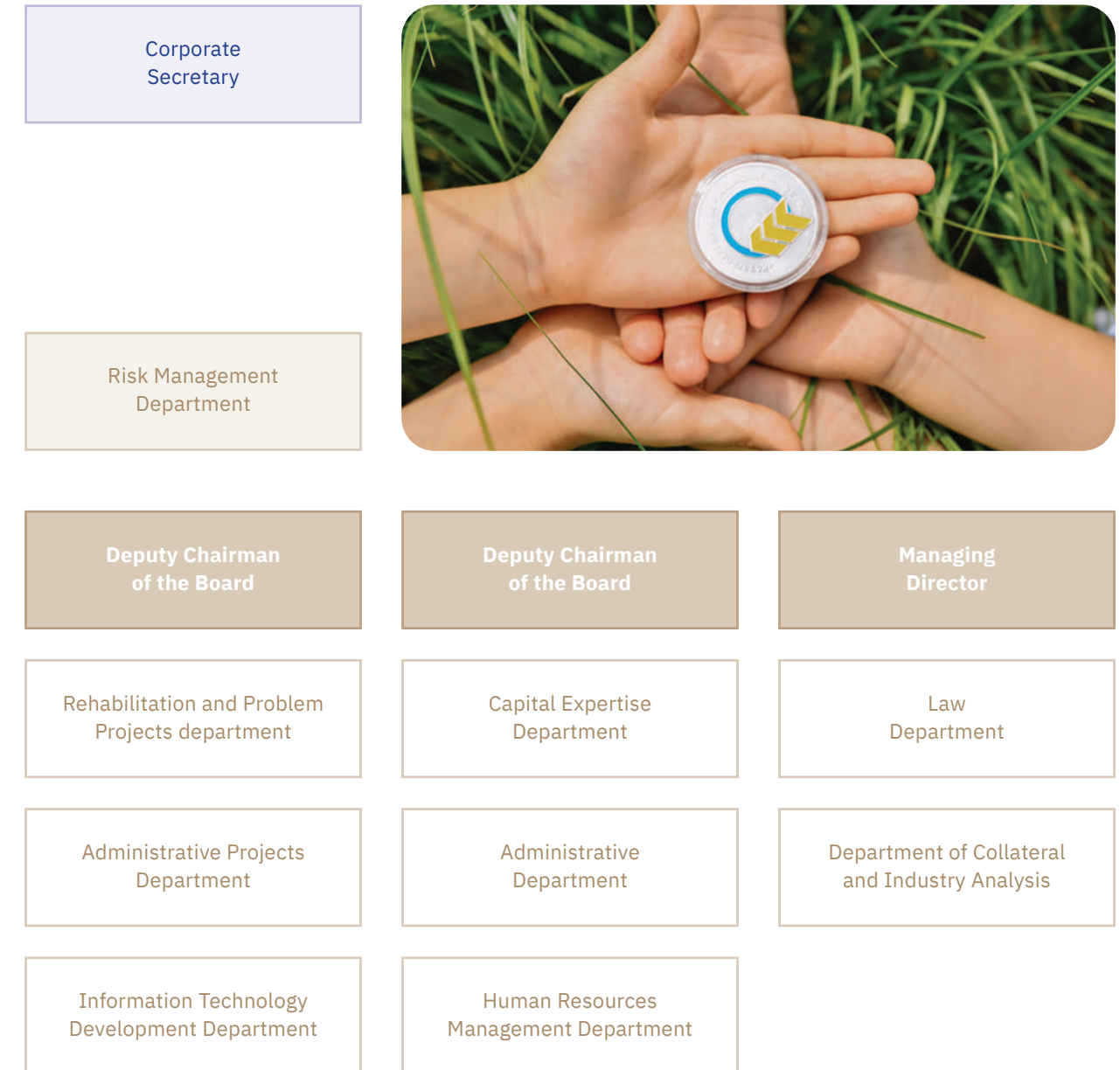
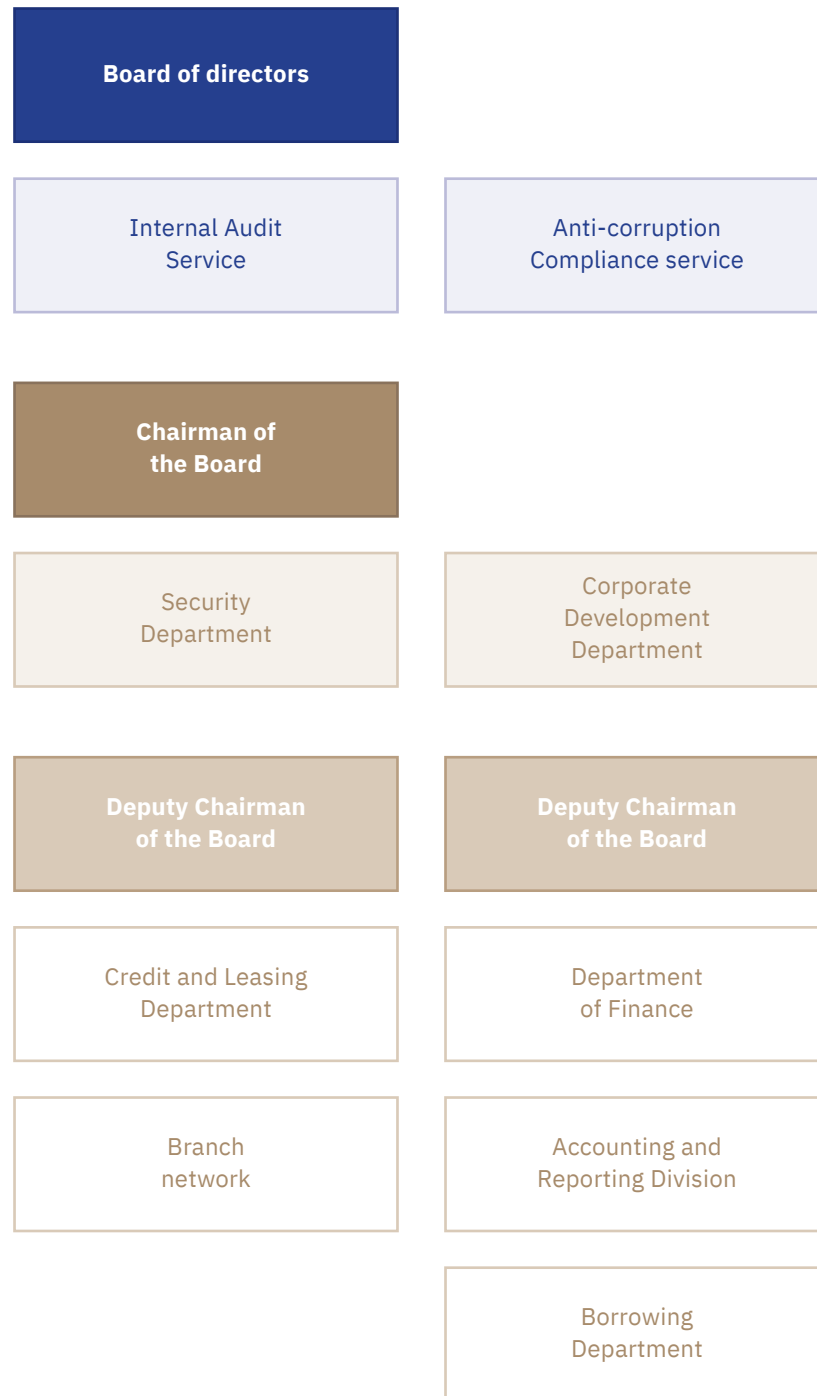
Organisational Chart

TO IMPLEMENT THE ASSIGNED FUNCTIONS AND TASKS, THE KAZAGROFINANCE ORGANISATIONAL CHART WAS APPROVED BY THE DECISION OF THE COMPANY'S BOARD NO. 16 DATED MAY 18, 2022.

The Company's structure includes 18 units and services of the central office, as well as 15 branches in the Kazakhstan regions.

Pursuant to the Decree of the President of the Republic of Kazakhstan "On Some Issues of the Administrative-Territorial Structure of the Republic of Kazakhstan" dated May 3, 2022 No. 887, a new branch of the Company was established in the Abay region with its location in Semey, as well as to accommodate employees in Zhezkazgan of the Ulytau region, the staff size of the Karaganda regional branch was increased by 4 people.

Thus, there are 15 branches in the Company Organisational Chart. The total staff size is 341 people, including the central office – 142 and branches – 199.



Report on Interested-Party Transactions for 2022

No.	Name of a counterparty	Sign of interest	Transaction content
1	Agrarian Credit Corporation JSC	According to sub-para. 4) of paragraph 1 of Article 64 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", Agrarian Credit Corporation JSC is an affiliate of KazAgroFinance JSC.	<ol style="list-style-type: none"> The Additional Agreement was signed on April 12, 2022. The Agreement on termination of the Agreement on the Procedure and Conditions for Granting Credit Instruments to Legal Entities and Individual Entrepreneurs dated June 16, 2016 (registration number 705) was concluded on April 12, 2022
2	Industrial Development Fund JSC	Chairman of the Board of Directors of Industrial Development Fund JSC Kanat Bisimbayevich Sharlapayev is an affiliate of KazAgroFinance JSC, and Chairman of the Board of Directors of KazAgroFinance JSC Nurbolat Sergaliyevich Aydapkelov is an affiliate of Industrial Development Fund JSC.	<ul style="list-style-type: none"> Loan Agreement No. 5-DZ dated August 13, 2022
3	Agrarian Credit Corporation JSC	According to sub-para. 4) of paragraph 1 of Article 64 of the Law of the Republic of Kazakhstan "On Joint Stock Companies", Agrarian Credit Corporation JSC is an affiliate of KazAgroFinance JSC.	<ul style="list-style-type: none"> Framework Agreement on Credit Line Opening No. 1669-CA-AB dated 29.09.2022 Individual Loan Agreement No. 1669-CA-AB/1 dated 30.09.2022 to the Framework Agreement on Credit Line Opening No. 1669-CA-AB dated 29.09.2022. Additional Agreement No. 1 dated 03.10.2022 to the Individual Loan Agreement No. 1669-CA-AB/1 dated 30.09.2022

Remuneration of the Board Members

THE POLICY AND AMOUNT OF REMUNERATION OF EXECUTIVES ARE REGULATED BY THE RULES OF LABOR COMPENSATION, PERFORMANCE ASSESSMENT AND REMUNERATION OF KAZAGROFINANCE EXECUTIVES.

KPI Maps of the Company's executives for 2022 were approved by the decision of the Board of Directors of KazAgroFinance No. 14 dated December 22, 2021.

In 2022, in order to ensure fulfillment of tasks on sustainable development, the following corporate and functional KPIs are

included in the KPIs of the Board members:

- scope of leasing of agricultural machinery and equipment;
- implementation of the Business Process Automation Action Plan for 2022;
- voluntary turnover of the Company's personnel.

In the reporting year, there were no cases of disciplinary penalties to the Board members.

Amount of accrued Remuneration of the Board members in 2022 is 137,302 thousand KZT, including

taxes and deductions from salary – 11,945 thousand KZT.

Remuneration based on the performance for the reporting year is paid by decision of the Board of Directors, subject to the availability of net consolidated profit for the reporting year, after approval of the results of financial and economic activities based on the audited financial statements of the Company for the reporting year in accordance with the established procedure, depending on the achieved strategic and individual KPIs and performance assessment results.

Equity Capital Structure

As of 31.12.2022, the number of declared and placed common shares of KazAgroFinance was 82,837,204, the nominal value of the shares is 82,837,204,000 KZT. There were no transactions on placement, repurchase and cancellation of shares in the reporting period.

Number of common shares declared:	82,837,204 shares
Number of outstanding common shares:	82,837,204 shares
Nominal value of one common share:	1,000 KZT
Placement price of one share:	1,000 KZT
Method of payment for the issuer's shares:	the issuer's shares were paid in cash
Amount of funds raised from placement of the issuer's shares:	82,837,204,000 KZT

Dividends

THE DIVIDEND POLICY PRINCIPLES ARE SET OUT BY THE REGULATIONS ON THE DIVIDEND POLICY.

The Dividend Policy is based on the following principles:

1. strict observance of rights of the Sole Shareholder stipulated by the legislation of the Republic of Kazakhstan, the KazAgroFinance's Charter, internal documents and best corporate governance practices;
2. balance of interests of KazAgroFinance and the Sole

- Shareholder in determining the amount of dividend payments;
3. taking into account interests of the Sole Shareholder and maximising its assets;
 4. compliance with restrictions established by the legislation of the Republic of Kazakhstan and the KazAgroFinance's Charter, when deciding on the payment of dividends;
 5. development of a medium-term and long-term Dividend Policy in accordance with basic principles and approaches to formation of

the KazAgroFinance Dividend Policy;

6. ensuring that the KazAgroFinance Board is motivated to achieve planned net income and dividends.

The dividends for 2021 were paid in June 2022 in the amount of 12,111,222 thousand KZT. The amount of dividends per common share is 208.86 KZT.

Dividends Paid

Name	UoM	2020 (for 2019)	2021 (for 2020)	2022 (for 2021)
Net income (loss)*	thousand KZT	9,210,964	9,598,199	17,301,745
Dividends declared during the year	thousand KZT	9,210,964	6,718,739	12,111,222
Dividends paid during the year	thousand KZT	9,210,964	6,718,739	12,111,222
Amount of dividend per share **	KZT	111.19	81.11	146.21
Book value of the share ***	KZT	1,268.96	1,339.89	1,774.30

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

** Profit of the year for which the dividends were paid.

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

Anti-Corruption Activities

THE COMPANY'S MANAGEMENT AND ITS EMPLOYEES ADHERE TO THE FUNDAMENTAL PRINCIPLES OF OPENNESS AND TRANSPARENCY IN THEIR WORK. THE COMPANY STRIVES TO ENSURE MAXIMUM PUBLICITY. FIRST OF ALL, THIS WORK IS AIMED TO COUNTER CORRUPTION AND TO PREVENT ILLEGAL ACTIONS BY THE COMPANY'S EMPLOYEES.

Company's Anti-Corruption Activities in the Reporting Year.

In accordance with the Law of the Republic of Kazakhstan "On Anti-Corruption" (the "Law"), the Company's Compliance Service was transformed into Anti-Corruption Compliance Service, which functions shall include ensuring compliance of the Company and its employees with the legislation of the Republic of Kazakhstan on anti-corruption. If necessary, working groups are established to carry out anti-corruption activities and employees from other units are engaged in. In general, all the Company employees are involved in anti-corruption activities.

The Company implements the following anti-corruption measures:

1. anti-corruption monitoring;

2. internal analysis of corruption risks;
3. formation of anti-corruption culture;
4. anti-corruption expert examination of internal regulatory documents of the Company;
5. formation and observance of anti-corruption standards;
6. acceptance of anti-corruption restrictions by employees, equivalent to those authorized to perform state duties;
7. prevention and resolution of conflicts of interest;
8. reporting of corruption offences, minor offenses;
9. operation of the initiative reporting channels;
10. checking the reliability of counterparties, inclusion of an anti-corruption clause in contracts with counterparties.

For these purposes, the Company approved the Anti-Corruption Policy.

In order to ensure economic and information security, compliance with anti-corruption legislation, a number of events were held in the Company's activities in 2022.

1. Amendments and additions

were made to the Information Security Policy of KazAgroFinance (approved by the decision of the Board of Directors of KazAgroFinance No. 3 dated March 30, 2022), amendments and additions to the Technical Instruction to the Information Security Policy of KazAgroFinance (approved by the decision of the Board of KazAgroFinance No. 4 dated January 26, 2022).

2. In pursuance of the Action Plan to increase Risk Culture for 2022:
 - a review of the existing shortcomings during a security analysis of lessees and their affiliated companies was sent to the Company structural units and branches;
 - the Company's employees were instructed on information security and access control in the office buildings of the Central Office.
3. Within the framework of information security:
 - Quarterly and annual reports on information security incidents were sent to the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market. Information is transmitted in encrypted form.

- There are no comments;
- implemented measures regarding the risks of using third-party JavaScript objects on the Company's corporate website. During the event, all third-party JavaScript objects were analyzed;
- in order to prevent violations of information security requirements in the Company, and to ensure the necessary professional competence of accepted employees, briefings and reminders on this activity were sent to all structural units of the Central Office and branches of the Company;
- measures were taken to control local resources and communication channels, analyze transmitted information, leaks of personal data of customers, identify types of malicious file extensions, archive the information sent, configure the protection of personal data of Company employees, monitor information security incidents, create reports on user activity in Internet resources. Based on the results of performance for half

a year, reports were provided to the Company's Board;

- data leak events in information security systems are daily monitored.

- In accordance with the "Anti-Corruption Monitoring Rules" approved by the Order of the Chairman of the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service) dated January 28, 2020 No. 22, thematic anti-corruption monitoring was carried out.

The monitoring is to study problematic issues that contribute to the corruption. Practical significance of the results of anti-corruption monitoring is that its results contribute to minimizing corruption risks by taking appropriate organizational, managerial and legal measures.

Anti-corruption monitoring was carried out by collecting, processing, summarizing, analyzing and assessing the following information:

- publications in the media and social networks;
- appeals of individuals and legal entities.

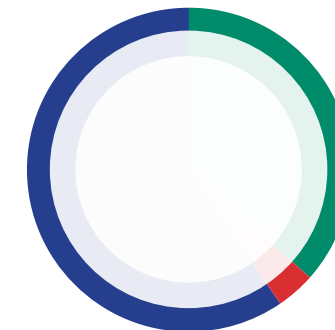
During the analyzed period, the Company received 544 appeals from individuals and legal entities, including requests from Baiterek NMH JSC and other government agencies.

- The Anti-Corruption Compliance Service has agreed on the KazAgroFinance participation in the project "Implementation of a Systematic, Structured and Effective Policy for Improving Business Integrity and Developing Corporate

Total Number of Publications
(from 18.07.2021 to 24.07.2022)



Tone of Messages



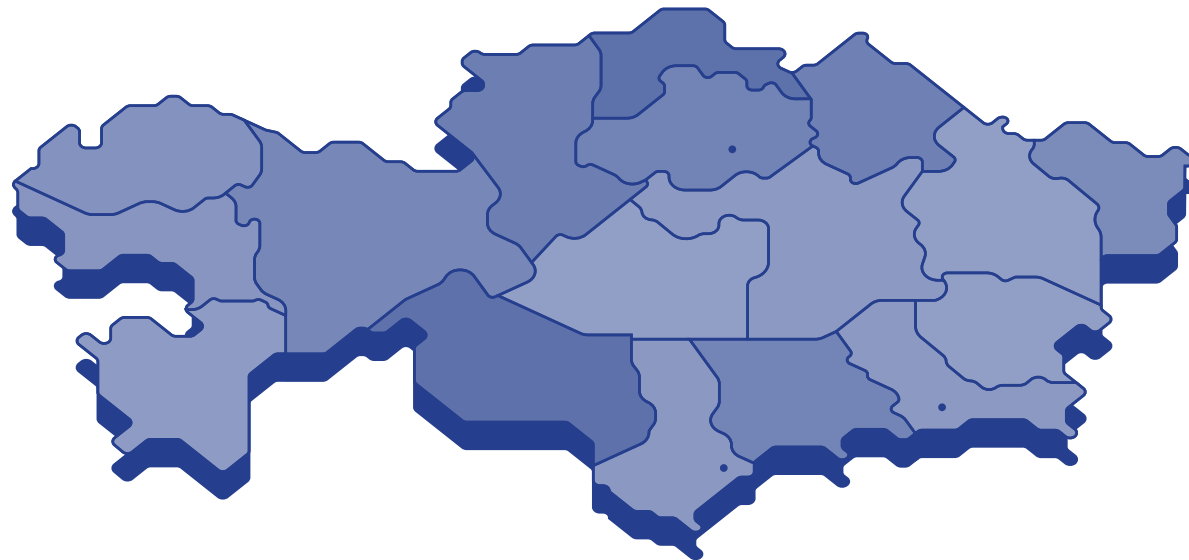
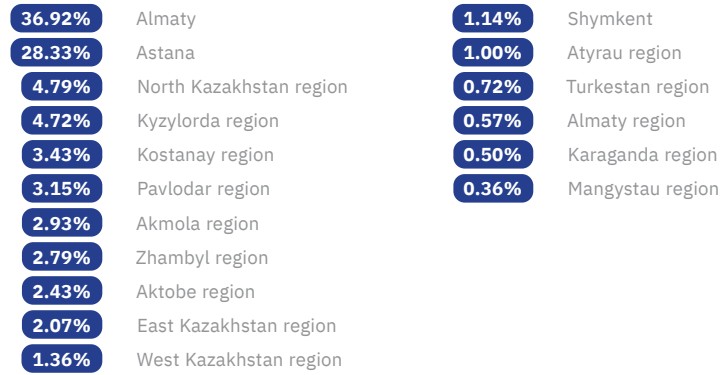
- 60.23% Neutral
- 36.84% Positive
- 2.93% Negative

Tone of Messages Distribution by Source Categories



- 28.41% Electronic media
- 21.75% News agencies
- 19.31% Specialized
- 15.09% Print media
- 10.37% Government sources
- 3.36% Television
- 1.57% Regional sources
- 0.14% Radio

Activity of sources in Kazakhstan



Governance in Kazakhstan in Accordance with OECD Standards”, with support of the Siemens Integrity Initiative.

As part of this project, diagnostics of anti-corruption measures taken in the Company will be carried out. The methodology

Activity of Sources by Country



was developed by the Chamber of Legal Consultants “Kazakhstan Bar Association” in cooperation with the Legal Policy Research

Center (LPRC). Experts have prepared a preliminary report on the state of anti-corruption measures in the Company, and have requested suggestions and comments to it. In addition, other activities (questionnaires, surveys, etc.) are planned as part of the diagnosis.

- 6. A campaign was conducted to call service recipients to establish the facts of corruption and other violations by the Company's employees.

The call has been made to the clients of the branches of East Kazakhstan, Pavlodar, West Kazakhstan regions and Zhetisu region. There are 216 clients in total.

During the survey, a pre-developed call script in Kazakh and Russian was used. Respondents were asked to independently name violations in the actions of branch employees that they encountered, as well as specific questions were asked. The results of this campaign can be considered positive, due to the non-identification of corruption.

- 7. In order to properly comply with the legislation of the Republic

of Kazakhstan, the Company's internal regulatory documents, within the framework of recommendations of the Basel Committee, the Financial Action Task Force (FATF), the Know Your Customer Policy of KazAgroFinance has been developed and approved.

The Policy, along with other internal regulatory documents of the Company, is aimed at preventing transactions with money and/or other property committed by a client through the Company for criminal purposes, and preventing the risk of the Company's involvement in the Client's transactions related to legalization (laundering) of proceeds from crime and financing of terrorism.

The Policy has broad prospects on the security, reputation and stability of the Company and includes AML/CFT procedures.

- 8. As part of anti-corruption activities, lecture materials on KazAgroFinance Anti-Corruption Standards, Key Aspects of Anti-Corruption in KazAgroFinance, Giving Gifts at the Workplace were prepared, and as part of implementation of the Action Plan to increase Risk Culture,

the anti-corruption training was conducted. The materials were sent to the Company's employees for study and application in daily work (coverage is about 100%). These materials, in order to form an anti-corruption culture, allow systematizing the knowledge received by the Company's employees on anti-corruption with an emphasis on the most important points.

According to the results of 2022, the facts of corruption have not been established.

— Internal Audit Verification

Know Your Client policy

- Client due diligence
- Client identification
- Grounds for refusal of financing
- Informing the authorized body
- Monitoring of the client's activity

The Know Your Client was developed to properly comply with the legislation of the Republic of Kazakhstan, the Company's IRDs as part of the recommendations of the Basel Committee and the Financial Action Task Force (FATF).

The Policy is aimed at preventing transactions with money and/or other property, committed by a client through the Company for criminal purposes, and preventing the Company's involvement in the client's transactions related to ML/FT.

The Policy has broad prospects in protecting the security, reputation and stability of the Company and includes AML/CFT procedures.

Company's Activities on Countering the Legalization (laundering) of Proceeds from Crime and the Financing of Terrorism (AML/CFT)

In order to counteract legalization (laundering) of proceeds from

crime and financing of terrorism, the Company has developed and implemented an appropriate internal control system.

The AML/CFT system is aimed at preventing transactions with money and/or other property committed by a client through the Company for criminal purposes, and preventing the risk of involvement of the Company and its employees in the client's transactions related to the legalization (laundering) of proceeds from crime and the financing of terrorism.

The Company's AML/CFT system is organized in accordance with the legislation of the Republic of Kazakhstan and takes into account recommendations developed by international organizations — the Financial Action Task Force (FATF), Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG), Basel Committee on Banking Supervision, etc.

The Company has a unit for countering the legalization (laundering) of proceeds from crime and the financing of terrorism, and an internal control mechanism has been introduced in each individual structural unit (branch).

The document regulating the Company's AML/CFT activities and containing a description of the totality of measures taken and procedures for AML/CFT purposes are the Rules of Internal Control for AML/CFT Purposes. The AML/CFT work in the Company is provided by the Anti-Corruption Compliance Service.

Participated as a financial monitoring entity in the second round of Mutual Assessments carried out by international experts of the Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG).

FATF-Style Regional Bodies (FSRBs) conduct mutual assessments, in which the national AML/CFT systems of the Member States are checked for compliance with international standards.

— Anti-AML/CFT Work

The Second Round of Mutual Assessments of the Eurasian Group

FATF-Style Regional Bodies (FSRBs) conduct mutual assessments, in which the national AML/CFT systems of the Member States are checked for compliance with international standards.

Meaning:

- Increasing investment attractiveness;
- Increasing the level of international support;
- International trade opportunities (opening accounts in foreign

banks and payment systems, cooperation with international organizations, etc.);

- Increasing the level of trust in the residents of the country and the financial system.

This event is important for the country, since failure to comply with AML/CFT standards can cause great damage to the national economy: the international support level is declining and, as a result, investment attractiveness, residents of countries recognized as non-compliant with FATF recommendations cannot fully conduct international trade, and experience significant difficulties in

opening accounts with foreign banks and payment systems (most refuse to cooperate with such clients), and payments to these countries are automatically considered suspicious and are most likely blocked.

According to experts, the Company's representatives demonstrated a high knowledge of international AML/CFT standards-FATF Recommendations and relevant requirements of AML/CFT legislation, practical implementation and application of the legislation of the Republic of Kazakhstan.



Corporate Ethics

THE KAZAGROFINANCE CODE OF BUSINESS ETHICS (THE CODE)⁵ WAS APPROVED BY THE DECISION OF THE BOARD OF DIRECTORS OF KAZAGROFINANCE NO. 2 DATED FEBRUARY 23, 2022.

Prior to approval of the new Code, the Company was guided by the Code of Corporate Ethics approved by the decision of the Board of Directors No. 14 dated December 28, 2016.

The Code was developed in accordance with the legislation of the Republic of Kazakhstan, Company's Charter and internal documents, including the Corporate Governance Code of the Company, taking into account recognized international standards of business conduct and corporate governance and is a set of rules that establish the fundamental values and principles of corporate (business) ethics, followed by KazAgroFinance officials and employees.

The main objectives of the Code are:

1. development of a unified corporate culture based on high ethical standards;
2. maintaining an atmosphere of trust, mutual respect and decency in the Company;
3. consolidation of fundamental values and principles, norms

of corporate (business) ethics and behavior, followed by the Company's officials and employees in their activities;

4. building effective interaction with Stakeholders by applying the best practices of corporate (business) behavior.

The Company's objective in forming a corporate culture is to achieve the following:

1. managers create a climate that motivates employees to make maximum efforts to achieve results;
2. bottom-up initiative and innovation are encouraged;
3. self-improvement and self-development are a conscious necessity;
4. managers and employees focus on the end result and the success of the common cause;
5. every executive and employees understand their role and importance in achieving strategic goals;
6. each decision is made taking into account the social orientation of a business and a focus on the main stakeholders.

The Code is applied together with other internal documents of the Company and reflects activities of the

Company's officials and employees regarding the application of norms and principles of corporate (business) ethics and behavior.

The fundamental values of the Company are:

- **Professionalism:** high readiness to perform objectives of professional activity;
- **Team:** cooperation to achieve better results from joint activities;
- **Honesty:** honesty within the Company, to its partners and customers;
- **Social responsibility:** responsibility for the impact of the Company's activities on the stakeholders in the public sphere.

All employees of the Company assume the following obligations in relation to the Code:

1. carefully study, understand and conscientiously follow the business ethics and rules of conduct established by the Code;
2. conscientiously, professionally, effectively and impartially perform their official functions and duties;
3. be responsible for the commitments assumed, regardless of the status and position;

4. assistance in investigations of violations of the principles of business ethics and rules of conduct;
5. comply with information security requirements and procedures.

Accepting the above commitments by all Company's employees is evidenced by their signed consent when hiring.

The Company's management makes management decisions that comply with the Code, on the principles of transparency and impartiality, by personal example show commitment to the Code, devote time to developing team spirit among subordinates, team building into a team united by a common mission, values and principles of the Company.

Corporate governance in the Company is based on the principle of protection and respect for the rights and legitimate interests of the Sole Shareholder.

Compliance with the provisions and principles of corporate governance is reviewed on an annual basis by the Company's Board of Directors (for more information, see the section "Report on Compliance with the Principles and Provisions of the Corporate Governance Code").

The Company complies with the contracts with business partners and fulfills its obligations towards

them, and is also interested in establishing long-term partnerships with clients and contributes to their development in every possible way. Similar provisions are provided by the Company's Corporate Governance Code. The Company interacts with business partners on the basis of mutual benefit, respect, trust, honesty and fairness. The Company does business only with reliable business partners.

The Company faithfully fulfills its contractual obligations to business partners and demands the same from them, which is fixed by contractual agreements.

All Company employees, as well as business partners and stakeholders, have the right to contact the Ombudsman regarding the requirements of the Code and/or ethical issues that have arisen in the course of work, as well as labor conflicts, and the Anti-Corruption Compliance Service in case of violations of Code, corruption and other illegal actions (violations of the principles of business ethics and rules of conduct by officials are considered by the Board of Directors of the Company).

Thus, according to the decision of the Company's Board of Directors dated June 30, 2022 No. 8, Dina Viktorovna Akrachkova was appointed the Company's Ombudsman.

The main functions of the Ombudsman are:

1. collection of information on failure to comply with the Code;
2. consultation of all employees on the Code;
3. initiation of consideration of disputes on violation of the Code and participation in their settlement. In terms of corporate conflicts and conflicts of interest, the Ombudsman coordinates his/her actions with persons responsible for resolving corporate conflicts and conflicts of interest.

In cases of violations of the Code, the Company's employees have the right to apply to the Ombudsman both in writing and orally.

⁵ https://www.kaf.kz/upload/iblock/a37/4vq8gd033lxdit5fjkd1teisk7ple1t/Kodeks-korporativnoy-etiki_1.pdf

Internal Control System

THE INTERNAL CONTROL SYSTEM (ICS) IS A SET OF ORGANIZATIONAL POLICIES, PROCEDURES, STANDARDS OF CONDUCT AND ACTIONS, METHODS AND MECHANISMS OF INTERNAL CONTROL DETERMINED BY THE BOARD, THE BOARD OF DIRECTORS TO ENSURE EFFECTIVE INTERNAL CONTROL OVER THE FINANCIAL AND ECONOMIC ACTIVITIES OF THE COMPANY AND AIMED AT ACHIEVING THE COMPANY'S OBJECTIVES AND MINIMIZING RISKS IN THE IMPLEMENTATION OF ACTIVITIES.

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

In addition, in order to determine the procedure for effective functioning of the internal control system in the Company, the decision of the Board dated August 5, 2019 No. 24

approved the Rules for Implementing the Policy on the Company's Internal Control System.

Competence of the participants of the internal control system is differentiated depending on their roles in development, approval, application and assessment of performance of the internal control system.

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

The Board of Directors and the Board, being one of the participants (entities) of the internal control system, within their powers are responsible for formation and maintenance of an information support and information exchange system, including the effective channels and means of communication, providing vertical and horizontal communication links within the Company and with third parties.

Information and its transmission is a process of identification, documentation and timely communication of necessary and relevant information to officials, and also provides for the Company's information support system.

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

- **first line of defense**, internal controllers in the Company structural units are appointed from among the Company's employees by order of the Board Chairman;
- **second line of defense**, the Company structural units performing control functions;
- **third line of defense** is provided by the Internal Audit Service (the IAS) by assessing performance of the Company's internal control system.

Internal Control System



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

Based on analysis of the internal control system conducted by the IAS, according to the results of 2021, an “above average” rating of performance of the internal control system in the Company was assigned. In this regard, an Action Plan has been developed to improve the KazAgroFinance internal control system for 2022-2024 to increase efficiency of the Company's internal control system. The Plan includes five-component activities: control environment, risk assessment, control procedures, information and communication channels, monitoring.

The following activities have been implemented as part of the Plan:

- a Plan for updating the Company's internal documents has been developed and approved;
- the annual Work Plan for the ICS for 2023 has been approved;
- in accordance with the Holding's Investment Policy, the Company has developed and approved internal regulatory documents, including Environmental and Social Policy, the Know Your Customer Policy.

In addition, the following activities are regularly carried out:

- quarterly training on the internal control system is conducted for the Company's employees to strengthen a role of the internal control system in the corporate culture and in the minds of employees, as well

as to improve knowledge of employees about the internal control system;

- internal controllers constantly check compliance of activities of structural units with the legislation of the Republic of Kazakhstan, the Company's internal regulatory documents;
- as part of monitoring performance of the internal control system, a matrix of business processes, risks and controls is formed in the Company;
- automated database of the Company's internal regulatory documents is constantly updated.

The Company will keep developing the internal control system in the future and ensure its effective operation.

Internal Audit Service

THE IAS ACTIVITIES ARE CARRIED OUT IN ACCORDANCE WITH THE REGULATIONS ON THE INTERNAL AUDIT SERVICE AND THE RULES OF INTERNAL AUDIT, BASED ON THE APPLICATION OF THE CODE OF ETHICS, QUALITY STANDARDS AND STANDARDS OF INTERNAL AUDITORS ESTABLISHED BY THE INTERNATIONAL INSTITUTE OF INTERNAL AUDITORS.

The IAS mission is to assist the Board of Directors and the Board in performance of their duties to achieve the Company's strategic objectives. The IAS purpose is to provide the Board of Directors with independent and objective guarantees and consultations to improve risk management systems, internal control and corporate governance in the Company.

The IAS has developed an Annual Audit Plan (AAP) for 2022, taking into account the risks and strategic tasks of the Company. The AAP covers all the main business processes that are of strategic importance to the Company. Audit assignments provided for by the AAP for 2022 have been completed in full and in accordance with the established objectives. The IAS recommendations provided as part of the completed audit assignments are aimed at assisting

the KazAgroFinance Management in solving risk management tasks and building an effective internal control system.

During 2022, the IAS regularly submitted reports (quarterly and annual) for consideration by the Board of Directors. The IAS monitored recommendations of the IAS/external auditor on a quarterly basis and provided the results as part of periodic reports to the Board of Directors. The Management has established proper control over implementation of the IAS recommendations. Thus, as of December 31, 2022, based on the results of monitoring of implementation of recommendations of the IAS/external auditors/consultants, it was found that there are no overdue recommendations. The IAS interacts with the Holding, external auditors within its competence.

The Company has a Quality Assurance and Improvement Program. Criteria for assessing quality of work of IAS employees have been developed and approved by the Board of Directors, the assessment results are submitted to the Board of Directors for consideration as part of the IAS performance assessment.

In the reporting period, Baiterek National Managing Holding JSC (the Holding) conducted, with the involvement of an external appraiser, KPMG Tax and Advisory LLP, an assessment of compliance of the IAS activities of the Holding's subsidiaries with International Professional Internal Audit Standards and the Code of Ethics in accordance with the methodology of the International Institute of Internal Auditors for 2018-2022. Based on the assessment results, it was confirmed that activities of the KazAgroFinance IAS comply with the definition of internal audit and the Code of Ethics of the Institute of Internal Auditors, and 93% of Standards, including in the context of 4 segments (Quality Assessment Manual methodology):

- Organization of internal audit – 92%;
- Internal audit staff – 96%;
- Internal Audit Department – 92%;
- Internal audit processes – 93%.

Assessment results of KPMG Tax and Advisory LLP are presented as a Report on Independent Assessment of the Company's IAS Performance and were reviewed by the Company's Board of Directors. The decision of the Board of Directors of

KazAgroFinance dated November 29, 2022 (Minutes No. 14) approved a plan to improve the IAS performance.

The IAS activities are aimed at continuous improvement and increasing the value of KazAgroFinance,

recommending positive changes that lead to an increase in the Company's productivity and efficiency.

External Audit

KPMG AUDIT LLP, WHICH IS PART OF KPMG INTERNATIONAL LIMITED GROUP OF COMPANIES, HAS BEEN IDENTIFIED AS THE AUDITING ORGANIZATION TO AUDIT KAZAGROFINANCE FINANCIAL STATEMENTS FOR 2022.

According to the audit results, opinion of the independent auditor is "Certainly Positive". The financial statements present fairly, in all material respects, the Company's financial position as at December 31,

2022, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Auditor's Remuneration, thousand KZT

Services	2020	2021	2022
Annual audit	29,008	39,200	53,312
Semi-annual review	-	16,800	22,848
Employee training services	-	-	-
Consulting services	-	7,840	-
Share of non-audit services in total remuneration (in %)	-	12	-
Total	29,008	63,840	76,160

With regard to nomination and rotation of an external auditor and key personnel of an audit organization, upon approval of the audit organization services not related to the financial statements

audit, the Company is guided by the External Audit Policy approved by the decision of the Board of Directors of December 9, 2016 and published on the Company's corporate website www.kaf.kz.





05

Risk Management

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Risk Management System

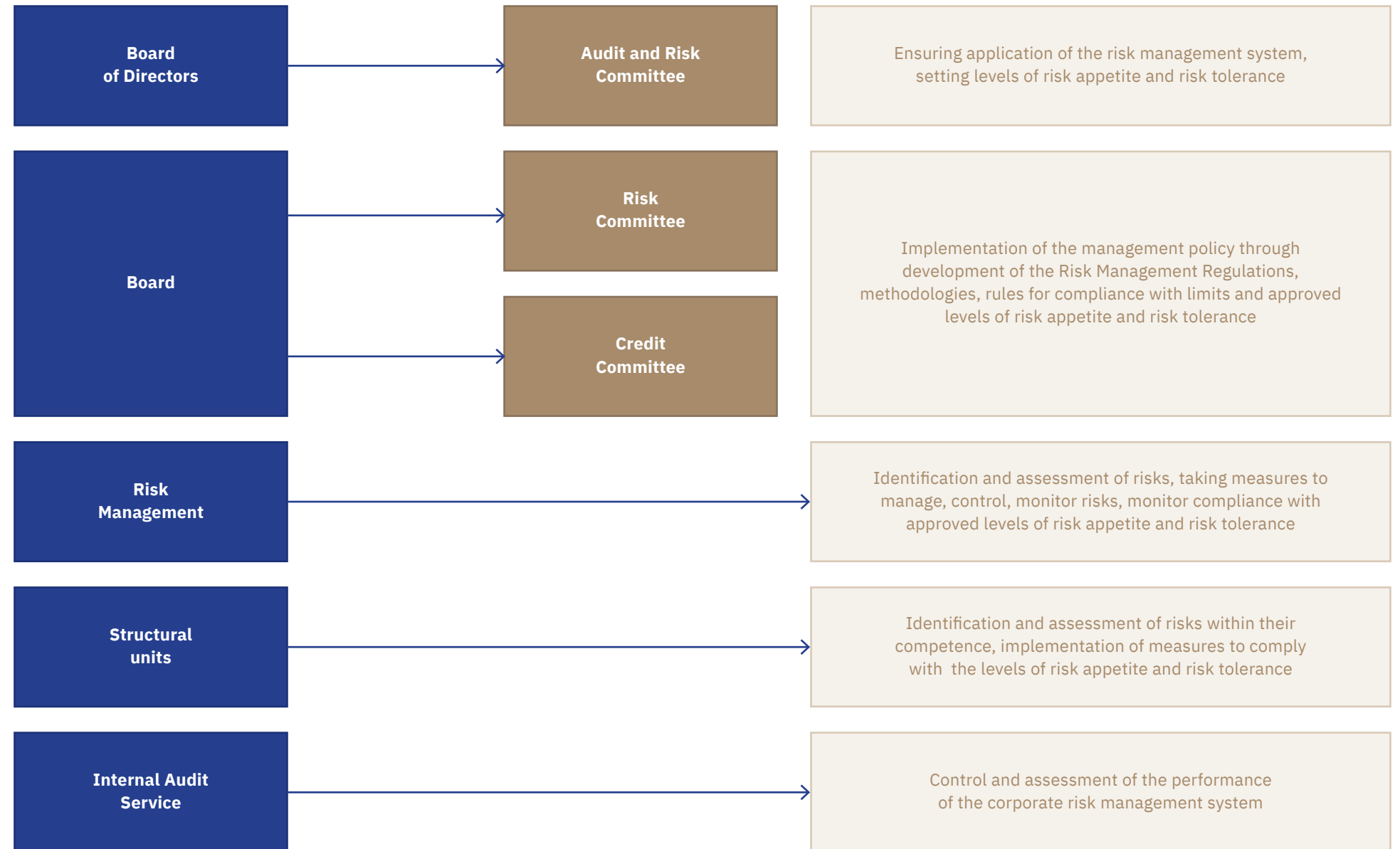
KAZAGROFINANCE HAS A FORMALIZED, DETAILED RISK MANAGEMENT SYSTEM TO ENSURE CLEAR IDENTIFICATION, EFFECTIVE MANAGEMENT AND CONTINUOUS MONITORING OF RISKS AND AIMED AT ENSURING THE STABLE OPERATION BY LIMITING THE IMPACT OF NEGATIVE FACTORS ON THE COMPANY'S ACTIVITIES.

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

Main Principles of the Risk Management System are:

- creating and protecting the value of equity;
- consistency, structuring and promptness;
- awareness;
- dealing with uncertainty;
- adaptability;
- transparency and complexity;
- responsiveness and iteration;
- continuous improvement.

Main elements of the risk management organizational structure



— Participants in the Risk Management Process

THE ORGANIZATIONAL CHART OF THE COMPANY'S RMS IS PRESENTED AT SEVERAL LEVELS AND INCLUDES THE FOLLOWING PARTICIPANTS IN THE RISK MANAGEMENT PROCESS:

The Board of Directors is a management body that bears key responsibility to the shareholder(s) for risk management issues in the Company.

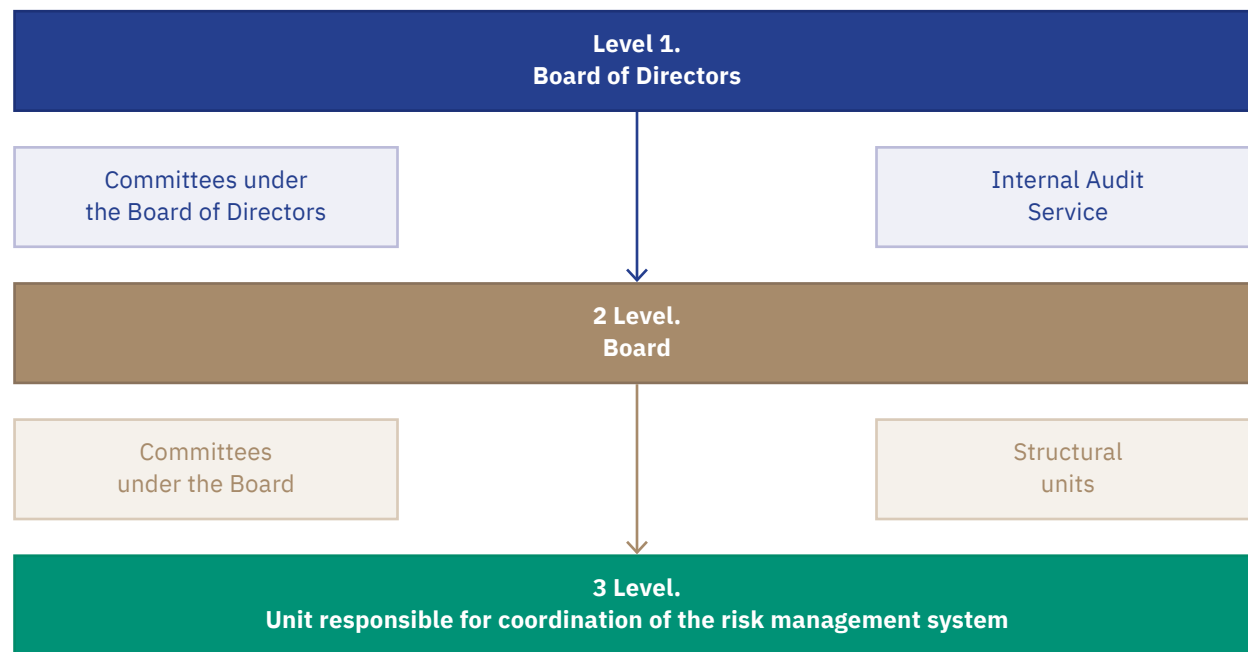
The Board is the Company's executive body and is responsible for implementation of the Risk Management Policy in the Company.

The Risk Management Committee is a consultative and advisory body under the Board, whose main goals and objectives are to provide high-quality information on risk management and appropriate

communication channels between the Company's structural units, as well as a working discussion of issues requiring coordination/approval at the Board level.

— Internal Control System

THREE LINES OF DEFENSE HAVE BEEN INTRODUCED TO DEVELOP THE CORPORATE RISK MANAGEMENT SYSTEM.



The first level is represented by the Company's Board of Directors. The Board of Directors plays a key role in overseeing the corporate risk management system. The Board of Directors performs part of the functions in risk management through establishing the appropriate committees under the Board of Directors.

The second level is the Company's Board responsible for an effective risk management system and creating a risk control structure to ensure compliance with corporate policies.

The third level in the risk management is the Company structural unit responsible for coordinating the risk management system.

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

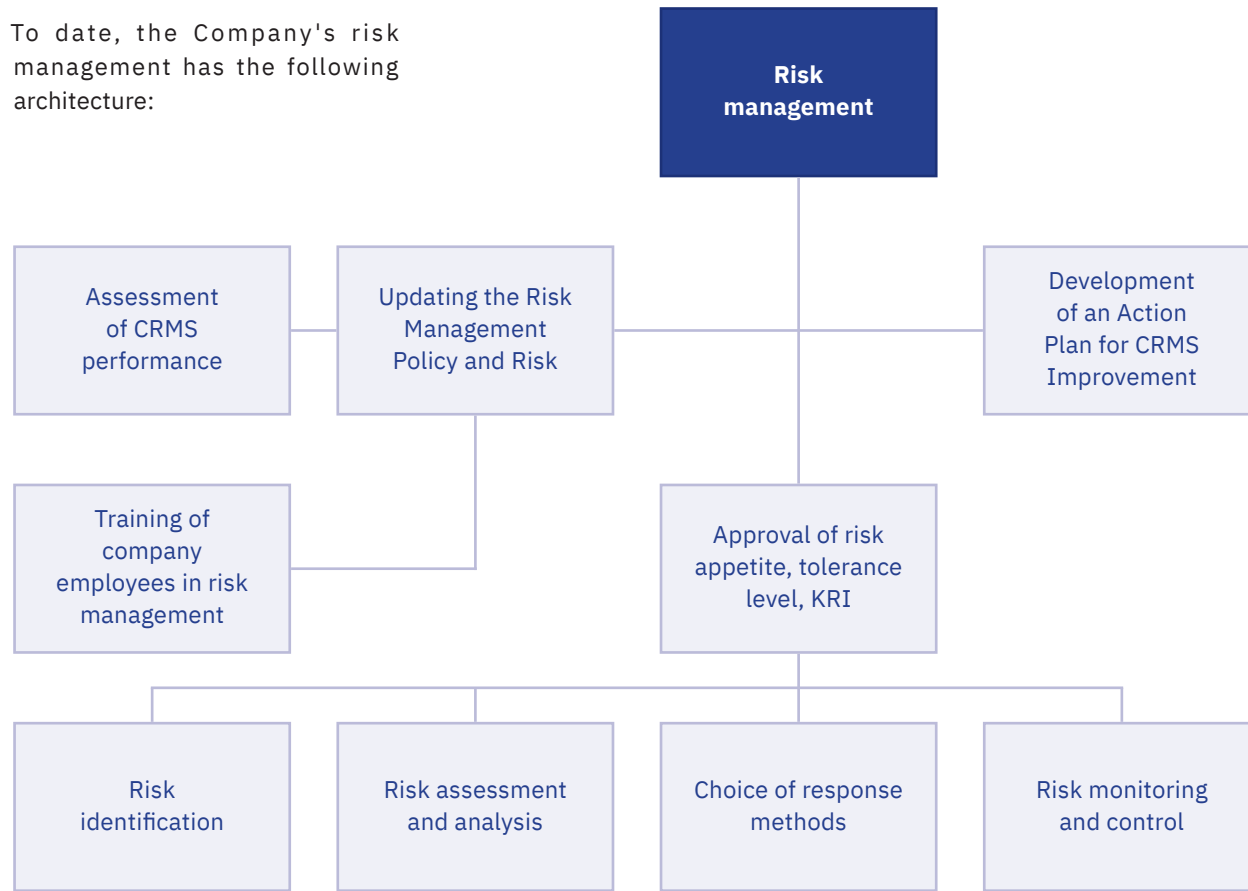
- **Goals' Owner** is the Company's CEO responsible for formation of the control environment, ensuring conditions for effective operation of the risk management system in accordance with the Company's development goals.
- **Risk owners** are structural units or employees of the Company who, due to their functional tasks, are or may be a potential source of material and/or

intangible losses in the course of their activities, and also have the capabilities to identify, analyze and control exposure to events that are sources of exposure to various types of risk.

- **Business process owners** are a joint venture head who manages the process, has at his/her disposal all the necessary resources to complete the process (personnel, equipment, information, etc.), and is responsible for effectiveness and efficiency of the process entrusted.



To date, the Company's risk management has the following architecture:



The KazAgroFinance risk management system is a set of interrelated components combined into a single process in which the Board of Directors, the Board

and employees of the Company participate at their own level in identifying potential negative events and opportunities that may affect the KazAgroFinance

performance, as well as in managing these events within the acceptable risk level for key stakeholders.

— Development of RMS in 2022

TO IMPLEMENT THE SYSTEMATIC DEVELOPMENT AND IMPROVE THE CORPORATE RISK MANAGEMENT SYSTEM, THE COMPANY HAS DEVELOPED AND APPROVED THE DEVELOPMENT STRATEGY FOR KAZAGROFINANCE RISK MANAGEMENT SYSTEM FOR 2022-2025. THE FOLLOWING ACTIVITIES WERE CARRIED OUT TO IMPLEMENT THE STRATEGY IN 2022:

- risk appetite limits were revised and risk factors affecting changes in risk appetite were quarterly monitored, with a report on accepted risks being submitted for the Board of Directors' consideration;
- risk management is constantly carried out, including analysis of seized machinery and equipment, analysis of the loan portfolio of branches in order to determine the rating of the branch, monitoring and control of insurance of leasing subjects and collateral of the Company;
- key risk indicators are monitored on a periodic basis for early detection of probable risks and achievement of key performance indicators. The Board of

Directors quarterly reviews the risk map and register, as well as implementation of measures under the Critical Risk Management Plan, the Action Plan for Improving the Corporate Risk Management System;

- changes in legislation, as well as internal business processes are constantly monitored and appropriate changes are made to the internal regulatory documents governing risk management to ensure relevance to current requirements.

The corporate risk management system for 2021 was assessed by KPMG external consultants. According to the assessment results, the final rating of the corporate risk management system was 82%. The 82% rating corresponds to the "Mature" level of efficiency and elements of the risk management system correspond to the "best practice" and the risk management system is quite effective.

As part of implementation of the Corrective and/or Preventive

Actions Plan based on the results of assessment of performance of the corporate risk management system, changes were made to the Risk Management Rules regarding the regulation when testing new employees, a procedure determining an order for maintaining the Loss Base, determining a specific threshold level for risks.

In 2022, the independent "International Audit Company "russell bedford a+partners" LLP validated models for assessing the reserve for expected credit losses. Based on the validation results, the model complies with IFRS standards and the Methodology is relevant.

Risk Analysis

KAZAGROFINANCE CONDUCTS ITS ACTIVITIES TAKING INTO ACCOUNT A WIDE RANGE OF BUSINESS-RELATED RISKS AND DISTRIBUTED BY CATEGORIES: STRATEGIC, CREDIT, FINANCIAL, OPERATIONAL AND LEGAL RISKS.

The Company systematically identifies risks, assesses them and develops risk management measures, reflecting the results in the risk register approved by the Board of Directors. The register

includes risks that can have an impact on achievement of long-term strategic goals and key performance indicators of the Development Plan.

Main Risks to which KazAgroFinance was exposed in 2022

Financial risk – Liquidity risk. Main consequence of the realization of liquidity risk is untimely fulfillment of obligations to creditors, which may lead to a demand for early repayment of funds.

of financial losses and/or additional accrual of reserves (provisions) to cover possible financial losses on the Company's financial assets resulting from a decrease in the Counterparty's solvency.

groups of related parties, as well as on the level of authority of the Company's credit collegial bodies;

- Improvement of the Company's distressed assets management procedures, pre-trial and judicial recovery procedures.

In order to minimize this risk, the Company carried out measures in 2022 to attract additional funds and effectively manage them. Financial risks are assessed and monitored in the context of an individual instrument and a portfolio as a whole using the VaR methodology. In order to manage liquidity, the Company's asset and liability management policy was defined, providing for monitoring, calculating the limit of its own funds and GAP analysis to achieve maximum liquidity.

The effective credit risk management system in the Company allows maintaining one of the best indicators of quality of the loan portfolio among leasing companies. The credit portfolio quality control system includes the following activities:

- Regular assessment and monitoring of credit risk, as well as measures to improve these processes;
- Improving the system of internal credit requirements for the Company's borrowers and the collateral offered;
- Calculation and determination of credit risk limits imposed on

All the projects under consideration and in operation undergo a centralized examination of the definition of credit risk, and measures are proposed to reduce the risk level.

In order to minimize credit risks, the Company in 2022 diversified its portfolio, improved quality of application analysis, and monitored the financial condition of borrowers.

Operational risk – the events that could lead to the realization of

risk included factors in the field of IT, administrative and economic activities, human factors, as well as external events.

In order to minimize operational risk, work was carried out on additional automation and configuration of information systems, timely provision of funds and measures for the smooth functioning of the Company, training of employees, etc.

The Company in its work uses the following methods of managing OR:

- Formation of a database of operating losses;
- Ensuring and improving the necessary personnel qualification;
- Automation of processes and technologies, especially in areas involving large scope of work.

Compliance risk – the events that could lead to the realization of compliance risk were the application of legal sanctions due to failure to comply with the legislation of the Republic of Kazakhstan, regulatory legal acts of the authorized body, internal documents and procedures of the Company, as well as the legislation of foreign states that affect the Company's activities and recognized by the Republic of Kazakhstan.

In order to minimize compliance risk, the Company monitored and controlled strict compliance with the legislation of the Republic of Kazakhstan, the legislation of foreign states affecting the Company's activities and recognized by the Republic of Kazakhstan, internal rules and procedures of the Company and generally accepted standards of conduct.

The Company identified and managed the risk of “Impact of a geopolitical situation on the Company’s financial and economic activities” – events that could lead to the realization of this risk included disruptions in the supply of leasing subjects.

In order to minimize this risk, counterparty banks were monitored, limits were reviewed, and constant interaction with suppliers and customers was carried out.

— Directions of RMS Development:

THE RISK MANAGEMENT DEPARTMENT CONSTANTLY MONITORS THE DYNAMICS OF KEY RISKS AND IMPLEMENTATION OF MEASURES TO MITIGATE RISKS. THE MONITORING RESULTS ARE SENT QUARTERLY AS THE RISK REPORTS TO THE COMPANY'S BOARD OF DIRECTORS.

At the same time, in 2022, the risk management system provided timely updating of limits, including for currency and interest rate risks, stress testing, GAP analysis of liquidity, analysis of projects for risks, forecasting of future indicators and, if necessary, the development of measures to minimize risks.

Within the framework of ESG risk management, factors that can affect the Company performance, as well as the environment, were identified: drought in most of Kazakhstan, natural and climatic disasters, impact of agricultural machinery on the environment. This risk is assessed at an acceptable level, i.e. there is no need to take urgent measures to minimize them. However, the Company has developed a number of preventive and reactive measures to manage this risk.

Information on the current level of ESG risk is brought to the attention of the Board of Directors by the unit responsible for coordinating the risk

management system on a quarterly basis within the framework of the register and the risk map.

ESG risk is assessed on the basis of available external sources of information, taking into account earlier events in Kazakhstan.

Given the lack of tools to directly influence ESG risk management, the Company, for its part, has developed preventive and reactive measures to minimize ESG risks, such as:

Preventive Measures

- recommend to the Company's clients to insure crops/pastures;
- purchase equipment only when providing Certificates of Conformity in accordance with the technical regulations of the Customs Union “On the Safety of Wheeled Vehicles” and “On the Safety of Machinery and Equipment”;
- recommend to service the leasing subjects in official service centers or their representatives.

Reactive Measures

- provide restructurings or extensions to clients affected by drought and natural and climatic disasters;
- form reserves for possible losses.





06

Marketing

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Public Communications Policy

DISCLOSURE OF INFORMATION IS ONE OF THE MOST IMPORTANT TOOLS FOR THE COMPANY'S INTERACTION WITH STAKEHOLDERS, CONTRIBUTING TO THE LONG-TERM, TRANSPARENT AND TRUSTING RELATIONSHIPS WITH ALL STAKEHOLDERS, AS WELL AS INCREASING THE INVESTMENT ATTRACTIVENESS OF THE COMPANY.

KazAgroFinance strives to ensure high-quality disclosure of information for various stakeholders and to increase the transparency.

In order to comply with the interests of stakeholders, the Company promptly and reliably discloses information provided for by the legislation of the Republic of Kazakhstan, as well as information about its activities, including financial condition, results of operations, ownership and management structure.

The Company has approved and applies an Activity Disclosure Policy that defines the goals and principles, forms and methods of information disclosure, the circle of persons (bodies) responsible for information disclosure, a list of publicly available information to be disclosed to stakeholders, as well as a list of information constituting commercial, official and other secrets protected by law.

Principles of disclosure of information by the Company:

- 1. principle of regular and prompt disclosure of information** is the Company's responsibility to comply with the deadlines and consistency of providing information stipulated by legislation and internal documents. The Company is aware of importance of regular provision of information to stakeholders as a necessary condition for them to understand the Company's activities as a whole. Information is provided in accordance with the fact of an event according to the degree of its significance and taking into account promptness of its public disclosure;
- 2. principle of openness and accessibility of information** is the Company's choice of such information distribution channels, access to which is free, easy and low-cost, as well as the Company's intention to ensure maximum transparency of information about its activities, taking into account confidentiality regime with respect to information constituting commercial, official and other legally protected secrets;

- 3. principle of reliability and completeness** is the Company's responsibility in providing stakeholders with information that is relevant to reality and sufficient to fully understand the disclosed fact or event. The Company ensures that the information provided is not distorted by third parties, and if such a fact is discovered, it takes measures to exclude distortions and errors.

The Company does not avoid disclosing negative information about itself if such information is not confidential and is able to influence adoption of investment and other decisions by stakeholders.

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

- 4. principle of balance** is ensuring by the Company a reasonable balance of openness and

transparency on the one hand and confidentiality on the other hand to ensure the maximum exercise of the stakeholders' rights to receive information, but subject to strict observance of the interests of the Company, its Sole Shareholder in terms of restricting access to information constituting a commercial, official or other legally protected secret.

The principle of transparency and objectivity of disclosure of information about activities is also enshrined in the Company's Corporate Governance Code. Main channels of information disclosure:

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

KazAgroFinance provides the material and technical base for compliance with measures to protect confidential information in accordance with the legislation and internal regulatory documents of the Company (in a form of various computer programs, access mechanisms to premises, equipment for destruction of documents, etc.).

The Board of the Company ensures compliance with the confidentiality regime in order to protect confidential information constituting commercial, official and other secrets protected by law, to prevent possible damage from disclosure or unauthorized leakage of business information, to exclude the facts of illegal use of information by any interested parties.

Protecting of information constituting commercial and official secrets consists in prohibiting the disclosure of information among a certain or indefinite circle of persons who do not have access to them, in any form accessible to perception.



— Compliance with Legal Requirements

In 2022, the Company was not held liable for significant fines. The Company was not held liable for anti-

competitive behavior, antitrust and monopolistic practices, violation of environmental requirements.

— Member Associations

KAZAGROFINANCE HAS BEEN A MEMBER OF THE ASSOCIATION OF FINANCIERS OF KAZAKHSTAN SINCE JULY 7, 2004. AFK UNITES FINANCIAL MARKET PARTICIPANTS, INCLUDING BANKS, INSURANCE ORGANIZATIONS, MORTGAGE AND LEASING COMPANIES, MICRO-CREDIT ORGANIZATIONS, PROFESSIONAL PARTICIPANTS IN THE SECURITIES MARKET, ETC. THE AFC'S MISSION IS TO PROTECT AND PROMOTE THE GROWTH OF THE SHAREHOLDER VALUE OF THE ASSOCIATION'S MEMBERS.

Since 2013, KazAgroFinance has been a member of the Atameken National Chamber of Entrepreneurs (Atameken NCE). Atameken NCE is a non-profit organization. It was established to strengthen the negotiating power of business with the Government of the Republic of Kazakhstan and state bodies.

The Chamber of Entrepreneurs represents the interests of small, medium and large businesses, covering all areas of entrepreneurship,

including domestic and foreign trade. The main task of Atameken NCE is to protect the rights and interests of business and ensure broad coverage and involvement of all entrepreneurs in the developing legislative and other regulatory rules of business.

In addition, since October 2016, KazAgroFinance has been a member of the Association of Taxpayers of Kazakhstan. The Company regularly receives information about draft regulatory legal acts in terms of taxation and sends proposals to them.

On November 11, 2022, the Company joined the National ESG Club. The National ESG Club is a platform where representatives of business, government and the public can exchange knowledge, experience and best practices on sustainable development. The mission of the ESG Club is to become a leader in sustainable development, to create a favorable environment for the

development of sustainable business and society, as well as to attract public attention to important social and environmental issues.

— Product Responsibility

There are no cases of non-compliance of the Company's services with the legislation on

health and safety of stakeholders for the reporting year.

— Complaints Mechanism and Informing about Problems

THE COMPANY ADHERES TO THE PRINCIPLE OF TRANSPARENCY IN ITS ACTIVITIES AND IS OPEN TO RECEIVING FEEDBACK. THE COMPANY'S ACTIVITY IN THIS DIRECTION IS ONE OF THE PRIORITIES.

In order to ensure economic and information security and anti-corruption, feedback has been organized with the population, borrowers and lessees of the Company.

Appeals are an indicator of the Company's weaknesses; it is a signal to take immediate measures to eliminate violations and the causes that contribute to them.

The Company received 544 appeals from individuals and legal entities, including requests from Baiterek NMH JSC and other government agencies. It includes 12.5% complaints and 5.5% suggestions.

In order to ensure the proper functioning of the proactive

information line in the Company as a tool to identify compliance risks in activities of the Company and its employees (*including anti-corruption monitoring*), the Company provides the following channels:

1. hotline phone number +7 (7172) 580-411. Calls to the hotline are made without dialing an internal number, waiting for the operator's response; automatic forwarding to responsible persons is configured;
2. hotline email messages – hotline@kaf.kz. Messages are simultaneously sent to the corporate mail of the Anti-Corruption Compliance Service;
3. a message form on the corporate website to be sent to the email of the Anti-Corruption Compliance Service.

These measures are aimed at timely detection and prevention of offenses by controlling by the Anti-Corruption

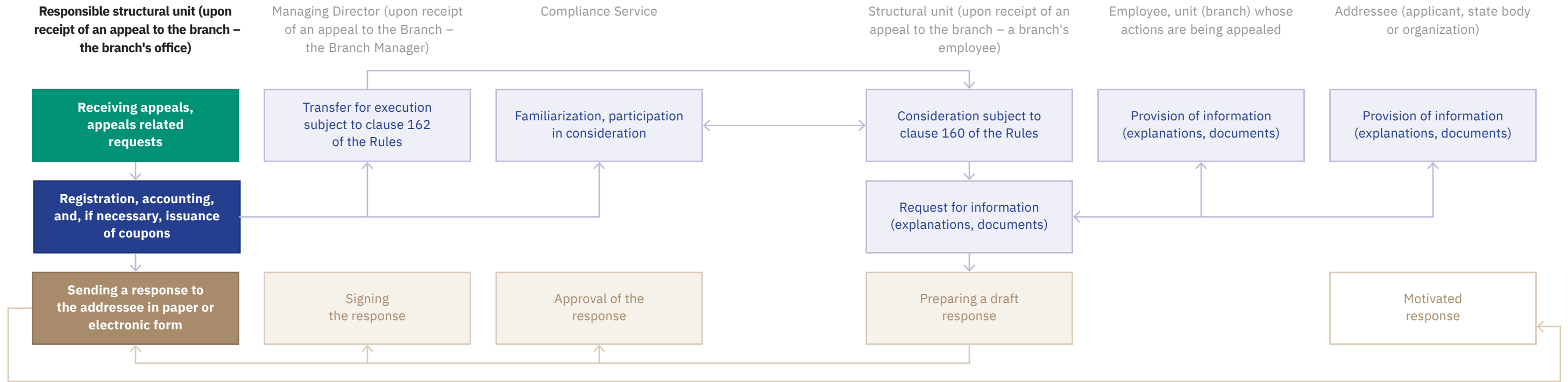
Compliance Service for appeals via all available channels of proactive information.

Each received message, appeal shall be considered in accordance with the procedure regulated by the Company's internal regulatory documents.

If negative impacts are identified, the Company is ready to take the necessary measures to eliminate them.

Work with Appeals Scheme

Procedure for processing appeals and appeals related requests



Branding and PR Activities

IN 2022, THE COMPANY EXTENSIVELY CONDUCTED AN INFORMATION CAMPAIGN IN THE MEDIA AND SOCIAL NETWORKS TO STRENGTHEN A POSITIVE IMAGE AND INFORM CLIENTS ABOUT FINANCING OPPORTUNITIES.

Information is placed on Facebook, Instagram, Twitter throughout the year as part of the Company's

communication strategy. Materials and articles about the Company's activities have been published on republican Internet portals and in regional publications.

Information on financing of KazAgroFinance agricultural machinery has been published in the mass media, materials on

preparation for the sowing through the prism of the Company's activities have been published in some regional newspapers.

The new Preferential Leasing program aimed at financing domestically manufactured agricultural machinery has been widely covered on social networks.

A press tour to the East Kazakhstan region was held. As part of the press tour, journalists visited Temirlan and K, the client of KazAgroFinance LLP. During the press tour, media representatives interviewed the farm management and the Company's branch, as well as the machine operators of the specified agricultural enterprise. Articles have been published on republican information portals, in a number of local media and on the Company's social media.

As part of establishing of the Abay regional branch in Semey, a press tour was organized with involvement of Chairmen of the Board of KazAgroFinance, Agrarian Credit Corporation JSC, Baiterek NMH JSC, a representative of the Ministry of Agriculture of the Republic of Kazakhstan. Following the results of the press tour to the Abay region; materials were published in 30 republican and regional media and 1 story repeated on TVK-6 channel.

At the end of the year, the AIQYN and Liter republican socio-political newspaper published such articles as Agroonerkasip Salasykzhylandyrudyn Manyzy Ayryksha, Kazagrokazhy: Tiimdi Shartpen Tekhnika, Impulse for Business Development and Kazagrofinance: Equipment on Favorable Terms. The articles tell about advantages of purchasing agricultural machinery through KazAgroFinance leasing programs.



07

Sustainable Development

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KAZAGROFINANCE

Address by the Chairman of the Board on Sustainable Development



**Aydar
Gilimovich
Prashev**

Dear partners!

For many years, KazAgroFinance has remained a leader in the agricultural leasing market of Kazakhstan. The Company demonstrates stable growth of financial and operational results.

In its activities, KazAgroFinance strives for effective implementation of the principles of sustainable development by maintaining a balance of interests of stakeholders.

The Company has identified 7 UN Sustainable Development Goals (SDGs) in its activities that align with the Company's key strategic goals.

We maintain the Company's key characteristics: availability of

financial services provided, attentive attitude to clients, their needs and security, concern for quality of our services. The Company provides a high social security of personnel, supports and develops a system of continuous training and advanced training, providing charitable and social assistance.

KazAgroFinance will continue to introduce ESG-oriented practices into the Company's business processes and apply positive experience on sustainable development.

**Chairman of
the Board
of KazAgroFinance JSC**

Aydar Gilimovich Prashev

Sustainable Development Policy



KAZAGROFINANCE STRIVES FOR HARMONIOUS MANAGEMENT OF THE ECONOMIC, ENVIRONMENTAL AND SOCIAL ASPECTS OF ITS ACTIVITIES TO ENSURE SUSTAINABLE DEVELOPMENT IN THE LONG TERM.

By solving sustainable development tasks, the Company relies on its mission, the KazAgroFinance Development Strategy, and also applies international norms of behavior and principles enshrined in international standards on sustainable development.

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

The Company is guided by the Sustainable Development Policy approved by the decision of the Board of Directors No. 7 dated June 30, 2021. The Policy defines

the fundamental principles and approaches in building a management system on sustainable development.

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

Economic component of sustainable development contains the following goals:

- break-even activity;
- ensuring the interests of the Sole Shareholder and investors;
- improving efficiency of processes;
- growth of investments in agriculture.

Environmental component of sustainable development contains the following goals:

- minimizing the impact on biological and physical natural systems;
- optimal use of limited resources;
- application of eco-friendly, energy- and material-saving technologies.

Social component of sustainable development is focused on the principles of social responsibility and, among other things, contains the following goals:

- ensuring transparent competitive procedures and equal employment opportunities;
- fair remuneration and respect for the rights of employees;
- ensuring occupational safety and preserving health of employees;
- training and professional development of employees;
- implementation of internal and external social programs

The Company analyzes its performance on these three aspects, and also strives to prevent or reduce negative impact of the results of its performance on stakeholders. KazAgroFinance supports and recognizes importance of all 17 UN Sustainable Development Goals (SDGs) and strives to make a significant contribution to the achievement of the SDGs.

AS PART OF ITS ACTIVITIES, THE COMPANY ACHIEVES THE FOLLOWING SUSTAINABLE DEVELOPMENT GOALS:

SDG 1. End poverty in all its forms everywhere

- implementation of initiatives aimed at increasing the availability of financial services
- charity and sponsorship

SDG 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture

- The Company assists in technical equipping of AIC by providing leasing services for purchase of agricultural machinery and equipment. Thus, through the technological renewal of AIC with high-performance equipment, the Company has a significant impact on food security

SDG 3. Ensure healthy lives and promote well-being for all at all ages

- creating safe working conditions and preserving health of the Company's employees
- social support for employees

SDG 5. Achieve gender equality and empower all women and girls

- creating equal working conditions and career opportunities
- ensuring a peer system of performance assessment and remuneration

SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- growth of investments in agriculture.
- business development in AIC by providing leasing services

SDG 12. Ensure sustainable consumption and production patterns

- improvement of the energy conservation culture
- reduction of resource consumption (energy consumption, water consumption)
- optimization of paper document flow by automating the Company's business processes

SDG 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

- KazAgroFinance leases exclusively new modern agricultural machinery, which, in comparison with outdated wornout machinery, has less negative impact on the environment (amount of emissions of harmful substances into the atmosphere and soil pollution as a result of ingress of petrochemical waste during operation is reduced).

Sustainable development (ESG)



UN sustainable development goals:	UN Sustainable development goals:	Society's contribution:
End poverty in all its forms everywhere	Establish reliable strategic mechanisms at the national, regional and international levels based on pro-poor and gender-sensitive development strategies to facilitate accelerated investment in poverty eradication activities	<ul style="list-style-type: none"> • implementation of initiatives aimed at increasing the availability of financial services • charity and sponsorship
End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Take measures to ensure the proper functioning of markets for food and processed products and promote timely access to market information, including on food reserves, in order to help limit excessive volatility in food prices.	<ul style="list-style-type: none"> • The Company assists in technical equipping of AIC by providing leasing services for purchase of agricultural machinery and equipment. Thus, through the technological renewal of AIC with high-performance equipment, the Company has a significant impact on food security
Ensure healthy lives and promote well-being for all at all ages	Ensure universal health coverage, including protection from financial risks, access to quality basic health services and access to safe, effective, high-quality and affordable essential medicines and vaccines for all	<ul style="list-style-type: none"> • creating safe working conditions and preserving the health of the Company's employees • social support for employees



<p>Achieve gender equality and empower all women and girls</p>	<p>Ensure the full and real participation of women and equal opportunities for them to lead at all levels of decision-making in political, economic and public life. Eliminate all forms of discrimination against all women everywhere</p>	<ul style="list-style-type: none"> • creating equal working conditions and career opportunities • ensuring a peer system of performance assessment and remuneration
<p>Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>Achieve increased productivity in the economy through diversification, technical modernization and innovation, including by paying special attention to high-value-added and labor-intensive sectors.</p> <p>Promote development-oriented policies that promote productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage official recognition and development of micro, small and medium-sized enterprises, including by providing them with access to financial services</p>	<ul style="list-style-type: none"> • growth of investments in agriculture • business development in AIC by providing leasing services
<p>Ensuring rational consumption and production models</p>	<p>Achieve increased productivity in the economy through diversification, technical modernization and innovation, including by paying special attention to high-value-added and labor-intensive sectors</p>	<ul style="list-style-type: none"> • improvement of the energy conservation culture • reduction of resource consumption (energy consumption, water consumption) • optimization of paper document flow by automating the Company's business processes



<p>Protection, restoration of terrestrial ecosystems and promotion of their rational use, rational forest management, combating desertification, stopping and reversing the process of land degradation and stopping the process of loss of biological diversity</p>	<p>By 2030, significantly reduce the volume of waste by taking measures to prevent their formation, reduce them, recycle and reuse</p>	<ul style="list-style-type: none"> • KazAgroFinance leases exclusively new modern agricultural machinery, which, in comparison with outdated worn-out machinery, has less negative impact on the environment (amount of emissions of harmful substances into the atmosphere and soil pollution as a result of ingress of petrochemical waste during operation is reduced).
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SUSTAINABLE DEVELOPMENT IN THE COMPANY IS MANAGED AS PART OF THE GENERAL MANAGEMENT SYSTEM OF THE COMPANY PERFORMANCE AND IS AN INTEGRAL PART OF IT.

The Board of Directors provides strategic guidance and controls implementation of sustainable development. Mechanism of interaction with stakeholders is disclosed in the section "Stakeholder Interaction Report".

Information on implementation of the Company's sustainable development objectives is reviewed and approved by the Board of Directors as part of review of reports on implementation of the Company's Development Plan and Development Strategy.

The Board approves the relevant action plan on sustainable development, as well as changes, additions and monitors its implementation. The Board is responsible for coordinating activities on sustainable development. The head of the Company's structural unit, who supervises the sustainable development activities, is responsible for Policy management.

The Company's structural units implement measures on sustainable development. The heads of the relevant structural units of the Company is personally responsible for implementation of measures on sustainable development within their competencies.

The Company's structural units provide information on results of implementation of the sustainable development measures, as well as information for inclusion in the Company's Annual Report, if necessary, make proposals to improve the Company performance in this area.

A structural unit supervising the Company's sustainable development activities:

- plans activities on sustainable development – analysis of internal and external situation, definition of sustainable development goals and targets, measures to improve activities on the three components of

sustainable development, responsible persons, necessary resources and deadlines;

- coordinates activities of the Company's structural units to achieve this Policy goals and objectives;
- prepares a report on implementation of the action plan on sustainable development;
- prepares the Company's annual report, including a section on sustainable development.

The Company's Annual Report annually participates in the Annual Reports Competition.

KazAgroFinance was awarded the ESG information disclosure rating “B+” in the Annual Reports Competition. The Annual Report for 2021 took 1st place as “The Best Financial Companies in terms of ESG Information Disclosure”, as well as the 5th position in the overall ESG information disclosure rating. The assessment was conducted by PricewaterhouseCoopers (PwC) Kazakhstan. The Annual Reports of 98 companies were rated based on the results of 2021. Main criteria included completeness, accessibility and quality of ESG information. PwC especially noted KazAgroFinance, emphasizing that the Company was one of the financial industry leaders on disclosure of ESG statements.

In the Annual Reports Competition held by Kazakhstan Stock Exchange, KazAgroFinance JSC was recognized as a winner in “The Best Annual Report for 2021 in the Financial Sector” nomination and the winner in “The Best Design of Annual Report for 2021” nomination.

All employees and officials at all levels contribute to the Company sustainable development.

One of the significant events of 2022 was an introduction of new financing Preferential Leasing program. In his speech at the enlarged meeting of the Kazakhstan Government on July 14, 2022, the President of the Republic of Kazakhstan Tokayev K.K. instructed the Kazakhstan Government to introduce a mechanism of preferential lending to purchase domestic agricultural equipment at the expense of Zhasyl-Damu JSC.

The Preferential Leasing program is implemented in accordance with the Environmental Code of the Republic of Kazakhstan (sub-para. 15, para. 1, Article 388), and the Rules for Financing by the Operator of Extended Obligations of Manufacturers (Importers) of an Organization, which Fifty or More Percent of Voting Shares (shares in the authorized capital) Directly or Indirectly belong to the State

and/or the National Managing Holding, approved by Government Decree No. 604 dated September 2, 2021, **for further financing of the manufacturing industry projects aimed at improving the environment.**

KazAgroFinance has been identified as a leasing company under this program. To implement the Preferential Leasing program, 40 billion KZT was allocated for purchase of about a thousand units of self-propelled domestically manufactured agricultural machinery. Equipment that meets environmental requirements defined by technical regulations and has certificates of conformity is leased.

The KazAgroFinance Sustainable Development Action Plan for 2022 was implemented in the reporting year to implement the sustainable development principles in main Company's business processes. The report on implementation of the Action Plan was reviewed by the Board.

The following activities have been implemented as part of the Plan implementation:

- possible introduction of financing instruments in the Company according to the ESG principles has been analyzed. Meetings have been held

with the AIFC Green Finance Center, the Kazakhstan Stock Exchange regarding the issue of green bonds, the procedure for placing green bonds, external verification and the IFC REGIO TAF team on preparation of the Green Bond Framework. The Company works on the possible issuance of social bonds;

- KazAgroFinance joined the National ESG Club on November 11, 2022 to promote proposals and initiatives on ESG;
- The Risk Map and Risk Register have been approved, taking into account ESG risks;
- a list of green purchases for the needs of the Company's office has been defined. The scope of green purchases for 2022 is 15.06 million KZT (excluding VAT) and includes: paper, folders, pens, pencils, envelopes, LED lamps and other stationery and household goods made of environmentally friendly and environmentally sound materials;
- The KazAgroFinance Environmental and Social Policy has been approved;
- information has been sent to structural units on improvement of culture on responsible consumption of energy resources and water;
- The use of EDS by employees has been introduced into

the EDM program for certain types of documents (external outgoing letters, payment orders, purchase orders, orders);

- a waste paper collection point has been organized in the premise of the Company's central office for subsequent transfer to specialized enterprises. In 2022, 2,382.4 kilograms of waste paper were transferred to a specialized enterprise;
- transparent competitive selection of candidates and equal opportunities for employment have been ensured. Candidates for vacant positions of the Company are selected using competitive selection procedures through the internal and external competitions using equal criteria when assessing candidates;
- The Company's employees have been trained. By the end of 2022, 312 employees, including 52 employees of branches, have completed training and advanced training;
- in order to develop the corporate spirit, on May 6, 2022, a field training on team building was held with participation of employees of the Company's Central Office, and on December 9, 2022, a strategic session “Summing up the Results of 2022 with Participation of Employees

of the Company's Central Office and Branches” was held;

- The Company's employees have been provided with medical insurance;
- charitable assistance has been provided for total amount of 2,100,000 KZT, as well as financial assistance to the Company's employee for amount of 522,845 KZT through collecting of funds of the Company's employees.

The Company sustainable development is managed within the framework of the general performance management system and is an integral part of it.

Stakeholder Interaction Report

THE COMPANY, IN THE COURSE OF ITS ACTIVITIES, AFFECTS AND IS AFFECTED BY STAKEHOLDERS.

Identifying stakeholders and working with them is one of the tools that allows improving the business reputation, capitalization of the Company, establishing effective and balanced relationships with all stakeholders.

Stakeholders can have both positive and negative impacts on the Company performance, namely on effective Development Strategy Implementation, sustainable development, reputation and image, create or reduce risks. The Company pays serious attention to proper interacting with stakeholders.

KazAgroFinance uses international standards for stakeholder identification and engagement when identifying and interacting with stakeholders.

In order to determine the list of stakeholders, an extent of their influence and spheres of influence on the Company interests, the Company's

Stakeholders Map was approved in 2021, and the Stakeholders Map was updated in 2022 due to the change of the sole shareholder.

The Company defines 3 (three) stakeholder groups depending on an area of impact:

1. scope of authority and responsibility (Sole Shareholder, management body, management and personnel);
2. an area of direct impact (government agencies and regulators, investors, financial institutions, suppliers, partners, clients, consumers, auditors, creditors and consulting organizations);
3. an area of indirect impact (population, public organizations, mass media, competitors and credit rating agencies).

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

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

Interaction with stakeholders is based on the principle of involvement, taking into account the interests of stakeholders at all stages of the performance management and interacting with stakeholders to discuss significant topics and important issues, potential risks and limits of responsibility.

Interacting is achieved by following three principles:

- **materiality:** identification of significant interests for both the Company and stakeholders;
- **completeness:** awareness and understanding of the significant consequences of its activities, opinions and needs of stakeholders in connection with the Company performance, as well as their expectations;
- **response:** objective response and taking adequate measures on issues relevant to stakeholders.

Participation of all stakeholders in respecting common interests is fundamental for the successful Company performance.

Effective interaction with stakeholders will allow:

- combining resources (knowledge, personnel, money and technology) to solve problems and achieve goals;
- assessing the external environment, including development of markets, as well as identifying new strategic opportunities;
- improving business processes;
- pursuing a policy of openness and transparency of activities.

The main mechanisms of interaction with stakeholders are:

- contracts, treaties, cooperation agreements;
- business meetings and presentations;
- corporate communications system;

- joint working groups;
- hotlines for employees and clients;
- surveys and study of opinions of employees, consumers, local communities;
- membership in associations;
- conferences, round tables;
- reporting.

The Company's executive body, structural units directly interact with stakeholders within their powers and competence. The Board of Directors monitors and supervises the interaction of KazAgroFinance with stakeholders.

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



Stakeholders

- Consumers (borrowers), clients** are key stakeholders of the Company. KazAgroFinance is interested in expanding the client base and improving quality of services provided.

Requirements and expectations

- Increasing a list of proposed equipment.
- Simplification of procedures for obtaining Company services.
- Interest rate reduction.
- Shortening the review period.
- Improvement of service quality by the Company.
- Obtaining financing.
- Consulting assistance in the formation of a package of documents.
- Timely maintenance and replenishment of the Company's official website with the necessary information for consumers.
- Increasing the availability of information about services, offers, promotions.
- Increase in the number of branches in other cities.

How do we interact?

- A structural unit for working with clients.

- Improvement of business processes and their automation.
- Feedback on the corporate website.

What do we do?

Increasing the availability of services and client satisfaction is important for the Company's development. We keep improving the product line to create the most effective tools.

In 2022, a new financing Preferential Leasing program was launched.

In addition, business processes are constantly developed, the IRD is improved and the stages of the credit and leasing process are simplified for potential borrowers.

In the reporting period, as part of automation and optimization of the main business processes, the Company has implemented the functionality of submitting online applications by AIC entities on the portal [online.kaf/kz](https://online.kaf.kz) to finance the two most popular programs – Express Leasing and Preferential Leasing.

The Callback service operates on the Company's corporate website.

There is a Hotline communication channel.

Stakeholders

- Suppliers.** Building partnerships is one of the main tasks of effective interaction.

Requirements and expectations

- Conclusion and maintenance of long-term partnerships.
- Increase in the volume of purchased machinery and equipment.
- Full and timely receipt of payment for goods and services according to the agreed conditions.
- Exact description of a brand, model of the requested leasing subject and its specification.

How do we interact?

- Development of mutually beneficial partnership through the conclusion of contracts and fulfillment of contractual obligations.
- Availability of a procurement system.
- Participation in forums, exhibitions.
- Implementation of joint projects.

What do we do?

The Company's requirements for suppliers of leasing subjects are

unified for everyone and placed on the Company's website, which simplifies for suppliers the process of interaction with the Company.

Leasing subjects are acquired by the Company according to approved internal documents.

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

The Company ensures transparency of the system of Supplier Management and is open to feedback, ensures timely consideration and settlement of claims of suppliers.

The Company annually participates in international and domestic exhibitions and takes part in forums.

In 2022, the Company participated in the following exhibitions:

- The International Exhibition AGRITEK/FARMTEK ASTANA 2022;
- The International Exhibition AgriTek Shymkent – 2022;
- International Exhibition KazAgro&KazFarm 2022;

- Kazakhstan Field Day – Jana Dala/ Green Day -2022, on the demonstration fields of Yenbek LLP, Akkol district of Akmola region;
- Regional Exhibition
- AgroKostanai-2022.

Stakeholders

- Creditors/investors.** The Company adheres to a transparent policy towards investors, is interested in maintaining long-term trusting relationships with its creditors/investors and establishing new ones.

Requirements and expectations

- Security of investment, solvency and profitability of the Company with subsequent profit.
- Compliance with and timely fulfillment of assumed obligations

How do we interact?

- A structural unit that attracts investors/creditors, monitors the fulfillment of obligations assumed.
- Participation in bilateral, trilateral business negotiations.
- Signing of contracts, memoranda

What do we do?

The Company's Borrowing Department interacts with investors/creditors to ensure uninterrupted financing of the Company's activities by attracting funding through various financial instruments. And also ensures fulfillment of the obligations assumed.

The Company adheres to the policy of diversification of funding sources and expanding the investor base, has a broad base of investors with whom it has been cooperating for many years.

Effective management of capital and assets allows the Company to maintain a high financial stability, which is confirmed by the rating agencies.

The international Fitch Ratings agency upgraded the long-term ratings of KazAgroFinance in foreign and national currencies from "BB+" to "BBB-", the rating outlook is "Stable".

Stakeholders

- State bodies and regulators** are strategically important institutions of the country. The Company responsibly meets the legislation.

Requirements and expectations

- Implementation of the Company's activities in accordance with the legislation, compliance with requirements and regulations.
- Timely payments to the budget.
- Execution of regulations based on the results of inspections.

How do we interact?

- Compliance with legal requirements.
- A separate structural unit that interacts with regulatory authorities.
- Timely consideration of appeals and execution of prescriptions.

What do we do?

The internal control system ensures effective supervision of financial and economic activities and is aimed at achieving the Company's goals and minimizing risks in the implementation of activities.

The management system in the Company ensures strict compliance with the legislation.

Taxes and payments to the budget were paid – 1.026 billion KZT.

Stakeholders

- 5. Competitors (leasing companies).** The Company respects its competitors and adheres to the principles of fair competition.

Requirements and expectations

- Following the principle of fair competition in accordance with the Corporate Governance Code, the Code of Business Ethics. Market monitoring and analysis.

How do we interact?

- Analysis of the competitive environment.
- Following the principle of fair competition.

What do we do?

The Company actively cooperates with other leasing organizations and, for its part, does everything possible to develop the industry in Kazakhstan so that this type of financing becomes more and more in demand in the interests of all market participants.

The Company conducts marketing research and analytical reviews

on the study of agro-industrial sectors, including in accordance with the regional specification and the Company's activities, as well as in the leasing and other financial services market of Kazakhstan.

Stakeholders

- 6. External audit organizations** (Accounting Committee, independent auditor, etc.). External assessment institutes are one of the key elements in the list of stakeholders.

Requirements and expectations

- Efficient use of funds and other assets of the Company.
- Compliance with legislation, international and national standards.

How do we interact?

- A structural unit that interacts with the party.
- Conclusion of contracts for consulting and audit services.

What do we do?

The Company has built an effective financial management and risk

management system that allows timely identification, reliable assessment and minimization of credit, currency, price and liquidity risks.

Independent audit of financial statements is conducted annually. According to the results of audit of the financial statements for 2022, the independent auditor opinion is "Certainly positive". The financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Internal Control and Internal Audit Services operate.

Stakeholders

- 7. Sole shareholder, management bodies** (Board of Directors, Board). Ensuring the interests of the Sole Shareholder is one of the Company's priorities.

Requirements and expectations

- Growth of profitability and value of the Company.
- Investment security.

- Contribution to the economy.
- Creating the potential for the Company's development in the future.
- Stable growth and development of the Company, achievement of targets.

How do we interact?

- Ensuring the rights of the Sole Shareholder within the framework of the Charter, the Corporate Governance Code of the Company.
- Execution of decisions of the Sole Shareholder.
- Providing reliable information on the results of financial and economic activities in accordance with the legislation of the Republic of Kazakhstan, the Charter, internal documents.

What do we do?

Expansions of the scope of activities in support of farmers and high-quality financial management have a positive impact on the financial performance of the Company. Continuous improvement of corporate governance and decision-making system is an important strategic direction of the Company's development, ensuring its performance and efficiency. At the same time, the key components of the corporate governance system are

the protection of rights of the Sole Shareholder and accountability.

By the end of 2022, the planned values of the Company's strategic KPIs have been achieved for 100 percent or more.

In 2022, dividends were paid for 2021 in the amount of 12,111,222 thousand KZT.

Stakeholders

- 8. Employees** are the most important asset of the Company and the basis of its effective activity.

Requirements and expectations

- Stable and timely payment of salaries and bonuses.
- A satisfactory benefits package, comfortable and safe working conditions (working hours, vacations), respect for legal rights of employees.
- The opportunity for career growth and professional development.

How do we interact?

- Conclusion of employment contracts with employees.

- Performance of official duties aimed at achieving the goals and objectives of the Company.
- Consideration by the Conciliation Commission of complaints about the practice of labor relations and negotiations.
- Communication with employees is also carried out through corporate mail.

What do we do?

The Company ensures the open and transparent personnel policy aimed at the formation of qualified and motivated personnel.

Employees are provided with equal opportunities to realize their potential in the course of their work, an impartial and fair assessment of

their performance. Recruitment and career development of employees is based solely on professional skills, experience and knowledge. Employee training, professional development.

In order to develop a unified corporate culture, consolidate the fundamental values and principles, norms of corporate ethics and behavior, the Company's Code of Business Ethics has been approved.

As of December 31, 2022, 312 employees, including 52 front office employees, have completed various trainings and advanced training in the Company.

Professional trainers were involved for training. Training was both offline and online.

Economic Impact

Created Economic Value

KAZAGROFINANCE'S ACTIVITY IS AIMED AT SUPPORTING THE DEVELOPMENT OF KAZAKHSTAN AGRICULTURAL SECTOR BY ENSURING ACCESS OF AGRICULTURAL MANUFACTURERS TO FINANCIAL RESOURCES, AS WELL AS AGRICULTURAL MACHINERY ON A LEASING BASIS.

The Company has a direct positive impact on the Kazakhstan economy through the following tools:

1. leasing of agricultural machinery;
2. payment of taxes and other fees to the budget;
3. procurement of goods, works and services to support the Company's activities;
4. payment of salaries to the Company employees.

In addition, the Company's activities have an indirect positive impact

due to the results of activities of agricultural manufacturers financed by the Company: payment of taxes and fees, salary, additional jobs, production.

Created and Distributed Economic Value, mln KZT

Item	2022	2021	Change (2022 to 2021) in %
Direct created economic value:			
Income	58,969	47,888	23.14%
Distributed economic value:			
Operating expenses	1,492	1,211	23.20%
Salary	3,192	3,067	4.08%
Interest expense	28,835	22,950	25.64%
Taxes other than income tax	297	302	-1.66%
Corporate income tax	413	-422	197.87%
Other expenses	4,121	3,478	18.49%
Retained economic value	20,619	17,302	19.17%

Tax Policy

The Company has a Tax Accounting Policy developed in accordance with the Article 191 of the Tax Code of the Republic of Kazakhstan. According to the Company's Charter, approving the Tax Accounting Policy is within the Board competence. The Company's Tax Accounting Policy is amended as soon as changes to the tax legislation occur. The Company strictly complies with the tax legislation. The Board Chairman and the Chief Accountant are responsible for compliance with the Company's Tax Accounting Policy.

The Company constantly assesses risks in terms of taxation when concluding new, non-standard transactions, analyzes the impact of changes in legislation on the Company's current transactions. Risk assessment is carried out in

accordance with the operational and financial risk system adopted by the Company. On an annual basis, the Company approves a Risk Map, which reflects the extent of influence of tax risks. KazAgroFinance has been a taxpayer subject to monitoring by large taxpayers since 2009.

Tax monitoring of large taxpayers is carried out by analyzing the financial and economic activities of taxpayers in order to determine their real tax base, monitoring compliance with the tax legislation of the Republic of Kazakhstan and applicable market prices in order to control transfer pricing.

Information on the movement of deferred taxes and the amount of corporate income tax is disclosed in the Company's financial statements.

We note that the Company is a member of the Kazakhstan Taxpayers Association and regularly receives information about draft regulations in terms of taxation, sends proposals on them.

Also, if necessary, the Company cooperates with Atameken NCE regarding the planned changes to the tax legislation.

and/or legitimate interests of suppliers on trade secrets (before summing up the tender results);

- 3. fair competition among potential suppliers, prevention of collusion between procurement participants;

— Procurement Practice

THE COMPANY STRIVES FOR TIMELY PROVISION OF THE CENTRAL OFFICE, BRANCHES AND CLIENTS WITH HIGH-QUALITY GOODS, WORKS AND SERVICES NECESSARY FOR OPERATIONAL ACTIVITIES. HOWEVER, KAZAGROFINANCE ATTACHES GREAT IMPORTANCE TO AN EFFECTIVE AND TRANSPARENT PROCUREMENT SYSTEM.

Procurement procedures in the Company are based on the following principles:

- 1. optimal and efficient spending of money used for procurements;
- 2. open and transparent procurement process with respect for the rights

- 4. responsibilities of procurement participants;
- 5. prevention of corruption;
- 6. support to domestic manufacturers of goods, as well as domestic suppliers of works and services to the extent that it does not contradict international treaties ratified by Kazakhstan;
- 7. acquisition of innovative and high-tech goods, works, services;
- 8. providing potential suppliers with equal opportunities to

participate in the procurement procedure, except in cases provided for by this Law;

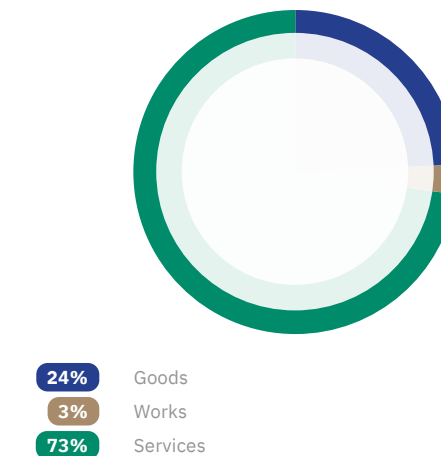
- 9. compliance with intellectual property rights contained in the procured goods.

In the Company, procurements are carried out in real time and provide participants with access to an electronic format for making civil law transactions to procure goods, works and services with certifying the legal actions with an electronic digital signature. The portal provides an equal opportunity for

all potential suppliers to participate in competitive procurement of the Company. Procurements are made on the Eurasian electronic portal: eep.mitwork.kz.

In 2022, an actual volume of procurements of goods, works and services (excluding leasing subjects) was 1,146.19 million KZT (including VAT), 527 contracts were concluded, while a share of local content in procured GWS amounted to 76.55%, i.e. 819.99 million KZT.

Volume of Purchases of Goods, Works and Services in 2022, %



Volume of Procurements in 2022

Method of Procurement	Amount, thousand KZT
Tender	627,843.5
Request for price offers	238,987.8
From one source by the direct conclusion of a contract	278,000.8
E-store	1,363.21

Social Responsibility



Personnel Policy

THE PERSONNEL POLICY IS A HOLISTIC LONG-TERM STRATEGY OF PERSONNEL MANAGEMENT, WHICH MAIN PURPOSE IS TO STRENGTHEN A POSITION OF AN ORGANIZATION, WHICH REQUIRES THE SUSTAINABLE DEVELOPMENT OF HIGHLY PROFESSIONAL AND MOBILE WORKFORCE SUFFICIENT TO FULFILL THE STRATEGIC OBJECTIVES.

Personnel Policy objectives aimed at achieving the set goal:

1. personnel necessary to achieve the set goals, while respecting diversity and inclusion;
2. increasing the competence of employees to develop human capital, especially in terms of digital skills;
3. increasing and maintaining the personnel involvement and best results of work;
4. HR digitalization, including recruitment and hiring, performance assessment, as well as development and training;
5. setting up and calibrating the performance management process;
6. development of corporate culture.

Main directions of the Personnel Policy:

1. Strategic HR planning;
2. Organizational development and job design;
3. Recruitment and adaptation of personnel;
4. HR marketing and employer brand;
5. Performance management;
6. Personnel remuneration;
7. Personnel training and development;
8. Talent pool and talent management;
9. Development and maintenance of corporate culture;
10. Administration of HR processes.

The KazAgroFinance Social Policy is aimed at developing favorable socio-economic conditions and ensuring a high level of social protection of employees, contributing to increased labor efficiency and social responsibility of the Company's employees.

In case of significant changes concerning the Company's activities (changes in the production related

to reorganization or changes in economic, technological conditions, working conditions and/or reduction of the scope of work), the employee, according to the Labor Code of the Republic of Kazakhstan, is notified in written of changes in working conditions no later than fifteen calendar days. In accordance with the employment contract, the specified notification (proposal to change the contract terms) is considered by the other party within five working days from the date of its submission. When working conditions change, appropriate additions and changes are made to the employment contract of the Company's employees.

The Company provides its employees with equal opportunities to realize their potential in the course of work, an impartial and fair assessment of their results. Recruitment and career development of employees are based solely on professional skills, experience and knowledge. No forms of discrimination and violations of workers' rights are allowed.

A Conciliation Commission has been established in the Company to resolve individual labor disputes. The Commission consists of an equal number of representatives of the Company employer and employees, elected at the general labor meeting. The Commission is a permanent body for consideration of individual labor disputes. An employment dispute shall be considered by

the Commission if the employee has not settled disagreements independently or with participation of a representative during direct negotiations with the employer or his/her authorized representative.

Every year, the Conciliation Commission members are trained in application of the labor legislation of the Republic of Kazakhstan,

development of negotiation skills and consensus building in labor disputes.

In 2022, 2 appeals were received by the Company's Conciliation Commission on application of disciplinary penalties, based on the results of which the employer's decisions on bringing employees to disciplinary responsibility were recognized as legitimate.

Personnel Structure

At the end of 2022, the average number of employees was 340 people, including men – 51.5% (175 people), women – 48.5% (165 people).

All employees have higher education. There are no temporary or part-time employees in the Company.

Basis for Personnel Policy Implementation is an Effective Organisational Chart and Optimal Personnel.

Personnel Number and Structure

	2019	2020	2021	2022
Average number of employees, people	405	395	363	340
Structure of personnel by category:				
• management positions	76	74	58	73
• employees	329	321	305	267
Structure of personnel by age categories:				
• up to 30 years old	34	30	22	23
• from 30 to 50 years old	322	317	297	277
• over 50 years old	49	48	44	40
Gender structure of personnel:				
• men	221	204	183	175
• women	184	191	180	165
Employee turnover, %	18.5	15.7	3.6	0.9
Number of people employed, people	63	35	59	64
Number of employees trained, people	340	88	279	312

Personnel Structure by Gender and Age Groups

Indicator	Average number	Gender		Age groups		
		Men	Women	up to 30 years old	from 30 to 50 years old	over 50 years old
Central Office	152	61	91	6	65	8
Branches	188	114	74	17	212	32
Total	340	175	165	23	277	40
including:						
• Executives		5	1	–	3	1
• Managers		1	–	–	1	–
• Middle managers		78	27	–	58	8
• Administrative staff		91	137	23	215	31

Average Number by Region, people

Astana	160
Almaty	12
Turkestan region and Shymkent	13
Akmola region	19
Aktobe region	13
Almaty region	10
East Kazakhstan region	16
West Kazakhstan region	17
Zhambyl region	8
Karaganda region	13
Kostanay region	18
Kyzylorda region	8
Pavlodar region	14
North Kazakhstan region	19

Employee Turnover Rate by Region in 2022

Name of a CO/branch	Average number of employees, people	Employee Turnover Rate by Region				Total number of dismissed, people	Turnover rate, %
		Men people	%	Women people	%		
Central Office	152	1	0.6	1	0.6	2	1.3
Akmola region	19	0	0	0	0	0	0
Aktobe region	13	0	0	0	0	0	0
Almaty region	10	0	0	0	0	0	0
East Kazakhstan region	16	0	0	0	0	0	0
Zhambyl region	8	0	0	0	0	0	0
West Kazakhstan region	17	0	0	0	0	0	0
Karaganda region	13	0	0	0	0	0	0
Kostanay region	18	0	0	0	0	0	0
Kyzylorda region	8	0	0	0	0	0	0
Pavlodar region	14	1	7.1	0	0	1	7.1
North Kazakhstan region	19	0	0	0	0	0	0
Astana (branch)	8	0	0	0	0	0	0
Almaty	12	0	0	0	0	0	0
Turkestan region and Shymkent	13	0	0	0	0	0	0
Total	340	2	0.6	1	0.3	3	0.9

Employee Turnover Rate by Age Categories

Age category	Average number of employees, people	Number of dismissed, people	Turnover rate, %
up to 30 years old	23	0	0
from 30 to 50 years old	277	3	1.1
over 50 years old	40	0	0
Total	340	3	0.9

Number of People Employed

Name of a CO/branch	Average number of employees, people	Employed in 2022		
		Men	Women	%
Central Office	152	16	10	17.1
Akmola region	19	2	1	15.8
Aktobe region	13	6	1	53.8
Almaty region	10	4	2	60.0
East Kazakhstan region	16	1	–	6.3
Zhambyl region	8	1	–	12.5
West Kazakhstan region	17	–	1	5.9
Karaganda region	13	2	–	15.4
Kostanay region	18	1	1	11.1
Kyzylorda region	8	1	1	25.0
Pavlodar region	14	5	1	42.9
North Kazakhstan region	19	1	–	5.3
Astana (branch)	8	1	3	50.0
Almaty	12	1	–	8.3
Turkestan region and Shymkent	13	1	–	7.7
Total	340	43	21	18.8

Number of Employed by Age Categories

Age group	Average number of employees, people	Number of employed, people	Share of employed, %
up to 30 years old	22	3	13.6
from 30 to 50 years old	277	58	20.9
over 50 years old	40	3	7.5
Total	340	64	18.8

— Personnel Training and Development

HIGH PROFESSIONALISM OF THE COMPANY'S EMPLOYEES IS MAINTAINED AND DEVELOPED AS PART OF CONTINUOUS AND ADVANCED TRAINING BY CONSISTENTLY IMPROVING EXISTING KNOWLEDGE AND SKILLS.

The training and development of the Company's personnel is carried out to update theoretical and practical knowledge, skills and abilities of professional and managerial activities of the Company's employees for the effective performance of their official duties and solving tasks in accordance with the Company's Development Strategy.

Employees undergo training and advanced training by participating in various seminars, conferences, special training to ensure a high level of the Company's personnel potential.

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

Professional development of employees consists of the following main stages:

1. determination of the needs for training activities, preparation, development of a calendar plan and cost estimates;
2. organization and monitoring of this process;
3. analysis of effectiveness of the training activities carried out.

The calendar plan for advanced training and professional development for 2022 was approved on December 15, 2021 (no.21//65 442) by Deputy Chairman of the Company's Board.

During the reporting year, 147 employees were covered by the training and advanced training, including:

1. by the central office – 112, by branches – 35;
2. by gender: men – 85, women – 62.

Professional trainers were involved for training. Training was both offline and online.

Average number of hours per 1 employee was 2.7, including 1.7 for men and 3.9 for women.

Employee Training for 2022*

Employee training in 2022	Average number of employees	Total number of employees trained, people	Total number of hours of employee training	Average number of hours per 1 employee
Total number	340	147	849	2.7
Gender groups				
• Men	175	85	305	1.7
• Women	165	62	544	3.9
Categories of employees				
• Executives	6	5	8	1.6
• Managers	1	1	8	8
• Middle managers	105	35	264	4.4
• Administrative staff	228	106	569	2.3

* Executives are the Board members, manages are managing or executive directors – non-members of the Board, middle managers are heads of units, services, departments, branch directors and their deputies.

Main employee training programs in 2022:

1. Head of the Legal Service. Corporate Lawyer. Effective work of the legal service in the company;
2. Corporate and Contract Law;
3. GRI standards: Sustainability reporting;
4. DipIFR;
5. Transactions with securities of joint-stock companies;
6. Agile and Audit. How flexible management methodologies can change internal audit;
7. Managerial Transformation for HR executives;
8. Fundamentals of Labor Legislation of the Republic of Kazakhstan;

9. Secrets of successful presentations in MS Power Point;
10. Team building training;
11. Professional development of lawyers. Overview of current changes;
12. Individual labor disputes: pre-trial procedure for consideration. Fundamentals of Labor Legislation. Conflict management;
13. Financial management and financial analysis;
14. Financial risks;
15. ACCA Financial Management (F9). Registration for the exam;
16. Optimization of the company's business processes;
17. Risks of investment projects: assessment and computer modeling;

18. Economics and planning: budgeting, project financing, pricing;
19. CIA Part 1 – Fundamentals of Internal Audit;
20. Critical thinking as a basis of evidence-based management. How to make and justify decisions correctly;
21. Procurement of individual quasi-public entities;
22. Certified Financial Manager, level 2. Management Accounting and Decision-Making Module. Investment Management;
23. Level 1. Professional Financial Manager. IFRS and Financial Accounting Module. Financial management and financial analysis;

24. Analysis and assessment of project risks;
25. Finance for managers;
26. Transactions. Invalidity of the transaction: changes in legal regulation; theoretical and

- practical issues of application of the civil legislation of the Republic of Kazakhstan;
27. Certified Internal Auditor;
 28. ESG: concept, risks, strategy;
 29. Practical aspects of IFRS.

— Motivation and Remuneration

DEVELOPMENT OF AN EFFECTIVE SYSTEM OF PERSONNEL MOTIVATION AND INCENTIVES ENSURES THE DIRECT AND STABLE INTEREST OF EACH EMPLOYEE IN ACHIEVING THE PERSONAL PERFORMANCE.

Main component of the motivation and incentive system of the Company's employees is a mechanism of monetary compensation for labor. The procedure and mechanisms of personnel remuneration and incentives are regulated by the Company's internal acts.

Employee motivation factors also include:

- the possibility of professional training and advanced training (form of implementation: personnel rotation, on-the-job training and day release training, participation in seminars, advanced training);

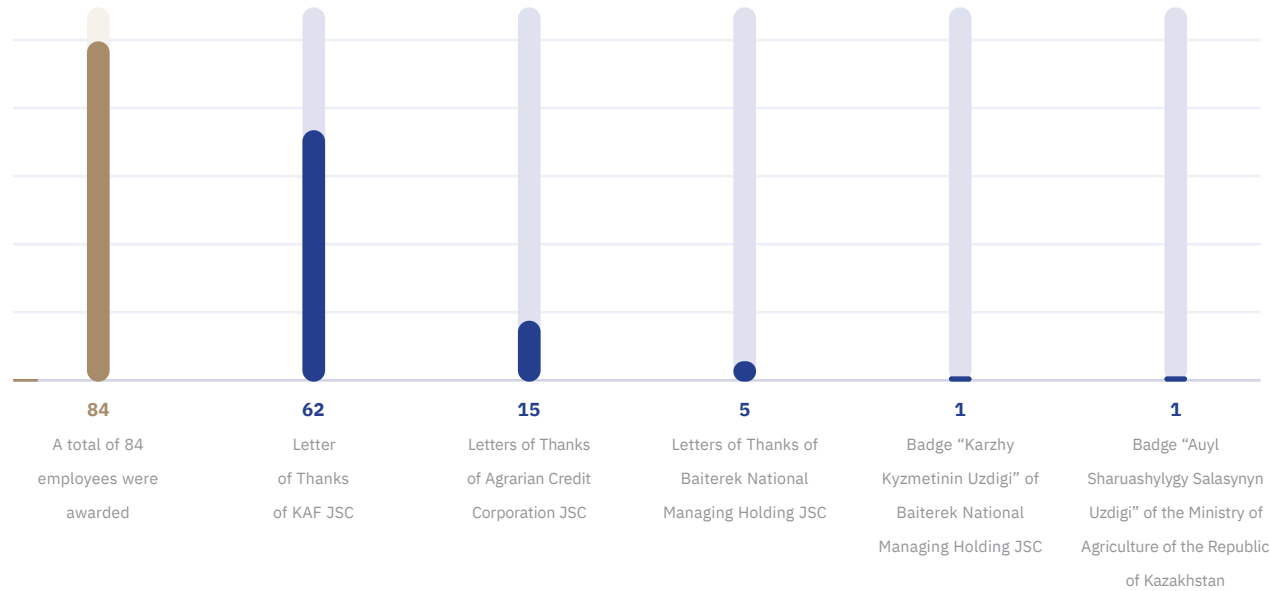
- open prospects for further career growth;
- employee compensation;
- social protection of employees;
- creating safe and comfortable working conditions;
- favorable working conditions in the team. System of adaptation of newly hired employees;
- broadcasting the corporate culture values: regular meetings with the Company's management, surveys;
- awarding with letters of thanks, diplomas.

During the reporting year, 84 employees of the Company were awarded:

- badge “Auyl Sharuashylygy Salasynyn Uzdigi” of the Ministry of Agriculture of the Republic of Kazakhstan – 1;

- badge “Karzhy Kyzmetinin Uzdigi” of Baiterek National Managing Holding JSC – 1;
- Letters of Thanks of Baiterek National Managing Holding JSC – 5;
- Letters of Thanks of Agrarian Credit Corporation JSC – 15;
- Letters of Thanks of the Chairman of the Board of the Company – 62.

Non-material incentives for the Company's employees, units



Remuneration of employees is made by the remuneration funds from the Company's budget for the current financial year, which is approved by the Board of Directors for the next financial year.

Remuneration is based on the principles of fairness (correspondence of an amount of salary to quantity and quality of work of an individual employee), transparency (principles for determining an amount of

individual salary) and confidentiality (information on individual salary is a trade secret).

An employee's official salary may be revised no more than once a working year in accordance with the Company's internal regulatory documents.

In 2022, the methodologists of the KORN FERRY branch in Kazakhstan (the External Experts) assessed all positions of the Company's employees,

including those who are executives and accountable to the Company's Board of Directors, following which the Company's grading system was determined according to the methodology consistent with the policy and methodology of Baiterek NMH JSC.

As part of assessment, the External Experts benchmarked remuneration of similar positions of the Kazakhstan labor market in the financial sector.

— Creating Equal Career Opportunities

CREATING EQUAL CAREER OPPORTUNITIES, ENSURING A FAIR LABOR ASSESSMENT OF WOMEN AND MEN AND PREVENTION OF SALARY DISCRIMINATION ARE ESSENTIAL FOR ACHIEVING GENDER EQUALITY AND ARE ONE OF THE MAIN COMPONENTS OF DECENT WORK. THE COMPANY ADHERES TO THE PRINCIPLE OF EQUAL REMUNERATION FOR LABOR OF EQUAL VALUE. THE BASE RATE OF REMUNERATION OF WOMEN TO THE BASE RATE OF REMUNERATION OF MEN PER EACH CATEGORY OF THE COMPANY EMPLOYEES WAS 1:1.

When employing by the Company, employment contracts are concluded between the employer and an employee, according to which the employer shall provide the employee with equal pay for equal work, as well as equal working and living conditions without any discrimination. There is no violation of this obligation during the reporting year.

The Company has created appropriate conditions to ensure equal rights and opportunities for women and men regarding:

- employment – reserved jobs are used as much as possible for the employment of young professionals, both men and women;
- equal participation of women and men in making production and management decisions;
- women's realization of career growth opportunities;
- participation of women in activities aimed at developing leadership skills;
- realization by both women and men of the right to parental leave until a child reaches the age of three.

Working with the Company's personnel is aimed at preventing discrimination in work, ensuring flexible working conditions for employees with family responsibilities and ensuring gender equality in the workplace.

Analyzing the gender composition of the Company's employees for 2022 shows that the ratio of both men and women has remained almost stable



over the past two years: women – at 48.5% and men – at 51.5%.

The actual number of men and women is 175 men and 165 women, respectively.

Gender composition of Company managers:

Female managers (directors of departments, services, branches of the Company, management executives) – 10 people.

— Personnel Reserve

In accordance with the Rules on Personnel Management of KazAgroFinance, approved by the decision of the Company's Board dated September 15, 2020 No. 26, a personnel reserve is formed in order to:

- identify and develop promising employees;
- replace existing vacant positions in the Company;
- promote targeted and systematic training of qualified personnel;
- provide motivation of employees with possible professional and career development;
- achieve the Company's strategic goals and objectives.

Employees are enrolled in the Personnel Reserve on the basis of competitive selection from among applicants according to the following criteria:

- operational (urgent) reserve – the operational reserve is intended to replace managers by employees for temporary absence and urgent appointment to vacant positions (ready now);

- strategic reserve – employees with leadership qualities who are able to take senior positions in the long term (ready after a while).

Candidates for the competitive selection were selected on the basis of rating of employees on the Talent Card of 2021. The list includes 54 employees.

The competitive selection was carried out in two stages:

- At stage 1, candidates were tested using ability tests to analyze and interpret verbal and numerical information. According to the test results, 15 candidates who received high grades were admitted to undergo further selection procedures:
- A level (significantly above average or excellent),
- B level (above average or good),
- C level (average).
- Stage 2 of the competitive selection: assessment of competencies and potential

of candidates using OPQ & MQ questionnaires. 15 candidates filled out the questionnaires on two elements of the SHL potential model: striving for achievements and leadership competencies.

Based on the assessment results and the received ratings of candidates, the members of the Company's Personnel Committee recommended to the Board Chairman to enroll 15 employees who passed the competitive selection in the KazAgroFinance Personnel Reserve, taking into account further development (both horizontal and vertical) and formation of personal plans for building career growth in the company.

— Annual Total Compensation Ratio

Ratio of the annual total compensation for the highest-paid employee of the Company to the average annual total compensation for all employees (except for the highest-paid employee) **was 3.6.**

Annual total compensation of the highest-paid employee is defined as an amount of income accrued for the year, including basic salary, bonuses, vacation pay, recovery allowance, temporary disability

allowance. At the same time, the average annual total compensation for all employees (except for the highest-paid employee) is defined as the ratio of an amount of accrued income (salary, bonuses, social benefits) to the average actual number of employees;

Ratio of the percentage increase in annual total compensation for the highest-paid employee of the Company to the average

percentage increase in annual total compensation for all employees (except for the highest-paid employee) **was 3.2.**

The percentage increase is defined as a ratio of the difference between an indicator of 2022 and an indicator of 2021 to the indicator of 2021.

Calculation excludes income accrued under contracts of paid services.

— Ethnic and Cultural Diversity

The Company strives to create an atmosphere of goodwill and support, in which all employees are valuable, as well as representatives of all nationalities of Kazakhstan are provided with equal employment opportunities. The Company is distinguished by a huge ethnic and

cultural diversity of employees. For example, representatives of the following nationalities work in the Company: Kazakhs, Russians, Dungans, Bashkirs, Georgians, Poles, Tatars, Koreans, Ukrainians, Turkmens, Uighurs, Germans.

At the same time, the Company improves its culture by increasing the ethnic and cultural diversity in the management staff, while strictly adhering to the rules of recruitment.

— Sports and Recreational Activities

In order to stimulate and develop team spirit, increase the corporate communications and promote a healthy lifestyle and sports, the Company conducts special corporate recreation events aimed at team building, creating team working

methods and represents one of the promising models of corporate governance that ensure the full development of the Company.

In order to increase the trust, communication and interstructural

interaction and cooperation between employees, field training on team building aimed at developing teamwork skills was held on May 6, 2022.

Social Support



KAZAGROFINANCE DEVELOPS A SOCIAL ORIENTATION TO CONSISTENTLY IMPROVE THE STANDARD OF LIVING OF ITS EMPLOYEES, ENSURE UNIVERSAL ACCESSIBILITY OF BASIC SOCIAL BENEFITS, AS WELL AS A FAVORABLE PSYCHOLOGICAL CLIMATE IN THE TEAM.

The Rules for Social Support to the Company's employees were approved by the Decision of the KazAgroFinance Board No. 34 dated September 30, 2022.

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

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

- implementation of the labor legislation of the Republic of Kazakhstan;
- workplace in accordance with the requirements of safety and labor protection;

- compulsory insurance of civil liability of the employer for causing harm to the life and health of the employee in the performance of his/her work duties;
- voluntary health insurance;
- paid work leave;
- payment of financial assistance to employees at the birth (adoption, adoption) of a child, the marriage of an employee and the death of the employee's spouse or close relatives;
- time-based-premium system of remuneration;
- payment when employees are on business travels;
- possibility of professional training and advanced training.

Paid annual leave lasts 30 calendar days. During the reporting year, the Company's employees were granted work leave in accordance with the approved vacation schedule for the corresponding year and on the basis of applications submitted by them.

In addition, during the reporting year, pregnant women, women who gave birth to a child (children), women (men) who adopted a newborn child (children) were granted the following social leave:

1. maternity leave – 8 women;
2. leave to employees who have adopted a newborn child (children) – 0;
3. leave without pay to care for a child until he/she reaches the age of three years – 11 women and 1 man.

Indicators of Social Leave in 2022

Indicator	Gender	Number of employees, people
Going on maternity/paternity leave	women	7
	men	2
Return from maternity/paternity leave		10
Number of employees who remained at work in the company for 12 months after return from leave		8

Successful implementation of social policy contributes to the motivation of personnel and the growth of KazAgroFinance competitiveness, as well as strengthening an image of a responsible employer and socially oriented organization.

Occupational Health and Safety

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

General requirements for safety and labor protection, fire safety requirements are fixed in the Instructions on Safety and Labor Protection of Employees of the Company, approved by the decision of the KazAgroFinance Board dated February 25, 2010 No. 17

(the Instruction). The Instruction provides for general safety and labor protection requirements, safety and security requirements before starting work, during and after work, and also describes in detail the actions of employees in case of emergency situations. All new employees shall read the Instructions. The Company's employees were instructed on information security and access control in the office buildings of the Central Office.

There are no facts of industrial injuries in 2022. Diseases that worsen the health of employees related to work and performance of work duties have not been recorded.

Sponsorship and Charity



THE PROCEDURE FOR CHARITABLE AND SPONSORSHIP ASSISTANCE TO LEGAL ENTITIES AND INDIVIDUALS IS DEFINED IN THE RULES FOR CHARITABLE AND SPONSORSHIP ASSISTANCE TO KAZAGROFINANCE, APPROVED BY THE DECISION OF THE COMPANY'S BOARD NO. 12 DATED MAY 13, 2016.

Charitable and sponsorship assistance is provided at the expense and within the limits of the funds provided in the annual Company budget for the corresponding financial year.

The issue of providing charitable or sponsorship assistance is considered by the Company on the basis of appeals from legal entities or individuals.

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

So, over the past five years, the Company has allocated about 34.5 million KZT for charity and sponsorship, including 18 million KZT in 2017, 5 million KZT in 2018, 5 million KZT in 2019, 2.5 million KZT in 2020, and 1.98 million KZT in 2021. In 2022, charitable assistance in the amount of 2.1 million KZT was provided.



Environmental Impact

Environmental Protection

THE COMPANY, WITHIN ITS CAPABILITIES, STRIVES TO SUPPORT INTRODUCTION OF "GREEN" TECHNOLOGIES INTO THE COUNTRY'S AGRICULTURE, WHICH PROTECT THE ENVIRONMENT AND HUMAN HEALTH, CONTRIBUTE TO THE CONSERVATION OF NATURAL RESOURCES, INCREASE PRODUCTION EFFICIENCY, AND HENCE COMPETITIVENESS OF ITS PRODUCTS. BY VIRTUE OF ITS ACTIVITIES, KAZAGROFINANCE HAS AN INDIRECT IMPACT ON THE ENVIRONMENT THROUGH FINANCING OF AGRICULTURAL MACHINERY. IT SHOULD BE NOTED THAT THE COMPANY LEASES EXCLUSIVELY NEW EQUIPMENT THAT MEETS MODERN REQUIREMENTS AND STANDARDS (NORMS OF EMISSIONS OF HARMFUL SUBSTANCES INTO THE ATMOSPHERE), AND IS SUBJECT TO MANDATORY CERTIFICATION. THUS, THE MINIMAL IMPACT OF TECHNOLOGY ON THE ENVIRONMENT IS ENSURED.

The Company applies principles and methods of rational use of resources to prevent adverse environmental impacts.

In its activities, KazAgroFinance strives to reduce excessive

consumption of resources and minimize the existing negative environmental impact through the introduction of energy-efficient technologies, reduce water consumption, reduce paper consumption for office needs.

As part of work on responsible use of resources, the Company has carried out the following activities aimed at:

1. reduction of electricity consumption

- use of incandescent lamps is excluded in the office, except in cases where their use cannot be excluded for technological or security reasons;
- efficient light sources are installed – LEDs and/or fluorescent lamps equipped with electronic start-up equipment (the most efficient lamps of this class are used);
- installed machinery and equipment of class A, A+, A++;
- energy-saving mode of laptop monitors, computer equipment is used.

2. saving heat energy and providing sufficient ventilation

- a manual or automatic heat supply control system is used, as well as a temperature control system depending on a presence of employees in a premise;
- there is equipment for air purification in the offices;
- heat energy consumption metering devices (automatic heat control systems and heat metering systems) are installed.

As a result of the above measures, it was possible to reduce heat energy consumption in 2022 by 2.9% compared to 2021.

3. minimization of pollution and waste management

- selective collection of solid household waste has been established;
- a waste paper collection point has been organized for subsequent transfer to specialized enterprises for processing and a person



responsible for this event has been appointed. In 2022, 2,382.4 kilograms of waste paper were transferred to a specialized enterprise.

4. resource conservation and reduction of consumption

- In order to optimize paper document flow, the use of

EDS by employees has been introduced into the EDM program for certain types of documents (external outgoing letters, payment orders, purchase orders, orders);

- the BPM platform has been implemented **online.kaf.kz** for accepting online applications from clients.

The Company analyzed the use of electricity, water consumption and generation of solid household waste from 2020 to 2022 to implement the policy of economical use of resources.

Energy Consumption

Type of energy	UoM	2020	2021	2022
Electricity (purchase)	KWh	238,646	241,512*	274,120
Gasoline (purchase)	liters	31,970	24,170	21,340
Heat power	Gcal	272.32	300.21	255.35

* the value for 2021 has been adjusted

Electricity consumption increased for the following reasons:

- 100% transition of employees from remote mode to the office;
- fixed assets have been updated, new 10 air conditioners (more powerful), a refrigerator, electric dispensers, oil radiators have

- use of air conditioners since April (previously, use of air conditioners was since May) due to weather conditions;
- use of oil radiators to warm up office premises due to a decrease in temperature.

Solid Household Waste

Type of waste	UoM	2020	2021	2022
Solid household waste	m ³	114.36	89.25*	112.45

* the value for 2021 has been adjusted.

Solid waste is generated during working activities in the offices of the Company building.

Hazardous IT waste is disposed of in accordance with the Company's IRD.

Water Consumption

Type of consumption	UoM	2020	2021	2022
water supply, disposal	m ³	1,051	1,284*	1,380

* the value for 2021 has been adjusted.

Water consumption is used exclusively for household and drinking needs.

Glossary

AIC	Agro-industrial complex
GDP	gross domestic product
FL	fuels and lubricants
Company	KazAgroFinance JSC
KPI	key performance Indicator
IFRS	International Financial Reporting Standards
AM	agricultural manufacturers
ROA	return on assets
ROE	return on equity
NPL	non-performing loans

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Appendix 1. About the Report

KAZAGROFINANCE HAS BEEN OPERATING IN THE LEASING MARKET IN THE AGRO-INDUSTRIAL COMPLEX FOR MORE THAN TWENTY YEARS. DURING THIS TIME, THE COMPANY HAS BECOME A RECOGNIZED AND RELIABLE PARTNER FOR MANY DOMESTIC FARMERS, SUPPLIERS OF AGRICULTURAL MACHINERY, THE STATE AND THE PUBLIC. THE COMPANY HAS A WIDE RANGE OF STAKEHOLDERS, AND WE STRIVE TO ENSURE EFFECTIVE DISCLOSURE OF INFORMATION FOR THEM IN ACCORDANCE WITH INTERNATIONAL STANDARDS AND WORLD BEST PRACTICES.

The Annual Report on the Company's Performance for 2022 has been prepared in accordance with GRI Standards (main level of compliance),

which ensures information transparency of the Company. Financial data are presented in the Report in accordance with the IFRS financial statements.

When preparing the document, we also followed requirements of the Kazakhstan Stock Exchange. External certification of non-financial information of this Annual Report has not been performed.

The Company's annual reports are annually prepared. This Annual Report reflects the Company's Performance from January 1 to December 31, 2022 and includes the Company's Report on Sustainable Development for the year 2022.

The report highlights the Company's Performance, achievements and successes, work on strategic objectives, reflects corporate governance issues and activities on sustainable development, as well as further development plans of the Company.

Defining the Report Content

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

Information in this Annual Report was disclosed on the most significant aspects of the Company's activities. We consider essential those issues where, firstly, the Company's impact on the environment in the broad sense of term is great, and secondly, there is a significant impact on stakeholders and their interests.

1. The first stage is analysis of materiality and definition of a preliminary list of significant topics, internal assessment of the Company's impact in the economic, environmental and social spheres.

2. The second stage is to assess importance of significant topics, discuss and prioritize, and determine the final list of significant topics.

3. The third stage is approval of the final list of significant topics by the Board Chairman.

In accordance with analysis, the list of significant disclosure topics in the Company's Annual Report for 2022 was determined.

List of Significant Topics

Topic	GRI No.
Economy	
• Economic Performance	201
• Indirect Economic Impacts	203
• Procurement Practice	204
• Anti-Corruption	205
• Obstacle to Competition	206
• Taxes	207
Environment	
• Energy	302
• Water and Discharges	303
• Emissions	305
• Wastes	306
Society	
• Employment	401
• Relationship between Employees and Management	402
• Occupational Health and Safety	403
• Training and Education	404
• Diversity and Equal Opportunities	405
• Non-Discrimination	406
• Customer Privacy	418

Appendix 2. GRI Index

Statement on the Use		KazAgroFinance JSC has prepared a report in accordance with GRI Standards for 2022				
Using GRI 1		GRI 1: Fundamentals 2021				
Applicable industry standard		not approved				
GRI Standard	Disclosure	Place	Exclusion			No. in the industry standard
			Indicator	Reason	Explanation	
General Disclosures						
GRI 2 General Disclosures 2021	2-1 Organization profile	About Company, contact information				
	2-2 Organizations included in the report	Financial statements for 2022				
	2-3 Reporting year	About the Report				
	2-4 Revision of information	Environmental protection (water consumption)				
	2-5 External confirmation	About the Report				
	2-6 Actions, value chain and other business relationships	Types of activities, Business model, Leasing process, Areas of activity, AIC industry analysis, Agricultural Equipment Fleet analysis, Leasing market analysis				
	2-7 Employees	Personnel Structure				
	2-8 Workers who are not employees			Information is not available	There is no category of temporary employees	
	2-9 Structure and composition of the management	Management Organisational Chart, Board of Directors, committees of the Board of Directors				
	2-10 Appointment and selection of the supreme governing body	Selection and Nomination				
	2-11 Chairman of the supreme governing body	Board of Directors				
	2-12 Role of the supreme governing body in the supervision of impact management	Sustainable Development Policy				
	2-13 Delegation of responsibility for impact management	Sustainable Development Policy				

	2-14 Role of the supreme governing body in sustainable development reporting	Sustainable Development Policy				
	2-15 Conflicts of interest	Conflict of Interest Management and Resolution of Corporate Conflict				
	2-16 Reporting critical issues	Informing on Problems				
	2-17 Collective knowledge of the supreme governing body	Training and Professional Development of Members of the Board of Directors				
	2-18 Assessment of performance of the supreme governing body	Performance Assessment of the Board of Directors				
	2-19 Remuneration Policy	Remuneration of members of the Board of Directors, Remuneration of Board members				
	2-20 Remuneration determination process	Remuneration of members of the Board of Directors, Remuneration of Board members				
	2-21 Annual total remuneration ratio	Annual Total Compensation Ratio				
	2-22 Sustainable Development Strategy Statement	Development Strategy, Development Strategy Implementation				
	2-23 Political commitments	Corporate Ethics, Public Communications Policy		Information is partially unavailable	A human rights protection policy has not been developed	
	2-24 Implementation of political commitments	Personnel Policy, Corporate ethics				
	2-25 Processes of elimination of negative impacts	Complaints Mechanism and Informing about Problems				
	2-26 Mechanisms for seeking advice and expressing concern	Complaints Mechanism and Informing about Problems				
	2-27 Compliance with laws and regulations	Compliance with legal requirements				
	2-28 Member Associations	Member Associations				
	2-29 Interaction with stakeholders	Stakeholder Interaction Report				
	2-30 Collective agreements		2-30 Collective agreements	Not applicable	The practice of collective agreements in the Company is not applied	
Significant Topics						
GRI 3 Significant Topics 2021	3-1 Identification of significant topics	Defining the Report Content				
	3-2 List of significant topics	List of significant topics				

Economy						
201 Economic performance	3-3 Topic Management	Created economic value, PEST analysis, SWOT analysis, Risk analysis, Financial Reporting, Subsidy processes				
	201-1 Direct economic value created and distributed	Created Economic Value				
	201-2 Financial implications and other risks and opportunities related to climate change	PEST analysis, SWOT analysis, Risk analysis, Financial reporting				
	201-4 Financial assistance received from the State	Subsidy Processes				
203 Indirect economic impacts	3-3 Topic Management	Operating results, economic value created				
	203-1 Supported investments in infrastructure and services	Operating Results				
	203-2 Significant indirect economic implications	Created economic value				
204 Procurement practices	3-3 Topic Management	Procurement Practice				
	204-1 Share of costs for local suppliers	Procurement Practice				
205 Anti-corruption	3-3 Topic Management	Anti-Corruption				
	205-1 Operations assessed for corruption risks	Anti-Corruption				
	205-2 Communication and training on anti-corruption policies and procedures	Anti-Corruption				
	205-3 Confirmed cases of corruption and measures taken	Anti-Corruption				
206 Obstacle to competition	3-3 Topic Management	Compliance with legal requirements				
	206-1 Lawsuits for anti-competitive behavior, antitrust and monopolistic practices	Compliance with legal requirements				
207 Taxes	3-3 Topic Management	Created Economic Value				
	207-1 Approach to taxation	Created Economic Value				
	207-2 Tax administration, control and risk management	Created Economic Value				
	207-3 Involvement of stakeholders and solving problems related to taxation	Created Economic Value				
Environment						
302 Energy	3-3 Topic Management	Environmental Protection				
	302-1 Internal energy consumption	Environmental Protection				

	302-4 Reducing energy consumption	Environmental Protection				
303 Water and discharges	3-3 Topic Management	Environmental Protection				
	303-1 Interaction with water as a shared resource	Environmental Protection				
	303-2 Management of impacts related to water discharge	Environmental Protection				
	303-3 Water intake	Environmental Protection				
305 Emissions	3-3 Topic Management		3-3 Topic Management	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	305-1 Direct (scope 1) greenhouse gas emissions		305-1 Direct (scope 1) greenhouse gas emissions	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	305-2 Energy indirect (area 2) greenhouse gas emissions		305-2 Energy indirect (area 2) greenhouse gas emissions	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	305-3 Other indirect (area 3) greenhouse gas emissions		305-3 Other indirect (area 3) greenhouse gas emissions	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	305-4 Intensity of greenhouse gas emissions		305-4 Intensity of greenhouse gas emissions	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	305-5 Reduction of greenhouse gas emissions		305-5 Reduction of greenhouse gas emissions	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
306 Waste	3-3 Topic Management	Environmental Protection				
	306-1 Waste generation and significant waste-related impacts	Environmental Protection				

	306-2 Management of significant waste-related impacts		306-2 Management of significant waste-related impacts	Not applicable	The Company does not generate waste that has a significant impact on the environment	
	306-3 Waste generated	Environmental Protection				
	306-4 Waste rejected from disposal		306-4 Waste rejected from disposal	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
	306-5 Waste intended for disposal		306-5 Waste intended for disposal	Information is not available	The Company is working on an accounting system of performance and expects its disclosure in subsequent reports	
Society						
401 Employment	3-3 Topic Management	Personnel Structure, Social support				
	401-1 New employees and employee turnover	Personnel Structure				
	401-3 Parental leave	Social Support				
402 Relationship between Employees and Management	3-3 Topic Management	Personnel Policy				
	402-1 Minimum time for notification of operational changes	Personnel Policy				
403 Occupational Health and Safety	3-3 Topic Management	Occupational health and safety, Sports and recreational activities				
	403-1 Occupational Health and Industrial Safety Management System	Occupational Health and Safety				
	403-2 Hazard identification, risk assessment and incident investigation	Occupational Health and Safety				
	403-3 Labor Protection Services	Occupational Health and Safety				
	403-4 Employee participation, consultation and communication on occupational health and safety	Occupational Health and Safety				
	403-5 Employee training on occupational health and safety	Occupational Health and Safety				

	403-6 Promotion of the health of employees	Sports and recreation activities, Social support				
	403-7 Prevention and mitigation of health and safety consequences at work directly related to business relations	Social Support				
	403-8 Employees covered by the occupational safety and industrial safety management system	Social Support				
	403-9 Work-related injuries	Occupational Health and Safety				
	403-10 Poor health related to work	Occupational Health and Safety				
404 Training and education	3-3 Topic Management	Staff training and development, Creation of equal career opportunities				
	404-1 Average number of hours of training per year per employee	Personnel Training and Development				
	404-2 Employee development and transition assistance programs	Personnel Training and Development				
	404-3 Percentage of employees who regularly receive performance and career growth reviews	Creating Equal Career Opportunities				
405 Diversity and equal opportunities	3-3 Topic Management	Personnel structure, Creation of equal career opportunities				
	405-1 Diversity of management bodies and employees	Personnel Structure				
	405-2 Ratio of basic salary and remuneration of women and men	Creating Equal Career Opportunities				
406 Non-Discrimination	3-3 Topic Management	Creating Equal Career Opportunities				
	406-1 Cases of discrimination and remedial measures taken	Creating Equal Career Opportunities				
418 Customer Privacy	3-3 Topic Management	Public Communications Policy				
	418-1 Substantiated complaints concerning violations of customer confidentiality and loss of customer data	Public Communications Policy				

Appendix 3. Financial Statements

for 2022 with Independent
Auditors' Report

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2. Basis of preparation	216	19. Advances received
3. Significant accounting policies	217	20. Deferred value added tax liabilities
4. Significant accounting judgments and estimates	234	21. Other liabilities
5. Cash and cash equivalents	235	22. Equity
6. Amounts due from credit institutions	237	23. Commitments and contingent liabilities
7. Loans to customers	238	24. Credit loss expense
8. Finance lease receivables	243	25. Other income
9. Inventories	248	26. Personnel and other operating expenses
10. VAT and other taxes	248	27. Risk management
11. Advances paid	249	28. Fair value measurement
12. Amounts due to the Shareholder	249	29. Maturity analysis of assets and liabilities ...
13. Amounts due to NMH Baiterek JSC	250	30. Related party transactions
14. Amounts due to credit institutions	251	31. Changes in liabilities arising from financing activities
15. Debt securities issued	253	32. Capital adequacy
16. Payables to suppliers	254	33. Segment reporting
17. Government grants	255	34. Subsequent events



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Independent Auditors' Report

To the Shareholder and the Board of Directors of KazAgroFinance JSC

Opinion

We have audited the financial statements of KazAgroFinance JSC (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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

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Key Audit Matters

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

Expected credit losses (ECL) for loans to customers and finance lease receivables

Please refer to the Notes 7, 8 and 27 in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans to customers and finance lease receivables represent 84% of total assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used.</p> <p>The Company applies the ECL model, which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> – timely identification of significant increase in credit risk and default events related to loans to customers and finance lease receivables (allocation between stages 1, 2 and 3 in accordance with IFRS 9); – assessment of probability of default (PD) and loss given default (LGD); – assessment of add-on adjustment to account for different scenarios and forward-looking information; – assessment of expected cash flows forecast for loans to customers and finance lease receivables, which are classified as credit-impaired. <p>Due to the significant volume of loans to customers and finance lease receivables and related estimation uncertainty, this area is a key audit matter.</p>	<p>We analysed the key aspects of the Company's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by management in relation to the allowance for ECL estimate, our audit procedures included the following:</p> <ul style="list-style-type: none"> – For a sample of loans to customers and finance lease receivables, we tested the correctness of data inputs for PD, LGD and EAD calculation, and timely recording of overdue days and repayments by agreeing input data to supporting documents on a sample basis. – For a sample of Stage 3 loans to customers and finance lease receivables, for which ECL allowances are assessed individually, we critically assessed assumptions used by the Company to forecast future cash flows, including estimated proceeds from realisation of collateral and their timing based on our understanding of historical experience and publicly available market information. – For loans to customers and finance lease receivables, for which ECL allowances are assessed collectively, we tested the design and operating effectiveness of controls over allocation of loans into credit risk stages.



	<ul style="list-style-type: none"> – We also analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers and debtors included in relevant grades. <p>We also assessed whether the financial statements disclosures appropriately reflect the Company's exposure to credit risk.</p>
Government grants	
Please refer to the Note 17 in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>In 2022 the Company received a loan of KZT 30,000,000 thousand bearing an interest rate of 0.35% per annum from Industrial Development Fund JSC.</p> <p>At initial recognition the loan was recognised at fair value measured by discounting the contractual future cash flows at relevant market interest rates.</p> <p>The difference between the fair value and the nominal value received of KZT 27,097,318 thousand was recognised as a government grant.</p> <p>Management uses its judgement in assessing whether difference between fair value and nominal value of loans received represents a government grant or a contribution from the shareholder, and in determining the methods used to amortise government grants, in order to match income received with any conditions attached to the government grant.</p> <p>Due to significance of these transactions and given the need to apply the above judgments this area is a key audit matter.</p>	<p>Our audit procedures included assessing management's judgement on whether the difference between the fair value and nominal value of loans received represents a government grant.</p> <p>We assessed the appropriateness of methods used to amortise government grants and accuracy of subsequent amortisation of government grants.</p> <p>We compared management's estimates of market interest rates applied to calculate fair values of the loans received at below-market rates to available market information, including involvement of our valuation specialists.</p> <p>We also assessed whether the financial statements disclosures appropriately reflect the information in relation to government grants.</p>



KazAgroFinance JSC
Independent Auditors' Report
Page 4

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS 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.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



KazAgroFinance JSC
Independent Auditors' Report
Page 5

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


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

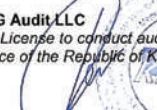
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditors' report is:


Madina Magomedova
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate
No. MΦ-0000594 of 24 May 2018


KPMG Audit LLC
State License to conduct audit #0000021, dated 6 December 2006 issued by the Ministry of
Finance of the Republic of Kazakhstan


Sergey Dementyev
General Director of KPMG Audit LLC
acting on the basis of the Charter

17 March 2023

Statement of financial position

as at 31 December 2022

KZT thousand	Note	31 December 2022	31 December 2021
Assets			
Cash and cash equivalents	5	64.764.023	30.011.182
Amounts due from credit institutions	6	61.833	35.098.466
Loans to customers	7	13.287.308	21.720.408
Finance lease receivables*	8	393.664.193	314.712.495
Inventories	9	2.869.777	3.001.248
Current corporate income tax assets	18	134.115	134.115
Property, plant and equipment		972.822	902.719
Intangible assets		447.612	491.984
VAT and other taxes	10	8.196.088	6.405.180
Advances paid	11	554.302	477.865
Other assets		307.421	389.959
Total assets		485.259.494	413.345.621
Liabilities			
Amounts due to the Shareholder	12	22.062.088	12.087.335
Amounts due to NMH Baiterek JSC	13	11.584.240	-
Amounts due to credit institutions	14	30.638.480	66.310.724
Debt securities issued	15	206.717.109	157.204.186
Payables to suppliers	16	2.713.514	5.778.126
Government grants	17	27.025.951	-
Deferred corporate income tax liabilities	18	7.584.525	7.359.124
Advances received	19	6.900.816	5.471.667
Deferred VAT liabilities	20	10.917.373	8.817.626
Other liabilities	21	2.164.986	2.846.819
Total liabilities		328.309.082	265.875.607
Equity			
Share capital	22	82.837.204	82.837.204
Additional paid-in capital	22	57.791.144	56.818.898
Reserve capital	22	1.436.184	1.436.184
Retained earnings		14.885.880	6.377.728
Total equity		156.950.412	147.470.014
Total liabilities and equity		485.259.494	413.345.621
Book value per ordinary share (KZT)	22	1.889,28	1.774,30

* Finance lease receivables as at 31 December 2022 include amount receivable from lessees of KZT 10,917,373 thousand, which represents a value-added tax asset (31 December 2021: KZT 8.817.626 thousand).

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

Orazbayev Zhanuzak Zhenisovich

Deputy Chairman of the Management Board

Spivak Olga Arkadiyevna

Chief Accountant

17 March 2023

The notes set out on pages 215 to 285 form an integral part of these financial statements.

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

KZT thousand	Note	2022	2021
Interest income calculated using the effective interest rate			
Loans to customers		840.600	2.363.188
Cash and cash equivalents		6.738.036	1.821.126
Amounts due from credit institutions		949.961	1.445.309
		8.528.597	5.629.623
Other interest income			
Finance lease receivables		49.602.034	41.366.107
		49.602.034	41.366.107
Total interest income		58.130.631	46.995.730
Interest expense			
Debt securities issued		(20.907.428)	(12.808.420)
Amounts due to credit institutions		(5.529.242)	(7.471.038)
Amounts due to the Shareholder		(1.745.951)	(2.670.052)
Amounts due to NMH Baiterek JSC		(652.041)	-
Total interest expense		(28.834.662)	(22.949.510)
Net interest income		29.295.969	24.046.220
Credit loss expenses	24	(3.323.367)	(2.946.841)
Net interest income after credit loss expense		25.972.602	21.099.379
Net foreign exchange (loss)/gain		(553.372)	208.972
Other income	25	838.104	683.784
Personnel expenses	26	(3.498.647)	(3.337.628)
Other operating expenses	26	(1.482.335)	(1.242.411)
Other impairment losses and provisioning expenses	24	(174.246)	(320.708)
Net loss on modification of loans to customers and finance lease receivables non-resulting in derecognition		(70.013)	(211.963)
Non-interest expense		(4.940.509)	(4.219.954)
Profit before income tax benefit		21.032.093	16.879.425
Corporate income tax (expense)/benefit	18	(412.719)	422.320
Profit for the year		20.619.374	17.301.745
Other comprehensive income		-	-
Total comprehensive income for the year		20.619.374	17.301.745
Basic and diluted earnings per ordinary share (KZT)	22	248.91	208,86

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

Orazbayev Zhanuzak Zhenisovich

Deputy Chairman of the Management Board

Spivak Olga Arkadiyevna

Chief Accountant

17 March 2023

The notes set out on pages 215 to 285 form an integral part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2022

<i>KZT thousand</i>	Share capital	Additional paid-in capital	Reserve capital	Retained earnings	Total
At 1 January 2021	82.837.204	31.607.374	1.436.184	(4.352.634)	111.528.128
Total comprehensive income for the year	-	-	-	17.301.745	17.301.745
Gain on initial recognition of loans received from the Shareholder at below-market rates net of tax of KZT 6.302.881 thousand	-	25.211.524	-	-	25.211.524
Dividend declared (Note 22)	-	-	-	(6.718.739)	(6.718.739)
Recovery of provision in relation to guarantee issued to the subsidiary of the Shareholder	-	-	-	147.356	147.356
At 31 December 2021	82.837.204	56.818.898	1.436.184	6.377.728	147.470.014
Total comprehensive income for the year	-	-	-	20.619.374	20.619.374
Discount on initial recognition of bonds issued at below-market rates net of tax of KZT 189.110 thousand (Note 15)	-	756.439	-	-	756.439
Gain on initial recognition of loans received from the Shareholder at below-market rates net of tax of KZT 53.951 thousand	-	215.807	-	-	215.807
Dividend declared (Note 22)	-	-	-	(12.111.222)	(12.111.222)
At 31 December 2022	82.837.204	57.791.144	1.436.184	14.885.880	156.950.412

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

Orazbayev Zhanuzak Zhenisovich

Deputy Chairman of the Management Board

Spivak Olga Arkadiyevna

Chief Accountant

17 March 2023

The notes set out on pages 215 to 285 form an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2022

<i>KZT thousand</i>	Note	2022	2021
Cash flows from operating activities			
Interest received		56.211.181	43.546.441
Interest paid		(23.936.576)	(18.824.307)
Realised income/(losses) less foreign exchange (loss)/gain		123.697	(24.281)
Personnel expenses paid		(3.354.447)	(3.177.691)
Other operating expenses paid		(1.167.203)	(833.387)
Other income received		329.873	353.334
Cash flows from operating activities before changes in operating assets and liabilities		28.206.525	21.040.109
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		35.213.548	4.617.633
Loans to customers		4.117.738	6.394.306
Finance lease receivables		(76.416.128)	(56.452.915)
VAT and other taxes		(2.957.175)	(322.200)
Advances paid		(342.997)	(266.724)
Other assets		62.705	(103.868)
Net increase/(decrease) in operating liabilities			
Advances received		1.429.149	49.238
Other liabilities		(514.858)	978.362
Net cash flows used in operating activities before corporate income tax paid		(11.201.493)	(24.066.059)
Corporate income tax paid		(430.379)	(358.546)
Net cash flows used in operating activities		(11.631.872)	(24.424.605)
Cash flows from investing activities			
Purchases of property, plant and equipment and intangible assets		(295.806)	(209.735)
Proceeds from sales of property, plant and equipment		12.761	4.915
Net cash flows used in investing activities		(283.045)	(204.820)

Statement of cash flows (continued)

for the year ended 31 December 2022

Cash flows from financing activities			
Proceeds from loans due to the Shareholder	31	5.500.000	5.835.875
Repayment of loans due to the Shareholder	31	(3.941.071)	(15.782.396)
Repayment of loans due to NMH Baiterek JSC	31	(176.191)	-
Receipt of loans due to credit institutions	31	30.000.000	18.917.333
Repayment of loans due to credit institutions	31	(20.068.509)	(16.883.249)
Proceeds from debt securities issued	31	65.230.366	65.000.000
Repayment of debt securities issued	31	(17.990.000)	(8.000.000)
Dividends paid to the Shareholder	31	(12.111.222)	(6.718.739)
Net cash flows from financing activities		46.443.373	42.368.824
Effect of changes in exchange rates on cash and cash equivalents		226.506	36.593
Effect of movements in expected credit losses on cash and cash equivalents	24	(2.121)	(386)
Net increase in cash and cash equivalents		34.752.841	17.775.606
Cash and cash equivalents at the beginning of the year	5	30.011.182	12.235.576
Cash and cash equivalents at the end of the year	5	64.764.023	30.011.182

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

Orazbayev Zhanuzak Zhenisovich

Deputy Chairman of the Management Board

Spivak Olga Arkadiyevna

Chief Accountant

17 March 2023

The notes set out on pages 215 to 285 form an integral part of these financial statements.

Notes to the Financial Statements for 2022

(KZT thousand)

1. Corporate information

KazAgroFinance Joint Stock Company (the “Company”) was established by the Decree of the Government of the Republic of Kazakhstan No. 1777 dated 24 November 1999 “On Certain Agricultural Issues”, under Kazakhstan legislation. The Company carries out its activities based on the license No.16 of March 2006 issued by the National Bank of the Republic of Kazakhstan (the “NBRK”) for conducting operations provided for by the banking legislation of the RK. Besides, the Company has a status of a financial agency according to the Resolution of the NBRK No.195 dated 23 September 2006.

The Company’s principal activities are as follows:

- leasing activity in the agro-industrial complex;
- lending to the agro-industrial complex;
- participation in implementation of the programmes funded from the national budget and other programmes aimed at development of the agro-industrial complex.

The Company’s registered office is: 51 Kenesary Str., Astana, Republic of Kazakhstan.

As at 31 December 2022, the Company has 16 registered branches throughout the Republic of Kazakhstan (31 December 2021: 15 registered branches in the Republic of Kazakhstan).

Before 18 March 2021, KazAgro National Management Holding Joint Stock Company owned 100% of the Company's shares. In accordance with section 52 of the National Action Plan for the Implementation of President of Kazakhstan’s State of the Nation Address of 1 September 2020 “Kazakhstan in a New Reality: Time for Action,” approved by the Decree No. 413 of the President of the Republic of Kazakhstan of 14 September 2020, a single development institution has been established through the merger of National Managing Holding Baiterek Joint Stock Company (“NMH Baiterek JSC”) and KazAgro National Management Holding Joint Stock Company. On 18 March 2021, 100% of the Company's shares were transferred to National Managing Holding Baiterek Joint Stock Company.

On 15 July 2022, at the meeting of the Board of Directors of NMH Baiterek JSC a decision was made to transfer 100% of ordinary shares of KazAgroFinance JSC owned by NMH Baiterek JSC to Agrarian Credit Corporation JSC at a cost of KZT 147.470.014 thousand to pay for placement of ordinary shares of Agrarian Credit Corporation JSC. On 25 July 2022, 100% of the Company’s shares were transferred to Agrarian Credit Corporation JSC.

As at 31 December 2022 the Company's sole shareholder is Agrarian Credit Corporation JSC (the "Shareholder"). The Shareholder is a subsidiary of NMH Baiterek JSC. The Company's ultimate owner is the Government of the Republic of Kazakhstan.

As at 31 December 2021 the sole shareholder of the Company is NMH Baiterek JSC.

Kazakhstan business environment

The Company's operations are primarily located in Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. Depreciation of the Kazakhstan Tenge, volatility in the global price of oil and the COVID-19 pandemic have also increased the level of uncertainty in the business environment.

The recent geopolitical uncertainty around Russia and Ukraine has further elevated levels of economic uncertainty in Kazakhstan.

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict affects not only the economic activity of two countries but the global economy as well. As a result of sanctions, commodity and food prices have risen in many countries around the world, the established links between supply of resources have been disrupted, inflation also affects the prices, and analysts also forecast economic implications for the global industry.

The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The actual future business environment may differ from management's assessment.

2. Basis of preparation

General

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

The accompanying financial statements are prepared under the historical cost convention.

The financial statements are presented in thousands of Kazakhstani tenge ('KZT thousand'), except per ordinary share carrying amounts or unless otherwise indicated.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1– Quoted (unadjusted) market prices in active markets for identical assets or liabilities (without adjustments).
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Company commits to purchase the asset or liability. Regular way purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

The classification of financial assets at initial recognition depends on the contractual terms and business model used for managing instruments. Financial instruments are initially measured at fair value plus transaction costs.

Initial measurement

Measurement categories of financial assets and liabilities

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- amortised cost;
- fair value through other comprehensive income (FVOCI);
- at fair value through profit or loss (FVTPL).

The Company classifies and measures its derivative and trading portfolio at FVTPL. The Company may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investment securities measured at amortised cost

The Company only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- a financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These terms are detailed below.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed at the level of individual instruments but at a higher level of aggregated portfolios and is based on observable factors, such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the business model and the financial assets held within that business model is evaluated and how this information is reported to the key management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the expected frequency, volume and timing of sales are also important aspects of the Company's business model assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

“Solely payments of principal and interest on the principal amount outstanding” test (SPPI test)

As a second step of its classification process, the Company assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

Debt instruments measured at FVOCI

The Company measures debt instruments at FVOCI, if both of the following conditions are met:

- the instrument is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets;
- contractual terms of the financial assets comply with the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ('OCI'). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Expected credit losses (ECL) on debt instruments at FVOCI will not decrease the carrying amount of these financial assets in the statement of financial position that continue to be measured at fair value. Instead, the amount equal to the allowance for expected losses that would be created when measuring the asset at amortised cost is recognized in OCI as the cumulative amount of the impairment with the recognition of corresponding amounts in profit or loss. The cumulative amount of losses recognised in OCI is reclassified to profit or loss when the asset is derecognised.

The Company sometimes at initial recognition of some investments in equity instruments makes an irrevocable decision to classify investments in equity instruments at FVTPL if they meet the definition of an equity instrument according to IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are

recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of such instruments, accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees and credit related commitments

The Company issues financial guarantees and credit related commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit and loss and ECL allowance.

Credit related commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer.

The Company occasionally issues commitments to provide loans at below-market interest rates. Such commitments are initially recognised at fair value and subsequently measured at the higher of an ECL allowance and the amount initially recognised less cumulative income, where appropriate.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantees do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. Therefore, performance guarantees are not considered financial instruments and thus do not fall in scope of IFRS 9.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets and liabilities in 2022 and 2021.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and amounts due from credit institutions that mature within not more than 90 (ninety) days of the date of origination and are free from contractual encumbrances.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the shareholder and amounts due to credit institutions. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

If the Company purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Restructured loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Company derecognises a financial asset, e.g. a loan to a customer, if the related contractual terms are renegotiated to the extent that it in fact becomes a new loan, and records the difference as gains or losses arising from derecognition before impairment loss is recognised. Upon initial recognition the loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI. When assessing, whether the loan to customer should be derecognised, the Company considers the following:

- change in currency of the loan;
- change in counterparty;
- if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not imply a substantial change in cash flows, such modification does not result in a derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss that is presented within other income or losses in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

If the modification does not result in derecognition, the Company also reassesses the significant increase in credit risk or the need to classify assets as credit-impaired. After the designation of an asset as credit-impaired as a result of modification, it remains within Stage 3 for a probation period of at least 6 months. To transfer a restructured loan from Stage 3, regular payments of more than insignificant amounts of principal or interest are needed during at least half of the probation period in accordance with the modified amortisation schedule.

Modification of the terms of financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If a modification (or exchange) does not result in the derecognition of the financial liability the Company applies accounting policy consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset, i.e. the Company recognises any adjustment to the amortised cost of the financial liability arising from such a modification (or exchange) in profit or loss at the date of the modification (or exchange).

Changes in cash flows on existing financial liabilities are not considered as modification if they result from existing contractual terms.

The Company assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. The Company concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion feature;
- change the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash

flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised from the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its right to receive cash flows from the asset, or has assumed an obligation to transfer the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Write-off

Financial assets are written off in part or in full, only when the Company does not expect to recover their value. If the amount to be written off is higher than the accumulated impairment allowance, the difference is at first recorded as the increase in the allowance that is subsequently applied to the gross carrying amount. All the subsequent reversals are recognised as credit loss expenses. The write-off relates to the derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Taxation

The current corporate income tax charge is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred corporate income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Company performs offsetting of deferred tax assets and deferred tax liabilities and records them in the statement of financial position on a net basis, when:

- the Company has a legally enforced right to offset current tax assets against current tax liabilities, and
- deferred tax assets and deferred tax liabilities refer to corporate income tax charged by the same tax body from the same taxpayer.

The Company performs its activities in the Republic of Kazakhstan, and it is required to accrue and pay different taxes that are applied to the Company's activities. These taxes are recorded in the statement of profit or loss within other operating expenses.

Property, plant and equipment

Property, plant and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of equipment when that cost is incurred if the capitalisation criteria are met.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Depreciation rate
Land	0%
Buildings and constructions	2%
Vehicles	10-14%
Computers and office equipment	14-20%
Other	6-20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalisation.

Property held for finance lease

Property held for finance lease is stated at the lower of cost and net realisable value. Cost of property held for finance lease comprises direct charges incurred in bringing the property to its present location and condition.

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic lives of 1-10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Estimated liabilities

Estimated liabilities are recognised: when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the grant will be received and the Company will comply with any conditions attached to the grant. Government grants exclude assistance by government in the form of transfers of resources for subsequent transfer to third parties with no obligation for the Company for past or future compliance with certain conditions relating to its operating activities.

A government grant may take a form of benefit of the below-market rate of interest government loans. Such loans are recognised and measured in accordance with IFRS 9 Financial Instruments. The amount of benefit is measured as the difference between the initial fair value of a loan and the proceeds received from this loan.

In cases where the government acts as a Shareholder providing loans at a below market rate, the amount of benefit of the below-market rate of interest government loans is accounted for as the Shareholder's contribution.

Government grants are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

When funds are received to finance the finance lease transactions, the government grant is recognised as income on a systematic basis and compensates the negative effect of interest accrued at the market rate on a loan received at a below market rate. Such government grant income reduces the related interest expense in the statement of profit or loss and other comprehensive income.

Share capital *Charter capital*

Contributions to share capital are recognised at historical cost, less direct costs to issue shares.

Additional paid-in capital

When the Company receives loans or other financial aid from its shareholder at interest rates below market rates, the difference between the cash received and the fair value of the loans received is accounted for as additional paid-in capital.

Reserve capital

Reserve capital may be increased by transferring funds from retained earnings based on a decision of the Company's Shareholder.

Dividends

Dividends are recognised as liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Segment reporting

The Company's business and geographical segments were not presented separately in these financial statements as management believes that the main operating segment of lending and finance leasing is agricultural organisations in the Republic of Kazakhstan, for which the risks and level of return are considered similar throughout the country.

Contingencies

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Revenue and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expenses

The Company calculates interest income on debt financial assets measured at amortised cost or at fair value through other comprehensive income by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment option) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial asset is cured and no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Interest income calculated using the effective rate presented in the statement of profit or loss comprises interest income on financial assets measured at amortised cost and interest income on debt financial assets measured at fair value through other comprehensive income.

Other interest income presented in the statement of profit or loss includes interest income on finance lease receivables.

Fee and commission income

The Company earns commission income from a diverse range of services it provides to its customers.

Loan origination fees are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently recognised as an adjustment of actual proceeds from the loan. When the probability to enter into credit arrangement under loan commitments is remote, loan commitment fees are recognised in the statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Upon expiration loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognised in the statement of profit or loss and other comprehensive income on the date of its expiration.

Loan servicing fees are accounted for as services are provided. Syndicated loan fees are recognised in the statement of profit or loss and other comprehensive income when such financing services are provided. Other fees are recognised as services are provided.

Leases

Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties

for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Company also applies the lease of low-value assets recognition exemption to office equipment leases wherein an underlying asset is considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the statement of financial position and statement of profit or loss

As at 31 December 2022 and 31 December 2021 the Company did not sign finance lease agreements for which the Company is a lessee. For the periods ended 31 December 2022 and 31 December 2021, the Company recognised expenses on short-term leases in the amount of KZT 129.137 and KZT 113.605 thousand, respectively. The Company did not conclude leases for low-value assets.

Finance lease – Company as lessor

The Company recognises lease payment receivables in the amount equal to net investments in lease from commencement of the lease term. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are recorded within initial amount of lease payment receivables.

Leases which assume transfer of substantially all the risks and rewards of ownership are classified as finance leases (leasing).

Whether a lease is a finance lease depends on the substance of the transaction rather than the form. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

1. the lease transfers ownership of the asset to the lessee by the end of the lease term;
2. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised;
3. the lease term is for the major part of the economic life of the asset even if title is not transferred;
4. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, or
5. the leased assets are of such a specialised nature that only the lessee can use them without major modifications being made.

IFRS 16 also identifies characteristics that, individually or in combination, can lead to a lease being classified as a finance lease:

1. if the lessee is entitled to cancel the lease early, the lessor's losses associated with the cancellation are borne by the lessee;
2. gains or losses from fluctuations in the fair value of the residual fall to the lessee (for example, by means of a rebate of lease payments equal to the majority of the proceeds from the sale at the end of the lease term); and
3. the lessee has the ability to continue to lease for a secondary period at a rent that is substantially lower than market rent.

Initial measurement

Upon lease commencement, the Company shall recognise assets held under a finance lease as a receivable at an amount equal to the net investment in the lease.

Initial recognition is made on the date of signing of the act of transfer/acceptance of the leasing item with the lessee. The net investment in the lease is the gross investment in the lease discounted at the interest rate implicit in the lease.

Initial direct costs associated with the acquisition of the leasing item are included in the initial measurement of financial lease receivables.

Lease payments are made by lessees on a regular basis in accordance with finance lease agreements. Lease payments are allocated in accordance with the terms of concluded finance lease agreements.

The recognition of finance income should be based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. The accrual of interest begins at commencement of the lease term, unless otherwise is stipulated by the terms of the finance lease.

The commencement date of a lease is the date on which the lessor makes an asset available for use by a lessee. This is the date of initial recognition of the lease (i.e. recognition by the lessee of the relevant assets, liabilities, income or expenses arising from the lease).

Derecognition

Writing off the principal, fees and other receivables on finance lease at the expense of the established provisions is made in the following cases:

1. declaring the debtor bankrupt and/or excluding the debtor from the national registers of identification numbers;
2. the Company has received an act of the bailiff to terminate the enforcement proceedings and return the writ of execution to the claimant due to the debtor's lack of property that can be foreclosed. At the same time, debt cancellation is made only if the bankruptcy proceedings cannot be applied due to legal restrictions.

Fees may be charged under finance leases. If the fee is an integral part of the effective interest rate for a finance lease such fee is recognised as a discount to the principal amount of the finance lease and is credited to income using the effective interest method. The fee is payable within the terms stipulated by the contract.

The Company records a modification of finance lease as a lease if the following two conditions are met:

1. assets increase under the lease agreement; and
2. consideration for the lease is increased by an amount commensurate with the stand-alone selling price to increase the scope, and by appropriate adjustments to that stand-alone selling price to reflect the circumstances of the particular contract.

If the modification to a finance lease is not recorded as a separate lease agreement, the Company accounts for the modification under IFRS 9.

In the event of a finance lease in which the Company acts as a lessee, the Company will be guided by the relevant provisions of IFRS 16 Leases for recognition and measurement of transactions.

Foreign currency translation

The Financial statements are presented in Kazakhstani tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency, converted at the rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss and other comprehensive income as net losses from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The difference between the contractual exchange rate of a transaction in a foreign currency and the official (Kazakhstan Stock Exchange (KASE) exchange rate as at the date of the transaction) are included in gains less losses from translation difference. Below are the exchange rates used by the Company in preparation of these financial statements:

	31 December 2022	31 December 2021
KZT/USD	462.65	431.80
KZT/EUR	492.86	489.10
KZT/RUB	6.43	5.76

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Classification of Liabilities as Current or Non-current (Amendments IAS 1).
- IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).

A number of new interpretations are effective for annual periods beginning after 1 January 2022. Application of these interpretations did not have significant impact on the Company's financial statements.

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 28.

Assessment of collateral

Management of the Company monitors collateral on a regular basis. Management uses its judgments based on experience or independent estimates to adjust the value of collateral to reflect current market conditions. Additional details are provided in Notes 7, 8 and 9.

Expected credit losses / losses from impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining the ECL / impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgments and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The grouping of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formula and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default (PD), exposures at default (EAD) and losses given default (LGD);

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Additional details are provided in Note 27.

Taxation

Tax, currency and customs legislation of the Republic of Kazakhstan is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant local or state authorities. As such, significant additional taxes, penalties and interest may be assessed. Tax periods remain open to review by relevant authorities for 5 (five) calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2022 and 31 December 2021, management believes that its interpretation of the legislation is appropriate and that the Company's tax, currency and customs positions will be sustained.

5. Cash and cash equivalents

As at 31 December 2022 and 31 December 2021 cash comprises:

	31 December 2022	31 December 2021
Cash on current bank accounts:		
• with the National Bank of the Republic of Kazakhstan	1.800.000	5.821.923
• rated from BBB- to BBB+	19.476.020	20.620.384
• rated from BB- to BB+	8.803.664	68.349
• rated from B- to B+	5	-
Total cash on current bank accounts	30.079.689	26.510.656
Reverse repurchase agreements for securities (bonds) with original maturities of less than three months	5.120.768	-
Total reverse repurchase agreements for securities (bonds) with original maturities of less than three months	5.120.768	-
NBRK notes with maturity less than 90 days	29.566.366	-
Total NBRK notes with maturity less than 90 days	29.566.366	-
Deposits with the original maturity of less than three months		
• not rated (Citibank JSC)	-	3.501.205
Total deposits with the original maturity of less than three months	-	3.501.205
Total cash and cash equivalents before loss allowances for expected credit losses	64.766.823	30.011.861
ECL allowance	(2.800)	(679)
Total cash and cash equivalents net of loss allowances for expected credit losses	64.764.023	30.011.182

As at 31 December 2022 the Company has accounts with one bank, whose total balances of cash and cash equivalents exceed 10% of the Company's equity. The gross value of these balances with the above bank as at 31 December 2022 is KZT 19.476.020 thousand or 30,07% of total cash and cash equivalents (31 December 2021: held with one bank KZT 20.620.384 thousand or 68,71%). The Company also holds assets (NBRK notes and reverse repurchase agreements) with one entity, whose total balances of cash and cash equivalents exceed 10% of the Company's equity. The gross value of these balances related to cash and cash equivalents as at 31 December 2022 is KZT 33.293.257 thousand or 51,41% of total cash and cash equivalents.

As at 31 December 2022, the Company entered into reverse repo agreements at Kazakhstan Stock Exchange. Fair value of the pledged securities was KZT 5.069.726 thousand (31 December 2021: none).

As at 31 December 2022, the reverse repurchase agreements were secured by the treasury notes of the Ministry of Finance of the Republic of Kazakhstan with fair value of KZT 2.196.256 thousand, bonds issued by the National Bank of the Republic of Kazakhstan with fair value of KZT 1.925.339 thousand, and bonds issued by the Eurasian Development Bank with fair value of KZT 948.131 thousand.

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. None of cash and cash equivalents are past due and categorised into Stage 1 of credit risk grading.

Credit quality analysis

Cash is mainly comprised of instruments with a high credit rating and low risk. As at 31 December 2022 and 31 December 2021 the Company recognised allowance for expected credit losses on cash and cash equivalents at an amount equal to 12-month ECL.

6. Amounts due from credit institutions

As at 31 December 2022 and 31 December 2021 amounts due from credit institutions comprise:

	31 December 2022	31 December 2021
Amounts due from credit institutions		
• rated from B- to B+	61.836	35.099.362
Total amounts due from credit institutions before loss allowances for expected credit losses	61.836	35.099.362
ECL allowance	(3)	(896)
Total amounts due from credit institutions net of loss allowances for expected credit losses	61.833	35.098.466

The above table is based on the credit ratings assigned by Standard & Poor's or other agencies converted into Standard & Poor's scale. No amounts due from credit institutions are past due.

As at 31 December 2022 amounts due from credit institutions do not include foreign currency deposits with banks (31 December 2021: included KZT 4.157.317 thousand).

As at 31 December 2022 the Company had no banks (31 December 2021: had no balances), whose balances exceeded 10% of equity.

None of amounts due from credit institutions are past due and categorised into Stage 1 of credit risk grading.

Credit quality analysis

Amounts due from credit institutions are mainly comprised of instruments with a high credit rating and low risk.

As at 31 December 2022 the Company recognised allowance for expected credit losses on amounts due from credit institutions at an amount equal to 12-month ECL.

7. Loans to customers

As at 31 December 2022 and 31 December 2021 loans to customers comprise:

	31 December 2022	31 December 2021
Loans to legal entities	27.447.542	31.691.418
Loans to individuals	3.399.132	3.514.154
Total loans to customers before ECL allowance	30.846.674	35.205.572
ECL allowance	(17.559.366)	(13.485.164)
Loans to customers	13.287.308	21.720.408

ECL allowance for loans to customers measured at amortised cost

An analysis of changes in the ECL allowance for 2022 in respect of legal entities is as follows:

Legal entities	2022			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
ECL allowance at 1 January 2022	121.019	14.844	12.295.220	12.431.083
New assets originated or purchased	–	–	–	–
Transfers to Stage 1	281.755	(281.755)	–	–
Transfers to Stage 2	–	468.783	(468.783)	–
Transfers to Stage 3	(103.152)	(16.195)	119.347	–
Net (reversal)/charge for the period	(157.998)	(185.677)	3.415.348	3.071.673
Unwinding of discount on present value of ECLs	–	–	256.257	256.257
Amounts written off	–	–	(173.677)	(173.677)
At 31 December 2022	141.624	–	15.443.712	15.585.336

An analysis of changes in the ECL allowance for 2022 in respect of individuals is as follows:

Individuals	2022			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
ECL allowance at 1 January 2022	–	–	1.054.081	1.054.081
New assets originated or purchased	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Net charges of loss allowance	–	–	912.977	912.977
Unwinding of discount on present value of ECLs	–	–	6.972	6.972
Amounts written off	–	–	–	–
At 31 December 2022	–	–	1.974.030	1.974.030

An analysis of changes in the ECL allowance for 2021 in respect of legal entities is as follows:

Legal entities	2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
ECL allowance at 1 January 2021	17.605	139.338	14.048.835	14.205.778
New assets originated or purchased	190.378	–	–	190.378
Transfers to Stage 1	163.596	(163.596)	–	–
Transfers to Stage 2	(7.030)	212.080	(205.050)	–
Transfers to Stage 3	(18.947)	4.444	14.503	–
Net recovery of loss allowance	(224.583)	(177.422)	(2.063.610)	(2.465.615)
Unwinding of discount on present value of expected credit losses	–	–	500.542	500.542
Amounts written off	–	–	–	–
At 31 December 2021	121.019	14.844	12.295.220	12.431.083

An analysis of changes in the ECL allowance for 2021 in respect of individuals is as follows:

Individuals	2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
ECL allowance at 1 January 2021	–	–	987.973	987.973
New assets originated or purchased	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Net charge of loss allowance	–	–	74.851	74.851
Unwinding of discount on present value of expected credit losses	–	–	5.608	5.608
Amounts written off	–	–	(14.351)	(14.351)
At 31 December 2021	–	–	1.054.081	1.054.081

In determining the ECL allowance for loans to customers at 31 December 2022, management used the following key assumptions:

- the PD on loans categorised into Stage 1 credit exposures was estimated at 4,48%-25,92% and for loans categorised into Stage 2 credit exposures – at 54,92%, depending on a borrower's segment and remaining maturities;
- the LGD parameter for loans categorised into Stage 1 credit exposures was estimated at 7%; for loans categorised into Stage 2 was not available; and for loans categorised into Stage 3 – at 55%.

In determining the ECL allowance for loans to customers at 31 December 2021, management used the following key assumptions:

- the PD on loans categorised into Stage 1 credit exposures was estimated at 7,48%-31,01% and for loans categorised into Stage 2 credit exposures – at 48,52%-67,91%, depending on a borrower's segment and remaining maturities;
- the LGD parameter for loans categorised into Stage 1 credit exposures averaged 4%; for loans categorised into Stage 2 averaged 6%; and for loans categorised into Stage 3 – 46%.

Changes in the above estimates could affect the ECL allowance for loans issued. For example, to the extent that the net present value of the estimated cash flows differs by plus one percent, allowance for expected credit losses on loans issued as at 31 December 2022 would be KZT 91,430 thousand lower (31 December 2021: KZT 125,300 thousand).

The following table provides information on the credit quality of loans to customers as at 31 December 2022 and 31 December 2021:

	31 December 2022			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Legal entities				
• not overdue	771.997	36.847	3.275.114	4.083.958
• overdue less than 30 days	1.263.060	–	2.388.443	3.651.503
• overdue more than 31 days and less than 90 days	–	–	3.445.523	3.445.523
• overdue more than 91 days and less than 180 days	–	–	86.282	86.282
• overdue more than 181 days and less than 1 year	–	–	589.570	589.570
• overdue more than 1 year	–	–	15.590.706	15.590.706
	2.035.057	36.847	25.375.638	27.447.542
Loss allowance	(141.624)	–	(15.443.712)	(15.585.336)
Total loans to customers	1.893.433	36.847	9.931.926	11.862.206

	31 December 2022			
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	Total
Individuals				
• not overdue	175.667	–	948.645	1.124.312
• overdue less than 30 days	–	–	–	–
• overdue more than 31 days and less than 90 days	–	–	–	–
• overdue more than 91 days and less than 180 days	–	–	–	–
• overdue more than 181 days and less than 1 year	–	–	–	–
• overdue more than 1 year	–	–	2.274.820	2.274.820
	175.667	–	3.223.465	3.399.132
Loss allowance	–	–	(1.974.030)	(1.974.030)
Total loans to customers	175.667	–	1.249.435	1.425.102

	31 December 2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
Legal entities				
• not overdue	2.170.795	–	4.755.365	6.926.160
• overdue less than 30 days	4.190	–	3.044.645	3.048.835
• overdue more than 31 days and less than 90 days	–	710.428	3.337.412	4.047.840
• overdue more than 91 days and less than 180 days	–	–	818.158	818.158
• overdue more than 181 days and less than 1 year	–	–	1.376.042	1.376.042
• overdue more than 1 year	–	–	15.474.383	15.474.383
	2.174.985	710.428	28.806.005	31.691.418
Loss allowance	(121.019)	(14.844)	(12.295.220)	(12.431.083)
Total loans to customers	2.053.966	695.584	16.510.785	19.260.335

	31 December 2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
Individuals				
• not overdue	280.226	–	14.157	294.383
• overdue less than 30 days	–	–	884.869	884.869
• overdue more than 31 days and less than 90 days	–	24.900	–	24.900
• overdue more than 91 days and less than 180 days	–	–	–	–
• overdue more than 181 days and less than 1 year	–	–	–	–
• overdue more than 1 year	–	–	2.310.002	2.310.002
	280.226	24.900	3.209.028	3.514.154
Loss allowance	–	–	(1.054.081)	(1.054.081)
Total loans to customers	280.226	24.900	2.154.947	2.460.073

Analysis of movements in the gross carrying amounts

The note further explains how significant movements in the gross carrying amounts of loans to customers have contributed to changes in loss allowances for expected credit losses.

During 2022, repayments of loans to customers designated to Stage 3 of KZT 2.464.108 thousand (31 December 2021: KZT 6.900.152 thousand) and to Stage 2 of KZT 2.826 thousand (31 December 2021: KZT 1.850.999 thousand) resulted in a decrease in the allowance for expected credit losses in the amount of KZT 1.195.079 thousand on loans to customers designated to Stage 3 (31 December 2021: KZT 1.743.858 thousand) and KZT 533 thousand on loans to customers designated to Stage 2 (31 December 2021: KZT 33.355 thousand).

Collateral and other instruments that reduce credit risk

The amount and type of collateral required by the Company depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of commercial lending collateral include real estate, land and agricultural machinery.

The following table provides information on collateral and other credit enhancements related to loans to customers (net of loss allowance) as at 31 December 2022, by types of collateral:

	Loans to customers, carrying amount	Fair value of collateral – for collateral assessed during the reporting period
Loans to customers, under which the ECL are within 12 months:		
Real estate	2.069.100	2.069.100
Total loans to customers, under which the ECL are within 12 months	2.069.100	2.069.100
Loans to customers with lifetime ECL of assets not credit-impaired:		
Real estate	36.847	36.847
Total loans to customers with lifetime ECL of assets not credit-impaired	36.847	36.847
Loans to customers with lifetime ECL of assets credit-impaired:		
Real estate	10.976.795	10.976.795
Vehicles	97.754	97.754
Other collateral	5.977	5.977
No collateral or other credit enhancement	100.835	100.835
Total loans to customers with lifetime ECL of assets credit-impaired	11.181.361	11.181.361
Total loans to customers	13.287.308	13.287.308

The following table provides information on collateral and other credit enhancements related to loans to customers (net of impairment allowance) as at 31 December 2021, by types of collateral:

	Loans to customers, carrying amount	Fair value of collateral – for collateral assessed during the reporting period
Loans to customers, under which the ECL are within 12 months:		
Real estate	2.334.192	2.334.192
Total loans to customers, under which the ECL are within 12 months	2.334.192	2.334.192
Loans to customers with lifetime ECL of assets not credit-impaired:		
Real estate	720.484	720.484
Total loans to customers with lifetime ECL of assets not credit-impaired	720.484	720.484
Loans to customers with lifetime ECL of assets credit-impaired:		
Real estate	18.475.988	18.475.988
Vehicles	66.105	66.105
Other collateral	123.639	123.639
Total loans to customers with lifetime ECL of assets credit-impaired	18.665.732	18.665.732
Total loans to customers	21.720.408	21.720.408

Management monitors the market value of collateral, requests additional collateral under the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment.

Concentration of loans to customers

As at 31 December 2022, the Company had a concentration of loans represented by KZT 14.428.921 thousand issued by the Company to ten largest unrelated parties or 46.78% of the gross loan portfolio (31 December 2021: KZT 14.899.291 thousand or 42.32% of gross loan portfolio). As at 31 December 2022, the ECL allowance of KZT 7.803.939 thousand was formed against these loans (31 December 2021: KZT 5.668.836 thousand).

Loans are issued to customers within the Republic of Kazakhstan carrying out activities in the agricultural sector of the economy.

8. Finance lease receivables

The analysis of finance lease receivables at 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Less than 1 year	108.143.995	101.146.928
From 1 to 2 years	74.622.600	65.802.822
From 2 to 3 years	79.390.866	63.591.332
From 3 to 4 years	81.828.575	62.824.200
From 4 to 5 years	75.901.454	60.948.122
More than 5 years	229.280.694	166.085.802
Minimum lease payments	649.168.184	520.399.206
Less unearned finance income		
Less than 1 year	(5.347.655)	(4.783.600)
From 1 to 5 years	(98.467.965)	(78.902.473)
More than 5 years	(122.226.820)	(91.516.205)
Less unearned finance income, total	(226.042.440)	(175.202.278)
Allowance for expected credit losses	(29.461.551)	(30.484.433)
Finance lease receivables	393.664.193	314.712.495

In determining the ECL allowance for finance lease receivables as at 31 December 2022, management used the following key assumptions:

- the PD on finance lease receivables categorised into Stage 1 credit exposures was estimated at 4,48%-25,92% and for finance lease receivables categorised into Stage 2 credit exposures – from 24,62%- 74,1%, depending on a borrower's segment and remaining maturities;
- the LGD parameter for finance lease receivables categorised into Stage 1 credit exposures averaged 13%; for finance lease receivables categorised into Stage 2 averaged 14%; and for finance lease receivables categorised into Stage 3 – 41%.

In determining the ECL allowance for finance lease receivables as at 31 December 2021, management used the following key assumptions:

- the PD on finance lease receivables categorised into Stage 1 credit exposures was estimated at 7,48%-31,01% and for finance lease receivables categorised into Stage 2 credit exposures – from 34,28%-70,92%, depending on a borrower's segment and remaining maturities;

- the LGD parameter for finance lease receivables categorised into Stage 1 credit exposures averaged 19%; for finance lease receivables categorised into Stage 2 averaged 19%; and for finance lease receivables categorised into Stage 3 – 45%.

Changes in the above estimates could affect the ECL allowance for finance lease receivables. For example, to the extent that the net present value of the estimated cash flows differs by plus one percent, allowance for expected credit losses on finance lease receivables as at 31 December 2022 would be KZT 436,462 thousand lower (31 December 2021: KZT 366,540 thousand).

An analysis of changes in the ECL allowance for the year ended 31 December 2022 is as follows:

	2022				Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	POCI Purchased or originated credit- impaired assets	
ECL allowance at 1 January 2022	5,027.974	988.332	24,468.127	–	30,484.433
New assets originated or purchased	2,541.505	–	–	10,240	2,551.745
Transfers to Stage 1	4,252.820	(3,745.373)	(507.447)	–	–
Transfers to Stage 2	(519.947)	4,076.702	(3,556.755)	–	–
Transfers to Stage 3	(147.531)	(1,536.033)	1,683.564	–	–
Net (reversal)/charge for the period	(7,043.240)	813.361	3,056.763	735	(3,172.381)
Amounts written off	–	–	(402.246)	–	(402.246)
At 31 December 2022	4,111.581	596.989	24,742.006	10,975	29,461.551

An analysis of changes in the ECL allowance for the year ended 31 December of 2021 is as follows:

	2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
ECL allowance at 1 January 2021	4,047.880	986.731	21,522.266	26,556.877
New financial assets originated or purchased	2,888.610	–	16.199	2,904.809
Transfers to Stage 1	2,790.946	(2,790.946)	–	–
Transfers to Stage 2	(857.129)	3,238.472	(2,381.343)	–
Transfers to Stage 3	(413.964)	(2,545.537)	2,959.501	–
Net (reversal)/charge of loss allowance	(3,428.369)	2,099.612	2,674.359	1,345.602
Amounts written off	–	–	(322.855)	(322.855)
At 31 December 2021	5,027.974	988.332	24,468.127	30,484.433

Credit quality of finance lease portfolio

The following table sets out information about the credit quality of the finance lease portfolio as at 31 December 2022 and 31 December 2021:

	31 December 2022				Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	POCI Purchased or originated credit- impaired assets	
• not overdue	356,870,252	3,447,816	15,858,489	27,048	376,203,605
• overdue less than 30 days	8,411,927	938,948	2,460,563	–	11,811,438
• overdue more than 31 days and less than 90 days	–	2,198,204	1,212,797	–	3,411,001
• overdue more than 91 days and less than 180 days	–	–	2,221,562	–	2,221,562
• overdue more than 181 days and less than 1 year	–	–	3,453,020	–	3,453,020
• overdue more than 1 year	–	–	26,025,118	–	26,025,118
	365,282,179	6,584,968	51,231,549	27,048	423,125,744
Loss allowance	(4,111,581)	(596,989)	(24,742,006)	(10,975)	(29,461,551)
Total finance lease receivables	361,170,598	5,987,979	26,489,543	16,073	393,664,193

	31 December 2021			Total
	Stage 1 12-month expected credit losses	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	
• not overdue	275,505,700	3,474,325	15,451,230	294,431,255
• overdue less than 30 days	5,059,784	1,206,590	6,100,985	12,367,359
• overdue more than 31 days and less than 90 days	–	2,865,243	2,737,890	5,603,133
• overdue more than 91 days and less than 180 days	–	–	2,231,010	2,231,010
• overdue more than 181 days and less than 1 year	–	–	3,323,782	3,323,782
• overdue more than 1 year	–	–	27,240,389	27,240,389
	280,565,484	7,546,158	57,085,286	345,196,928
Loss allowance	(5,027,974)	(988,332)	(24,468,127)	(30,484,433)
Total finance lease receivables	275,537,510	6,557,826	32,617,159	314,712,495

Analysis of movements in gross carrying amounts

Increased funding secured for leases in 2022 caused the gross carrying value of the portfolio to grow by KZT 142.197.592 thousand (31 December 2021: KZT 119.633.899 thousand) and resulted in related increase in the portfolio loss allowance totalling KZT 2.551.745 thousand (31 December 2021: KZT 2.904.809 thousand).

Repayment of finance lease receivables classified into Stage 3 totalling KZT 4.648.523 thousand (31 December 2021: KZT 5.165.704 thousand) resulted in a decrease in ECL allowance of KZT 2.224.840 thousand (31 December 2021: KZT 1.683.792 thousand).

Transfer of finance lease receivables to Stage 3 totalling KZT 8.626.791 thousand (31 December 2021: KZT 14.853.222 thousand) resulted in an increase in ECL allowance of KZT 1.618.032 thousand (31 December 2021: KZT 1.799.473 thousand).

Transfer of finance lease receivables classified into Stage 3 to Stage 2 totalling KZT 1.491.094 thousand (31 December 2021: KZT 6.869.203 thousand) resulted in a decrease in ECL allowance of KZT 380.619 thousand (31 December 2021: KZT 454.788 thousand).

Transfer of finance lease receivables classified into Stage 1 to Stage 2 totalling KZT 3.150.900 thousand (31 December 2021: KZT 3.150.900 thousand) resulted in an increase in ECL allowance of KZT 149.772 thousand (31 December 2021: KZT 1.911.360 thousand).

Analysis of collateral

The following table provides information on collateral, leased assets and other credit enhancements securing finance lease receivables, net of loss allowance, as at 31 December 2022 and 31 December 2021, by types of collateral:

	31 December 2022		31 December 2021	
	Finance lease receivables, carrying amount	Fair value of collateral assessed during the reporting period	Finance lease receivables, carrying amount	Fair value of collateral assessed during the reporting period
Leases for which ECL are measured as 12-month ECL:				
Vehicles	349.537.476	349.537.476	261.168.237	261.168.237
Equipment	9.576.350	9.576.350	10.430.973	10.430.973
Real estate	1.669.319	1.669.319	1.441.599	1.441.599
Other assets	387.453	387.453	2.496.701	2.496.701
Total leases for which ECL are measured as 12-month ECL	361.170.598	361.170.598	275.537.510	275.537.510
Leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired:				
Vehicles	5.691.866	5.691.866	5.693.396	5.693.396
Equipment	153.306	153.306	631.226	631.226
Other assets	142.807	142.807	233.204	233.204
Total leases for which ECL are measured as lifetime ECL for assets that are not credit-impaired	5.987.979	5.987.979	6.557.826	6.557.826
Leases for which ECL are measured as lifetime ECL for assets that are credit-impaired:				
Vehicles	14.043.342	14.043.342	12.412.339	12.412.339
Equipment	8.767.839	8.767.839	16.361.591	16.361.591
Real estate	1.094.105	1.094.105	1.174.360	1.174.360
Other assets	2.584.257	2.584.257	2.668.869	2.668.869
Total leases for which ECL are measured as lifetime ECL for assets that are credit-impaired	26.489.543	26.489.543	32.617.159	32.617.159
POCI-assets				
Vehicles	16.073	16.073	–	–
Total POCI-assets	16.073	16.073	–	–
Total finance lease receivables	393.664.193	393.664.193	314.712.495	314.712.495

The table above excludes overcollateralisation.

Foreclosed leased assets

During the year ended 31 December 2022 the Company obtained foreclosed leased items for a total of KZT 1.174.387 thousand (2021: KZT 1.297.061 thousand).

Concentration of finance lease receivables

As at 31 December 2022, the Company has ten major independent parties, whose finance lease receivables balances totalled KZT 28.385.157 thousand or 6.71% of gross finance lease receivables (31 December 2021: KZT 25.139.204 thousand or 7.28%). On 31 December 2022, an ECL allowance related to these receivables recognised by the Company totalled KZT 3.946.983 thousand (31 December 2021: KZT 3.839.190 thousand).

9. Inventories

As at 31 December 2022 and 31 December 2021, inventories comprised the following:

	31 December 2022	31 December 2021
Equipment to be leased under a finance lease	2.469.664	2.210.086
Collateral transferred to ownership	1.049.693	1.596.904
Other materials	23.126	33.249
	3.542.483	3.840.239
Impairment allowance (Note 24)	(672.706)	(838.991)
Inventories	2.869.777	3.001.248

During 2022, the Company took ownership of a number of assets obtained to repay borrowers' outstanding debts. The Company planned on transferring these properties under finance lease agreements.

10. VAT and other taxes

As at 31 December 2022 and 31 December 2021, value added tax and other taxes receivable comprised the following:

	31 December 2022	31 December 2021
Value added tax receivable	8.184.428	6.390.344
Other taxes	11.660	14.836
Value added tax and other taxes	8.196.088	6.405.180

11. Advances paid

As at 31 December 2022 and 31 December 2021, advances paid comprised the following:

	31 December 2022	31 December 2021
Advances paid for agricultural machinery	553.252	472.642
Advances paid for equipment	10.770	10.770
Other advances paid	1.563	5.736
	565.585	489.148
Impairment allowance (Note 24)	(11.283)	(11.283)
Advances paid	554.302	477.865

As at 31 December 2022 and 31 December 2021, advances comprised prepayments for supply of agricultural machinery, equipment and cattle to be subsequently leased out under a finance lease.

12. Amounts due to the Shareholder

As at 31 December 2022 and 31 December 2021, amounts due to the Shareholder comprised the following:

	Contract	Currency	Maturity date	31 December 2022	31 December 2021
Agrarian Credit Corporation JSC	Loan agreement No.20-076451-01-KJ/2 of 16 July 2021	KZT	2026	6.442.150	–
Agrarian Credit Corporation JSC	Loan agreement No.1564-ЦА-АТ/1 of 28 December 2018	KZT	2025	5.735.950	–
Agrarian Credit Corporation JSC	Loan agreement No.1595-ЦА-АБ/2 of 10 December 2019	KZT	2029	4.980.954	–
Agrarian Credit Corporation JSC	Loan agreement No.1669-ЦА-АБ/1 of 03 October 2022	KZT	2032	4.903.034	–
NMH Baiterek JSC	Loan agreement No.25 of 16 June 2021	KZT	2041	–	10.834.739
NMH Baiterek JSC	Framework loan agreement No.113 of 23 September 2014	KZT	2022	–	220.999
NMH Baiterek JSC	Framework loan agreement No.63 of 24 June 2013	KZT	2022	–	1.031.597
Amounts due to the Shareholder				22.062.088	12.087.335

On 25 July 2022, a 100% shareholding in the Company was transferred to Agrarian Credit Corporation JSC.

Due to the transfer of shares, the Company's outstanding debt owed to NMH Baiterek JSC as of the transfer date was reclassified from 'amounts due to the Shareholder' to 'amounts due to NMH Baiterek JSC'; the Company's outstanding debt to Agrarian Credit Corporation JSC as of the transfer date was reclassified from 'amounts due to credit institutions' to 'amounts due to the Shareholder'. As at 31 December 2022, outstanding amounts are recorded in accordance with their classification as of the transfer date.

On 3 October 2022, the Company concluded with the Shareholder a Supplement Agreement No.1 to the contract ИДЗ No.1669-ЦА-АБ-1, whereby the Company received the borrowed funds of KZT 5.500.000 thousand.

A discount on initial recognition of the loan, calculated using the interest rate of 14.97% p.a., for a total of KZT 269.758 thousand (net of tax effect of KZT 53.951 thousand) was recorded directly in equity in 'additional paid-in capital' as an effect of the transaction with the Shareholder.

The Company used the following assumptions to determine market interest rates on the dates of initial recognition of loans from the Shareholder:

- risk-free interest rates were determined based on the yield of long-term bonds issued by the Ministry of Finance of the Republic of Kazakhstan;
- the Company's premium paid for credit risk.

As at 31 December 2022 and 31 December 2021, the Company was in compliance with restrictive financial covenants under the loan agreements with the Shareholder. The amount due to the Shareholder is not secured by collateral.

13. Amounts due to NMH Baiterek JSC

As at 31 December 2022, amounts due to NMH Baiterek JSC comprise the following:

	Contract	Currency	Maturity date	31 December 2022	31 December 2021
NMH Baiterek JSC	Loan agreement No.25	KZT	2041	11.584.240	-
Amounts due to NMH Baiterek JSC				11.584.240	-

Due to transfer by NMH Baiterek JSC of 100% of the Company's shares to the ownership of Agrarian Credit Corporation JSC, amounts owed by the Company to NMH Baiterek JSC as at 31 December 2022 were reclassified from 'amounts due the Shareholder' to 'amounts due to NMH Baiterek JSC' (Note 12).

As part of optimisation of the structure of the loan previously provided by KazAgro National Managing Holding JSC to the Company from the funds of the National Fund of the Republic of Kazakhstan, by pooling amounts due under the agreements previously concluded, a Loan Agreement No. 25 was signed on 16 June 2021. The loan amount is KZT 50.000.000 thousand, the loan matures on 10 February 2041 and bears an interest rate of 1.02 % p.a., the effective interest rate is 11.98 % p.a. The purpose of the loan is purchase of locally manufactured and/

or assembled agricultural machinery, including self-propelled, trailing and mounted equipment, as well as locally manufactured and/or assembled vehicles for the transportation of agricultural products, processed agricultural products and biological assets for further transfer of the assets under a finance lease to entities operating in the agro-industry. The conclusion of this agreement resulted in derecognition of the previous agreements funded by the money of the National Fund of the Republic of Kazakhstan, and recognition of a new liability under the Loan Agreement No. 25 dated 16 June 2021. The difference between the carrying amount of old financial liabilities and fair value of new financial instruments of KZT 31.514.405 thousand (net of tax effect of KZT 6.302.881 thousand) was recognised directly in equity, in additional paid-in capital to record the effect of the new terms negotiated with the ultimate controlling party.

As at 31 December 2022 and 31 December 2021, the Company was in compliance with restrictive financial covenants under the agreements with NMH Baiterek JSC. Amounts due to NMH Baiterek JSC are not secured by collateral.

14. Amounts due to credit institutions

As at 31 December 2022 and 31 December 2021, amounts due to credit institutions comprised the following:

	Currency	Maturity	31 December 2022	31 December 2021
Halyk Bank JSC	KZT	2024-2025	27.637.582	38.131.865
Industrial Development Fund JSC	KZT	2042	3.000.898	-
Agrarian Credit Corporation JSC	KZT	2025-2029	-	13.146.580
SB Sberbank of Russia JSC	KZT	2026	-	13.593.189
ROSEKSIMBANK JSC	RUB	2022-2023	-	1.439.090
Amounts due to credit institutions			30.638.480	66.310.724

On 12 April 2022, the Company made full early repayment of liabilities to SB Sberbank of Russia JSC under the credit line agreement No.16-13525-01-КЛ of 16 June 2016 for a total of KZT 4.000.000 thousand, and made a partial repayment of liabilities under the credit line agreement No.20-076451-01-КЛ of August 2020 for a total of KZT 2.684.386 thousand.

The outstanding amount owed by the Company to SB Sberbank of Russia JSC under the credit line agreement No.20-076451-01-КЛ of 28 August 2020 for a total of KZT 6.908.803 thousand was assigned to Agrarian Credit Corporation JSC, with existing contract terms remaining in full force. On 12 April 2022, the Company and Agrarian Credit Corporation JSC concluded a Supplement Agreement No.4 to the credit line agreement No. 20-076451-01-КЛ of 28 August 2020, providing for a change of the creditor SB Sberbank of Russia JSC to Agrarian Credit Corporation JSC.

On 23 June 2022, the Company made full early repayment of liabilities to ROSEKSIMBANK JSC under the credit line agreement No.CKЛ-038т/16 of 10 May 2016 for a total of KZT 1.040.675 thousand, and under the credit line agreement No.2-K15-343-216 of 13 December 2017 for a total of KZT 398.415 thousand.

As part of providing the financing for projects implemented in processing and agro-industrial sector, aimed at improving the environment, in a manner and under the terms established by the Decree of the Government of the Republic of Kazakhstan of 2 September 2021 No.604, on 13 August 2022, the Company signed a Loan Agreement No.5-Д3 with Industrial Development Fund JSC. The loan amount is KZT 30.000.000 thousand; the loan term is until 7 August 2042, and a nominal interest rate is 0.35% p.a. Market interest rates used to calculate the fair value of the loan at initial recognition ranged from 13.8% to 14.19%. The purpose of the loan is purchase of locally manufactured self-propelled agricultural machinery, for its further transfer under a finance lease. Income from the loan received at the below-market interest rate was recognised as government grant, which at the loan recognition date totalled KZT 27.097.318 thousand.

The Company used the following assumptions to determine market interest rates on the dates of initial recognition of loans from Industrial Development Fund JSC:

- risk-free interest rates were determined based on the yield of long-term bonds issued by the Ministry of Finance of the Republic of Kazakhstan;
- the Company's premium paid for credit risk.

Due to transfer by NMH Baiterek JSC of 100% of the Company's shares to the ownership of Agrarian Credit Corporation JSC, amounts owed by the Company to Agrarian Credit Corporation JSC as at 31 December 2022 were reclassified from 'amounts due to credit institutions' to 'amounts due to the Shareholder' (Note 12).

Financial covenants

Under the terms of loan agreements with credit institutions, the Company is obliged to comply with certain financial covenants, including prudential standards established by the NBRK for organisations, in which 100% of the voting shares are owned, directly or indirectly, by the national managing holding. As at 31 December 2022 and 31 December 2021, the Company was in compliance with restrictive financial covenants under the loan agreements with creditors.

15. Debt securities issued

As at 31 December 2022 and 31 December 2021, debt securities issued comprised the following:

	Maturity	Rate, %	Currency	31 December 2022	31 December 2021
Issue of coupon bonds	28 July 2029	16.85%	KZT	42.679.970	–
Issue of coupon bonds	20 August 2028	11.9%	KZT	41.573.931	41.555.385
Issue of coupon bonds	21 December 2031	11.5%	KZT	25.079.108	25.079.861
The fourth issue as part of the second bond programme	24 December 2024	12.0%	KZT	19.673.924	19.503.095
The third issue of coupon bonds as part of the second bond programme	24 December 2024	12.0%	KZT	19.606.415	19.445.272
The third issue of bonds as part of the first bond programme	16 January 2023	8.0%	KZT	17.567.283	17.409.234
Issue of coupon bonds	30 April 2025	13.0%	KZT	14.239.833	–
The first issue of coupon bonds as part of the second bond programme	8 November 2023	12.0%	KZT	12.204.386	12.190.675
Issue of coupon bonds	30 April 2025	14.5%	KZT	10.130.207	–
The first issue of coupon bonds	12 June 2024	8.5%	KZT	3.962.052	3.958.518
The second issue of coupon bonds	12 June 2022	8.5%	KZT	–	18.062.146
Debt securities issued				206.717.109	157.204.186

In June 2022, the Company redeemed the issued bonds with a par value of KZT 17.990.000 thousand.

On 27 June 2022, the Company issued coupon bonds with a par value of KZT 15.000.000 thousand, with maturity before 30 April 2025. Debt securities were issued to further provide lease financing, and on initial recognition it were recognised at fair value, calculated by discounting the contractual cash flows from debt securities issued, using the market interest rate of 16.47% p.a. A discount of KZT 945.549 thousand was recognised as additional paid-in capital (net of respective income tax of KZT 189.110 thousand) as management determined that NMH Baiterek JSC acted as a shareholder when provided to the Company the above financing instruments at the below-market interest rates, without attaching any additional conditions. The Company used the following assumptions to determine market interest rates on the dates of initial recognition of debt securities:

- risk-free interest rates were determined based on the yield of long-term bonds issued by the Ministry of Finance of the Republic of Kazakhstan;
- the Company's premium paid for credit risk.

On 28 July 2022, the Company placed a first bond issue under the Company's third bond programme, with maturity by 28 July 2029; the placed bond value totals KZT 40.230.366 thousand.

On 28 November 2022, the Company issued coupon bonds with a par value of KZT 10.000.000 thousand, with maturity before 30 April 2025.

As at 31 December 2022, the Company was in compliance with the restrictive covenants related to debt securities issued.

16. Payables to suppliers

As at 31 December 2022 and 31 December 2021, accounts payable to suppliers comprise the Company's payables to suppliers for property to be subsequently transferred under a finance lease, as follows:

	31 December 2022	31 December 2021
Agricultural machinery	2.354.428	4.881.657
Equipment	133.401	635.374
Cattle	746	741
Other	224.939	260.354
Payables to suppliers	2.713.514	5.778.126

17. Government grants

	2022	2021
Government grants at 1 January	–	–
Government grants for loans from Industrial Development Fund JSC	27.097.318	–
Amortisation for the year	(71.367)	–
Government grants at 31 December	27.025.951	–

In 2022, the Company recognised as government grants the benefit of KZT 27.097.318 thousand, received as the result of receiving loans from Industrial Development Fund JSC at a low interest rate (the contractual interest rate of 0.35%) for the purpose of financing the preferential leasing programme for locally manufactured self-propelled agricultural equipment.

The benefits are to be allocated further to the Company's lessees by providing finance leases at favourable rates.

18. Taxation

Corporate income tax benefit comprises:

	2022	2021
Current corporate income tax expense	430.379	358.546
Deferred corporate income tax expense – origination and reversal of temporary differences	225.401	5.558.855
Net of deferred tax recognised in equity	(243.061)	(6.339.721)
Corporate income tax expense/(benefit)	412.719	(422.320)

As at 31 December 2022, the Company's current corporate income tax assets totalled KZT 134.115 thousand (31 December 2021: KZT 134.115 thousand).

The corporate income tax rate for the Company was 20.00 % in 2022 and 2021.

The effective CIT rate differs from the statutory CIT rates. Below is the reconciliation of corporate income tax expense based on the statutory rate with corporate income tax benefit recorded in the financial statements:

Reconciliation of effective tax rate:

	2022	%	2021	%
Profit before income tax	21.032.093	100	16.879.425	100
Income tax at the applicable tax rate	4.206.419	20	3.375.885	20
Non-taxable interest income on finance lease receivables	(4.970.620)	(24)	(4.775.816)	(28)
Expenses for corporate income tax withheld at the source of payment of income	430.379	2	358.546	2
Non-deductible credit loss expenses	664.673	3	589.368	3
Other non-deductible expenses	81.868	-	29.697	-
Corporate income tax expense/(benefit)	412.719	1	(422.320)	(3)

Deferred corporate income tax assets and liabilities, and their movement for the respective years comprised the following at 31 December:

	2020 год	Origination and reversal of temporary differences		2021	Origination and reversal of temporary differences		2022
		In the statement of profit or loss	In equity		In the statement of profit or loss	In equity	
Tax effect of deductible temporary differences							
Loans to customers	209.757	(133.543)	-	76.214	(76.214)	-	-
Finance lease receivables	47.170	37.911	-	85.081	4.290	-	89.371
Amounts due to credit institutions	128.753	24.641	-	153.394	(153.394)	-	-
Government grants	-	-	-	-	5.405.190	-	5.405.190
Accrued expenses for unused vacations	26.660	34.781	-	61.441	28.541	-	89.982
Forfeits recognised in accordance with the court ruling	-	471.964	-	471.964	(119.550)	-	352.414
Guarantees	36.840	-	(36.840)	-	-	-	-
Deferred corporate income tax assets	449.180	435.754	(36.840)	848.094	5.088.863	-	5.936.957
Tax effect of taxable temporary differences							
Loans to customers	-	-	-	-	(194)	-	(194)
Amounts due to the Shareholder	(1.812.326)	242.486	(6.302.881)	(7.872.721)	7.654.251	(53.951)	(272.421)
Amounts due to NMH Baiterek JSC	-	-	-	-	(7.722.819)	-	(7.722.819)
Debt securities issued	-	-	-	-	34.013	(189.110)	(155.097)
Amounts due to credit institutions	(392.583)	93.198	-	(299.385)	(5.038.779)	-	(5.338.164)
Property, plant and equipment and intangible assets	(44.540)	9.428	-	(35.112)	2.325	-	(32.787)
Deferred corporate income tax liabilities	(2.249.449)	345.112	(6.302.881)	(8.207.218)	(5.071.203)	(243.061)	(13.521.482)
Net deferred corporate income tax liability	(1.800.269)	780.866	(6.339.721)	(7.359.124)	17.660	(243.061)	(7.584.525)

Reconciliation of effective tax rate:

Deferred corporate income tax assets are recognised only to the extent that it is probable that the future taxable profit will be available against which an asset can be utilised. Deferred corporate income tax assets are decreased to the extent that it is no longer probable that a respective tax benefit will be realised.

19. Advances received

As at 31 December 2022, the advances received of KZT 6.900.816 thousand (31 December 2021: KZT 5.471.667 thousand) comprised prepayments from clients for property held for leasing out under a finance lease, that was acquired under finance lease agreements but not yet transferred to lessees, as well as prepayments made under finance lease agreements.

20. Deferred value added tax liabilities

The Company recognises deferred value added tax liabilities when transferring property under a finance lease. As at 31 December 2022, deferred value added tax liabilities totalled KZT 10.917.373 thousand (31 December 2021: KZT 8.817.626 thousand).

21. Other liabilities

As at 31 December 2022 and 31 December 2021, other liabilities comprised the following:

	31 December 2022	31 December 2021
Other financial liabilities		
Employee benefits expense accrued	449.996	307.903
ECL allowance for credit-related commitments (Note 23)	176.215	233.258
Taxes other than corporate income tax, payable	47.163	53.955
Mandatory payments to the budget payable and payables to employees	43.697	37.184
Other current liabilities	73.030	201.863
Other financial liabilities	790.101	834.163
Other non-financial liabilities		
Deferred interest income	1.374.885	2.012.656
Other non-financial liabilities	1.374.885	2.012.656
Other liabilities	2.164.986	2.846.819

22. Equity

As at 31 December 2022 and 31 December 2021, the authorised and paid share capital comprised 82.837.204 ordinary shares at the offering price of KZT 1.000 per share. The owner of an ordinary share has the right to one vote and an equal right for dividends. Distributable income is determined based on income recorded in the Company's financial statements.

In accordance with the decision of the Shareholder of 26 May 2022, the Company declared dividends for 2021 amounting to KZT 12.111.222 thousand or KZT 146.21 per an ordinary share. During the reporting period, the dividends were fully paid. In accordance with the decision of the Shareholder of 12 March 2021, the Company declared dividends for 2020 in the amount of KZT 6.718.739 thousand or KZT 81.11 per an ordinary share. As at 31 December 2021, the dividends were paid in full.

Under the Company's policy, reserve capital is formed to cover general risks, including deferred losses and other contingent risks and liabilities. The reserve capital is subject to distribution based on the Shareholder's decision made at the general meeting of shareholders. During the twelve months of 2022 and 2021, reserve capital remained unchanged. As at 31 December 2022 and 31 December 2021, the reserve fund amounted to KZT 1.436.184 thousand.

As at 31 December 2022, the book value per ordinary share calculated as per the Kazakhstan Stock Exchange methodology is KZT 1.886,28 (31 December 2021: KZT 1.774.30). The book value per ordinary share as at 31 December 2022 and 31 December 2021 was calculated as follows:

	31 December 2022	31 December 2021
Assets	485.259.494	413.345.621
Intangible assets	(447.612)	(491.984)
Liabilities	(328.309.082)	(265.875.607)
Net assets	156.502.800	146.978.030
The number of ordinary shares at the calculations date	82.837.204	82.837.204
The book value per share in KZT	1.889,28	1.774,30

The following table shows the profit and number of shares used to calculate basic and diluted earnings per share:

	2022	2021
Net profit for the year	20.619.374	17.301.745
A weighted average number of ordinary shares for the year ended 31 December	82.837.204	82.837.204
Basic and diluted earnings per ordinary share (in KZT)	248,91	208,86

As at 31 December 2021 and 2022, the Company has no financial instruments, which dilute earnings per share.

23. Commitments and contingent liabilities

Litigation

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the Company's operations and financial position.

Management is unaware of any significant or pending and threatened claims against the Company.

Taxation

Kazakhstani commercial, and in particular, tax legislation contains regulations, interpretation of which could vary, and in certain cases, the legislation could be amended with indirect retrospective impact. Also, the Company's management's interpretation of the legislation may differ from that of tax authorities, and as a result, transactions carried out by the Company could be estimated by tax authorities in another way, and this could result in an additional charge of taxes, fines and penalties. The Company's management believes that all necessary tax accruals were fulfilled and, correspondingly, there were no allowances charged in the statements. Tax periods remain open for 5 (five) years.

Credit related commitments

As at 31 December 2022 and 31 December 2021, the Company's commitments and contingencies comprised the following:

	31 December 2022	31 December 2021
Credit related commitments		
Finance lease commitments	18.254.310	11.379.962
Credit related commitments before ECL allowance	18.254.310	11.379.962
ECL allowance	(176.215)	(233.258)
Total	18.078.095	11.146.704

The analysis of movements in ECL allowance for finance lease commitments and issued guarantees for the years ended 31 December 2022 and 31 December 2021 is as follows: As at 31 December 2022 and 31 December 2021, the Company recognised an ECL allowance for undrawn credit lines at an amount equal to 12-month ECL.

	Undrawn credit lines	Guarantees issued	Total
ECL allowance at 1 January 2021	172.710	394	173.104
Changes in ECL for the year	60.548	(394)	60.154
At 31 December 2021	233.258	–	233.258
Changes in ECL for the year	(57.043)	–	(57.043)
At 31 December 2022	176.215	–	176.215

24. Credit loss expense

The table below presents the ECL expense on financial instruments recognised in profit or loss for the years ended 31 December 2022 and 31 December 2021:

	Note	2022	2021
Loans to customers	7	(3.984.650)	2.200.386
Cash and cash equivalents		(2.121)	(386)
Guarantees issued		–	394
Amounts due from credit institutions		893	222
Credit related commitments	23	57.043	(60.548)
Finance lease receivables	8	620.636	(4.250.411)
Other financial assets		(15.168)	(836.498)
		(3.323.367)	(2.946.841)

The movement in the impairment allowance and other provisions was as follows:

	Inventories	Advance paid	Total
At 1 January 2021	(980.206)	(11.283)	(991.489)
Charge for the period	(320.664)	(44)	(320.708)
Write-off of assets	461.879	44	461.923
At 31 December 2021	(838.991)	(11.283)	(850.274)
Charge for the period	(174.246)	–	(174.246)
Write-off of assets	340.531	–	340.531
At 31 December 2022	(672.706)	(11.283)	(683.989)

Impairment allowance for assets is deducted from the value of respective assets.

25. Other income

Other income comprises the following items:

	2022	2021
Income from reimbursement of expenses	271.584	286.633
Income from reversal of provisions for inventories	127.953	253.128
Fines and penalties received	47.133	98.950
Other	391.434	45.073
Other income	838.104	683.784

Fines and penalties were obtained by the Company from suppliers for untimely delivery of equipment held for a finance lease.

26. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	2021
Personnel expenses	(3.191.980)	(3.066.819)
Social expenses	(306.667)	(270.809)
Personnel expenses	(3.498.647)	(3.337.628)
Repair and maintenance of PPE and IA	(219.431)	(139.008)
Depreciation of property, plant and equipment	(143.679)	(142.188)
Outsourcing costs	(139.034)	(105.696)
Consulting services/professional services	(133.595)	(86.100)
Operating lease expense	(129.137)	(113.605)
Amortisation of software and other intangible assets	(125.962)	(147.241)
Other taxes other than corporate income tax	(98.566)	(102.324)
Business travel expenses	(59.569)	(19.543)
Materials	(43.672)	(38.385)
Marketing and advertising services	(39.314)	(26.661)
Communication services	(37.543)	(37.081)
Transportation services	(35.854)	(14.303)
Information services	(22.634)	(21.131)
Employee training programmes	(15.545)	(12.009)
Costs of assigning/watching/maintaining ratings services	(14.812)	(22.628)
Stationaries and printing services	(12.504)	(12.533)
The Board of Directors administrative expenses	(8.774)	(8.345)
Insurance	(2.566)	(2.897)
Charity and sponsorship	(2.100)	(1.971)
Representation expenses	(32)	(35)
Other	(198.012)	(188.727)
Other operating expenses	(1.482.335)	(1.242.411)

27. Risk management

Introduction

Risk is inherent in the Company's activities. The Company manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It also subjects to operating risks.

The independent risk control process does not include business risks such as changes in the economic environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

The Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

The Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk Management

The risk management unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk control

The risk control unit is responsible for monitoring compliance with risk principles, policies and limits, across the Company. The Company's structure comprises a separate unit that is directly subordinate to the Board of Directors and which is

responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This department also ensures the complete capture of the risks in risk measurement and reporting systems. There are risk managers for risk controlling in the branches of the Company.

Treasury

The Company Treasury is responsible for managing the Company's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Company.

Internal audit

The objective of an internal audit is to provide the Board of Directors with an independent, objective and unbiased information based on annual audits, both adequacy of procedures and compliance with these procedures by the Company. Internal Audit discusses the results of all assessments with management and reports its findings and recommendations directly to the Boards of Directors.

Risk measurement and reporting systems

The Company's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst-case scenarios that would arise if extreme events which are unlikely to occur do occur.

Monitoring and controlling risks is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected industries. Also, the Company monitors and measures the overall risk-bearing capacity about the aggregate risk exposure across all risk types and activities.

Information compiled from all the businesses is examined and processed to analyse, control and identify early risks. This information is presented to the Board of Directors, the Management Board, Credit Committee and heads of departments. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, VaR, liquidity ratios, interest risk ratios and risk profile changes.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed to ensure that all business divisions have access to extensive, necessary and up-to-date information.

The Company's Management Board and other relevant employees meetings are regularly held to discuss maintenance of established limits and analyse value allowing for risk, investments, liquidity, and risk developments.

Risk mitigation

As part of its overall risk management, the Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies exchange rates, and share prices, credit risk and exposures arising from forecast transactions.

The Company actively uses collateral to reduce its credit risks.

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and geographical and industry concentrations, and by monitoring exposures for such limits.

The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Credit risk is reviewed on an ongoing basis. The credit quality review process allows the Company to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position. The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	31 December 2022	31 December 2021
Assets		
Cash and cash equivalents	64.764.023	30.011.182
Amounts due from credit institutions	61.833	35.098.466
Loans to customers	13.287.308	21.720.408
Finance lease receivables	393.664.193	314.712.495
Other financial assets	39.495	80.945
Total maximum credit risk exposure	471.816.852	401.623.496

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Company makes available to its customers the guarantees which may require that the Company make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Company to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 23.

Impairment assessment

The Company calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at and at an approximation to the EIR. A cash shortfall is a difference between the cash flows that are due to an entity following the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio.
Exposure at Default (EAD)	The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the (EAD) exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities and accrued interest from missed payments.
Loss Given Default (LGD)	The Loss Given Default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the remaining life of the financial instrument. Based on the above process, the Company groups its financial assets as described below:

Stage 1: When assets are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 also includes loans, finance lease receivables and other credit lines, where the credit risk has improved, and the loan has been reclassified from Stage 2.

Stage 2: When an asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 also include loans, finance lease receivables and other credit lines, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Assets considered credit-impaired. The Company recognises an allowance for the LTECL.

POCI: Purchased or originated credit-impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL is only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

In estimating the ECL, the Company considers three scenarios: basic, optimistic, and pessimistic. Each of them has its PD, EAD and LGD indicators. In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs. Impairment losses and consideration are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Company considers treasury and interbank transactions defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. The expected credit loss on securities, deposits, current account funds is calculated based on external credit ratings assigned by international rating agencies – Fitch Ratings, Moody's Investors Service, S&P GlobalRatings.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- Availability of the Company's information on force majeure, as well as other circumstances that caused substantial material damage to the borrower (co-borrower) and do not allow the borrower to continue its business activities, including the information on revocation/suspension of a licence for activities, as well as the information on the borrower's (co-borrowers) unemployment or absence of commercial activities.
- Objectively supportable information about the high probability of bankruptcy or reorganisation, as well as the involvement of the borrower (co-borrower) in legal proceedings, which may worsen its financial condition. The Company considers the following events as this information:
 - Availability of information about the death of the borrower-individual (co-borrower individual);
 - Cross-default for more than 60 calendar days inclusive (if the information is available);
- Downgrading the external credit rating of the counterparty to "CC" and lower assigned by Standard & Poor's, Moody's Investors Service and Fitch rating agencies;
- Absence of an active market for that financial asset because of financial difficulties.

Treasury and interbank relationships

The treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers. For these relationships, the Company's Finance Department and Risk Management Department analyse publicly available information such as financial statements and other external data, e.g., the external ratings.

Loss given default

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held. The Company segments its lending products into homogeneous portfolios, based on key characteristics of credit risk that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., collateral types) as well as borrower characteristics.

Where appropriate, further recent data and forward-looking economic scenarios are used in order to determine the IFRS 9 LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values and payment status.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI segment of each asset class. Baseline data for such LGD levels are evaluated and, where possible, adjusted through testing based on historical data, taking into account recent recoveries. If necessary, such data is determined for each economic scenario.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. To determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or lifetime ECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company believes that the credit risk on a financial instrument has increased significantly since its initial recognition if the following indicators of a significant increase in credit risk were identified:

- Delay of 30 (thirty) calendar days or more;
- The Company has information about the outstanding principal and/or interest of the borrower (co-borrower) from 31 to 60 calendar days including other credit institutions (if the Company has information);
- Assets from the moment of restructuring and/or prolongation of which more than 12 months have passed, but less than 24 months inclusively, for which there is no delay or a delay of no more than 60 days as at the reporting date;
- Assets from the moment of restructuring and/or prolongation of which more than 24 months have passed, and for which there is a delay of more than 30 days, but less than 60 days as at the reporting date;
- Actual or expected (based on reasonable and supportable information) downgrading the external credit rating of the borrower;

- A significant change in the value of the collateral for the liability (lowering the fair value of collateral by more than 50% from the date of initial recognition) or the quality of guarantees or credit enhancement mechanisms provided by third parties, which are expected to reduce the economic incentive for the borrower to make the scheduled payments provided for by the contract, or otherwise affect the likelihood of default (if the Company has information);
- A significant change in the quality of the guarantee provided by second-tier banks, namely a change in the second-tier banks' rating (downgrade by two notches or more), resulting in a significant increase in credit risk, under the approach used for treasury assets (if a guarantee is available).
- Deterioration of financial condition.

The Company also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/asset to the watch list, or the account becoming restructured due to a credit event. In certain cases, the Company may also consider that events explained in "Definition of default" section above are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

For cash and cash equivalents and amounts due from credit institutions, the Company considers credit risk of a particular exposure is deemed to have increased significantly since initial recognition, if the issuer's credit rating decreased by 2 points or more since initial recognition.

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth;
- Unemployment rates;
- Inflation rates;
- Export volume.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Company obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g., international financial institutions). The Company determines the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Forward-looking information and multiple economic scenarios

Key factors	ECL scenario	Assigned probability for 2023, %	Assigned probability for 2024, %	2023	2024
GDP growth, %	Upside	9%	8%	4.4	4.3
	Base case	73%	67%	4	4
	Downside	18%	25%	3.3	3.0
Unemployment rate, %	Upside	36%	29%	3.3	3.4
	Base case	64%	65%	4.8	4.8
	Downside	0%	6%	5.1	5.1
Inflation rate, %	Upside	18%	17%	7.8	4.2
	Base case	64%	67%	9.5	5
	Downside	18%	17%	11.2	5.8
Export volume, billions of US dollars	Upside	18%	17%	95.5	94
	Base case	55%	50%	80.8	80.6
	Downside	27%	33%	58.8	53.7

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources. Management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Company's payments that comprise of the principle and interest /coupon on financial liabilities at 31. December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Company expects that many creditors will not request repayment on the earliest date the Company could be required to pay.

31 December 2022	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Amounts due to the Shareholder	1.140.564	5.509.355	18.050.639	5.347.309	30.047.867
Amounts due to NMH Baiterek JSC	255.000	255.000	2.040.000	56.273.000	58.823.000
Amounts due to credit institutions	835.445	12.680.598	19.463.425	31.573.273	64.552.741
Debt securities issued	23.394.430	30.612.801	137.924.748	134.963.606	326.895.585
Total undiscounted financial liabilities	25.625.439	49.057.754	177.478.812	228.157.188	480.319.193

31 December 2021	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
Amounts due to the Shareholder	350.686	1.454.298	2.040.000	56.783.000	60.627.984
Amounts due to credit institutions	2.540.792	21.170.865	56.216.112	2.714.479	82.642.248
Debt securities issued	3.058.090	31.261.375	115.689.552	88.895.000	238.904.017
Total undiscounted financial liabilities	5.949.568	53.886.538	173.945.664	148.392.479	382.174.249

The table below shows the contractual expiry by maturity of the Company's contractual commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down.

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
2022	18.254.310	-	-	-	18.254.310
2021	11.379.962	-	-	-	11.379.962

The Company expects that not all of the contingent liabilities or commitments will be drawn before the expiry of the commitments.

The Company's capability to meet its liabilities depends upon its ability to realise an equivalent amount of assets within the certain period of time.

The Company has received significant funds from the Shareholder and NMH Baiterek JSC. Management believes that this level of funding will remain with the Company for the foreseeable future and that in the event of withdrawal of funds, the Company would be given sufficient notice so as to realise its liquid assets to enable repayment.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio is monitored using sensitivity analysis. Except for the concentrations within a foreign currency, the Company has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The interest rate for assets and liabilities of the Company is fixed.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	31 December 2022						Total
	Demand and less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	
Assets							
Cash and cash equivalents	62.957.820	-	-	-	-	1.806.203	64.764.023
Amounts due from credit institutions	60.833	-	1.000	-	-	-	61.833
Loans to customers	530.198	471.071	10.589.371	1.625.204	71.464	-	13.287.308
Finance lease receivables	29.359.982	12.678.353	43.517.050	204.539.005	103.569.803	-	393.664.193
Other financial assets	-	-	-	-	-	39.495	39.495
Total financial assets	92.908.833	13.149.424	54.107.421	206.164.209	103.641.267	1.845.698	471.816.852
Liabilities							
Amounts due to the Shareholder	992.988	979.024	2.959.770	13.348.942	3.781.364	-	22.062.088
Amounts due to NMH Baiterek JSC	198.333	-	-	-	11.385.907	-	11.584.240
Amounts due to credit institutions	335.133	3.575.617	6.880.301	16.873.380	2.974.049	-	30.638.480
Debt securities issued	22.175.871	604.125	11.992.387	67.300.168	104.644.558	-	206.717.109
Payables to suppliers	-	-	-	-	-	2.713.514	2.713.514
Other financial liabilities	-	-	-	-	-	790.101	790.101
Total financial liabilities	23.702.325	5.158.766	21.832.458	97.522.490	122.785.878	3.503.615	274.505.532
Net position	69.206.508	7.990.658	32.274.963	108.641.719	(19.144.611)	(1.657.917)	197.311.320

	31 December 2021						Total
	Demand and less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	
Assets							
Cash and cash equivalents	23.873.210	-	-	-	-	6.137.972	30.011.182
Amounts due from credit institutions	-	4.157.235	30.941.231	-	-	-	35.098.466
Loans to customers	750.789	1.608.605	14.761.331	4.032.293	567.390	-	21.720.408
Finance lease receivables	25.032.024	13.143.658	39.754.488	165.156.290	71.626.035	-	314.712.495
Other financial assets	-	-	-	-	-	80.945	80.945
Total financial assets	49.656.023	18.909.498	85.457.050	169.188.583	72.193.425	6.218.917	401.623.496
Liabilities							
Amounts due to the Shareholder	289.017	985.659	176.253	-	10.636.406	-	12.087.335
Amounts due to credit institutions	1.766.974	5.089.478	11.262.153	46.154.415	2.037.704	-	66.310.724
Debt securities issued	2.353.694	18.511.687	-	71.515.532	64.823.273	-	157.204.186
Payables to suppliers	-	-	-	-	-	5.778.126	5.778.126
Other financial liabilities	-	-	-	-	-	834.163	834.163
Total financial liabilities	4.409.685	24.586.824	11.438.406	117.669.947	77.497.383	6.612.289	242.214.534
Net position	45.246.338	(5.677.326)	74.018.644	51.518.636	(5.303.958)	(393.372)	159.408.962

The table below displays the Company's interest bearing assets and liabilities as at 31 December 2022 and 31 December 2021 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31 December 2022		31 December 2021	
	Carrying amount '000 KZT	Average effective interest rate	Carrying amount '000 KZT	Average effective interest rate
Interest-bearing assets				
Cash and cash equivalents				
• in Tenge	57.023.800	13,37%	23.873.210	6,77%
• in US dollars	5.934.020	1,00%	-	-
Amounts due from credit institutions				
• in Tenge	61.833	10,99%	30.941.231	8,18%
• in US dollars	-	0,36%	4.157.235	1,25%
Loans to customers				
• in Tenge	13.287.308	4,76%	21.720.408	8,7%
Finance lease receivables				
• in Tenge	393.664.193	14,00%	314.712.495	14,48%
Interest-bearing liabilities				
Amounts due to the Shareholder				
• in Tenge	22.062.088	11,29%	12.087.335	11,38%
Amounts due to NMH Baiterek JSC				
• in Tenge	11.584.240	11,98%	-	-
Amounts due to credit institutions				
• in Tenge	30.638.480	13,29%	64.871.634	12,16%
• in Russian roubles	-	-	1.439.090	8,84%
Debt securities issued				
• in Tenge	206.717.109	12,94%	157.204.186	10,55%

Cash flow interest rate sensitivity analysis

An analysis of the sensitivity of the Company's net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2022 and 31 December 2021 is as follows:

	2022		2021	
	Profit	Equity	Profit	Equity
100 bp parallel rise	(735.806)	(735.806)	(453.733)	(473.773)
100 bp parallel fall	735.806	735.806	453.733	473.773

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the NBRK recommendations. Positions are monitored daily.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2022:

	31 December 2022				
	Tenge	US Dollar	Euro	Russian rouble	Total
Assets					
Cash and cash equivalents	58.830.003	5.934.020	-	-	64.764.023
Amounts due from credit institutions	61.833	-	-	-	61.833
Loans to customers	13.287.308	-	-	-	13.287.308
Finance lease receivables	393.664.193	-	-	-	393.664.193
Other financial assets	39.495	-	-	-	39.495
Total assets	465.882.832	5.934.020	-	-	471.816.852
Liabilities					
Amounts due to the Shareholder	22.062.088	-	-	-	22.062.088
Amounts due to NMH Baiterek JSC	11.584.240	-	-	-	11.584.240
Amounts due to credit institutions	30.638.480	-	-	-	30.638.480
Debt securities issued	206.717.109	-	-	-	206.717.109
Payables to suppliers	900.262	1.233.532	554.514	25.206	2.713.514
Other financial liabilities	790.101	-	-	-	790.101
Total liabilities	272.692.280	1.233.532	554.514	25.206	274.505.532
Net position	193.190.552	4.700.488	(554.514)	(25.206)	197.311.320

	31 December 2021				
	Tenge	US Dollar	Euro	Russian rouble	Total
Assets					
Cash and cash equivalents	29.763.032	3.603	229.265	15.282	30.011.182
Amounts due from credit institutions	30.941.231	4.157.235	-	-	35.098.466
Loans to customers	21.720.408	-	-	-	21.720.408
Finance lease receivables	314.712.495	-	-	-	314.712.495
Other financial assets	80.945	-	-	-	80.945
Total assets	397.218.111	4.160.838	229.265	15.282	401.623.496
Liabilities					
Amounts due to the Shareholder	12.087.335	-	-	-	12.087.335
Amounts due to credit institutions	64.871.634	-	-	1.439.090	66.310.724
Debt securities issued	157.204.186	-	-	-	157.204.186
Payables to suppliers	3.648.425	1.154.999	838.695	136.007	5.778.126
Other financial liabilities	834.163	-	-	-	834.163
Total liabilities	238.645.743	1.154.999	838.695	1.575.097	242.214.534
Net position	158.572.368	3.005.839	(609.430)	(1.559.815)	159.408.962

The tables below indicate the currencies to which the Company had significant exposure on 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the currency rate against tenge, with all other variables held constant on the statement of profit or loss and other comprehensive income (due to the fair value of currency sensitive trading monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of profit or loss and other comprehensive income. All other parameters are held as constant. The negative amount in the table reflects a potential net reduction in the statement of profit or loss and other comprehensive income or equity, while a positive amount reflects a net potential increase.

Currency	2022		2021	
	Exchange rate change, %	Effect on pre-tax profit	Exchange rate change, %	Effect on pre-tax profit
US Dollar	-10%	(376.039)	-20%	(480.934)
US Dollar	10%	376.039	20%	480.934
Euro	-20%	88.722	-20%	97.509
Euro	20%	(88.722)	20%	(97.509)
Russian rouble	-8%	1.613	-8%	99.828
Russian rouble	8%	(1.613)	8%	(99.828)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

28. Fair value measurement

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table provides an analysis of financial instruments recorded by the level of the fair value hierarchy as at 31 December 2022:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>31 December 2022</i>				
Assets with a disclosed fair value				
Cash and cash equivalents	–	64.764.023	–	64.764.023
Amounts due from credit institutions	–	61.833	–	61.833
Loans to customers	–	1.618.558	3.228.362	4.846.920
Finance lease receivables	–	320.032.711	13.720.631	333.753.342
Other financial assets	–	39.495	–	39.495
Total financial assets with a disclosed fair value	–	386.516.620	16.948.993	403.465.613
Financial liabilities with a disclosed fair value				
Amounts due to the Shareholder	–	20.872.491	–	20.872.491
Amounts due to NMH Baiterek JSC	–	13.458.614	–	13.458.614
Amounts due to credit institutions	–	30.253.012	–	30.253.012
Debt securities issued	137.092.927	66.560.953	–	203.653.880
Accounts payable	–	2.713.514	–	2.713.514
Other financial liabilities	–	790.101	–	790.101
Total financial liabilities with a disclosed fair value	137.092.927	134.648.685	–	271.741.612

The following table provides an analysis of financial instruments recorded by the level of the fair value hierarchy as at 31 December 2021:

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>31 December 2021</i>				
Assets with a disclosed fair value				
Cash and cash equivalents	–	30.011.182	–	30.011.182
Amounts due from credit institutions	–	35.098.466	–	35.098.466
Loans to customers	–	3.113.139	11.151.934	14.265.073
Finance lease receivables	–	278.621.882	21.073.662	299.695.544
Other financial assets	–	80.945	–	80.945
Total financial assets with a disclosed fair value	–	346.925.614	32.225.596	379.151.210
Financial liabilities with a disclosed fair value				
Amounts due to the Shareholder	–	15.530.519	–	15.530.519
Amounts due to credit institutions	–	66.260.854	–	66.260.854
Debt securities issued	92.644.790	62.576.417	–	155.221.207
Payables to suppliers	–	5.778.126	–	5.778.126
Other financial liabilities	–	834.163	–	834.163
Total financial liabilities with a disclosed fair value	92.644.790	150.980.079	–	243.624.869

Set out below is a comparison by a class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	64.764.023	64.764.023	30.011.182	30.011.182
Amounts due from credit institutions	61.833	61.833	35.098.466	35.098.466
Loans to customers	13.287.308	4.846.920	21.720.408	14.265.073
Finance lease receivables	393.664.193	333.753.342	314.712.495	299.695.544
Other financial assets	39.495	39.495	80.945	80.945
	471.816.852	403.465.613	401.623.496	379.151.210
Financial liabilities				
Amounts due to the Shareholder	22.062.088	20.872.491	12.087.335	15.530.519
Amounts due to NMH Baiterek JSC	11.584.240	13.458.614	–	–
Amounts due to credit institutions	30.638.480	30.253.012	66.310.724	66.260.854
Debt securities issued	206.717.109	203.653.880	157.204.186	155.221.207
Payables to suppliers	2.713.514	2.713.514	5.778.126	5.778.126
Other financial liabilities	790.101	790.101	834.163	834.163
	274.505.532	271.741.612	242.214.534	243.624.869

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Fixed and variable rate financial instruments

The fair values of unquoted financial instruments are estimated by discounting future cash flows using rates currently available for financial instruments on similar terms, credit risk and remaining maturities.

For assets whose fair value is disclosed in the condensed financial statements, future cash flows are discounted using the average market rate of financial instruments with similar maturities based on statistics published by the NBRK.

The indicated approach is used in determining the fair value of loans to clients and finance lease receivables. As at 31 December 2022, the average market rate was 21.9% (31 December 2021: 16.7%).

In the case of liabilities with fair values disclosed in the financial statements, future cash flows are discounted at the average market rate of financial instruments with similar maturities and credit rating. As at 31 December 2022,

29. Maturity analysis of assets and liabilities

The following table shows assets and liabilities by expected maturities. See Note 27 Risk management for the Company's contractual undiscounted repayment obligations.

	31 December 2022								
	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets									
Cash and cash equivalents	30.079.077	5.120.667	29.564.279	-	-	-	-	-	64.764.023
Amounts due from credit institutions	-	60.833	-	1.000	-	-	-	-	61.833
Loans to customers	-	50.506	479.692	5.080.491	1.625.204	71.464	-	5.979.951	13.287.308
Finance lease receivables	-	4.330.530	25.029.452	47.860.356	204.539.005	103.569.803	-	8.335.047	393.664.193
Inventories	-	-	-	-	-	-	2.869.777	-	2.869.777
Current corporate income tax assets	-	-	-	134.115	-	-	-	-	134.115
Property, plant and equipment	-	-	-	-	-	-	972.822	-	972.822
Intangible assets	-	-	-	-	-	-	447.612	-	447.612
VAT and other taxes	-	156.068	712.453	1.329.266	5.998.301	-	-	-	8.196.088
Advances paid	-	1.215	397	552.690	-	-	-	-	554.302
Other assets	-	306	-	267.620	-	-	-	39.495	307.421
Total assets	30.079.077	9.720.125	55.786.273	55.225.538	212.162.510	103.641.267	4.290.211	14.354.493	485.259.494
Liabilities									
Amounts due to the Shareholder	-	148.381	844.607	3.938.794	13.348.942	3.781.364	-	-	22.062.088
Amounts due to NMH Baiterek JSC	-	-	198.333	-	-	11.385.907	-	-	11.584.240
Amounts due to credit institutions	-	102.974	232.159	10.455.918	16.873.380	2.974.049	-	-	30.638.480
Debt securities issued	-	20.443.759	1.732.112	12.596.512	67.300.168	104.644.558	-	-	206.717.109
Payables to suppliers	-	111.671	2.601.843	-	-	-	-	-	2.713.514
Deferred corporate income tax liabilities	-	-	-	-	-	7.584.525	-	-	7.584.525
Advances received	-	-	-	6.900.816	-	-	-	-	6.900.816
Deferred VAT liabilities	-	156.068	700.793	1.329.266	6.705.707	2.025.539	-	-	10.917.373
Government grants	-	24.729	48.108	238.718	1.755.503	24.958.893	-	-	27.025.951
Other liabilities	-	90.542	26.011	2,048.433	-	-	-	-	2,164.986
Total liabilities	-	21,078.124	6,383.966	37,508.457	105,983.700	157,354.835	-	-	328,309.082
Net position as at 31 December 2022	30,079.077	(11,357.999)	49,402.307	17,717.081	106,178.810	(53,713.568)	4,290.211	14,354.493	156,950.412

market rates used to measure fair value ranged from 10.69% to 16.08% per annum on tenge-denominated loans (31 December 2021: from 10.27% to 12.4% per annum).

The future cash flows comprise repayment of principal and interest calculated at the interest rate stipulated by the agreement to the amount of principal.

	31 December 2021								
	On demand	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Assets									
Cash and cash equivalents	30.011.182	-	-	-	-	-	-	-	30.011.182
Amounts due from credit institutions	-	-	-	35.098.466	-	-	-	-	35.098.466
Loans to customers	-	44.964	705.825	6.899.373	4.032.293	567.390	-	9.470.563	21.720.408
Finance lease receivables	-	3.415.714	21.616.310	41.696.660	165.156.290	71.626.035	-	11.201.486	314.712.495
Inventories	-	-	-	-	-	-	3.001.248	-	3.001.248
Current corporate income tax assets	-	-	-	134.115	-	-	-	-	134.115
Property, plant and equipment	-	-	-	-	-	-	902.719	-	902.719
Intangible assets	-	-	-	-	-	-	491.984	-	491.984
VAT and other taxes recoverable	-	122.761	592.764	1.142.367	4.547.288	-	-	-	6.405.180
Advances paid	-	56.700	-	160.155	261.010	-	-	-	477.865
Other assets	-	553	-	309.547	-	-	-	79.859	389.959
Total assets	30.011.182	3.640.692	22.914.899	85.440.683	173.996.881	72.193.425	4.395.951	20.751.908	413.345.621
Liabilities									
Amounts due to the Shareholder	-	51.196	237.821	1.161.912	-	10.636.406	-	-	12.087.335
Amounts due to credit institutions	-	43.164	1.723.810	16.351.631	46.154.415	2.037.704	-	-	66.310.724
Debt securities issued	-	621.583	1.732.111	18.511.687	71.515.532	64.823.273	-	-	157.204.186
Payables to suppliers	-	-	5.220.442	557.684	-	-	-	-	5.778.126
Deferred corporate income tax liabilities	-	-	-	-	-	7.359.124	-	-	7.359.124
Advances received	-	-	-	5.471.667	-	-	-	-	5.471.667
Deferred VAT liabilities	-	122.761	577.928	1.142.367	5.586.675	1.387.895	-	-	8.817.626
Other liabilities	-	112.170	39.747	2.694.902	-	-	-	-	2.846.819
Total liabilities	-	950.874	9.531.859	45.891.850	123.256.622	86.244.402	-	-	265.875.607
Net position as at 31 December 2021	30.011.182	2.689.818	13.383.040	39.548.833	50.740.259	(14.050.977)	4.395.951	20.751.908	147.470.014

30. Related party transactions

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The Republic of Kazakhstan, acting through the State Property Committee within the Ministry of Finance, controls the Company and has a significant impact on its activities.

The Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organisations (together referred to as “government-related entities”). The Company executes bank transactions with these entities such as raising of loans and placement of cash.

The balances as at 31 December 2022 for transactions with related parties are as follows:

	Shareholder	NMH Baiterek JSC	Companies of NMH Baiterek JSC group	Transactions with state owned entities
Assets				
Current corporate income tax assets	-	-	-	134.115
VAT and other taxes	-	-	-	8.196.088
Cash and cash equivalents	-	-	-	35.489.031
Liabilities				
Amounts due to the Shareholder (nominal interest rates: 5%–13%)	22.062.088	-	-	-
Amounts due to NMH Baiterek JSC (nominal interest rate 1,02%)	-	11.584.240	-	-
Debt securities issued (nominal interest rates: 8.00%–16.85%)	588.495	75.747.147	22.727.882	16.175.483
Amounts due to credit institutions (nominal interest rates: 0.35%)	-	-	3.000.898	-
Deferred VAT liabilities	-	-	-	10.917.373
Deferred corporate income tax liabilities	-	-	-	7.584.525

The balances as at 31 December 2021 for transactions with related parties are as follows:

	Shareholder	NMH Baiterek JSC	Companies of NMH Baiterek JSC group	Transactions with state owned entities
Assets				
Current corporate income tax assets	-	-	-	134.115
VAT and other taxes recoverable	-	-	-	6.405.180
Liabilities				
Amounts due to the Shareholder (nominal interest rates: 1.02%–10%)	12.087.335	-	-	-
Debt securities issued (nominal interest rates: 8.00%–12.00%)	69.241.701	9.770.635	20.007.191	-
Amounts due to credit institutions (nominal interest rate: 5.00%)	-	13.146.580	-	-
Deferred VAT liabilities	-	-	-	8.817.626
Deferred corporate income tax liabilities	-	-	-	7.359.124

The income and expense items with related parties for the year ended 31 December 2022 were as follows:

	Shareholder	NMH Baiterek JSC	Companies of NMH Baiterek JSC group	Transactions with state owned entities
Interest expense	(5.222.169)	(4.695.652)	(2.468.873)	(4.478.542)
Interest income	-	-	-	4.683.710
Expenses on credit losses	-	-	-	(2.088)
Corporate income tax expense	-	-	-	(412.719)

The income and expense items with related parties for the year ended 31 June 2021 were as follows:

	Shareholder	Companies of NMH Baiterek JSC group	Transactions with state owned entities
Interest expense	(6.896.212)	(1.873.536)	(1.623.249)
Corporate income tax benefit	-	-	422.320

Information about the terms and conditions of loans from the Shareholder, NMH Baiterek JSC and the company under common control is provided in Notes 12, 13 and 14, respectively.

Remuneration to the key management personnel consisting of 5 (five) persons in 2022 and 2021 was as follows:

	2022	2021
Salaries and other short-term benefits	125.357	120.449
Social security taxes and costs	11.945	11.121
Total key management personnel remuneration	137.302	131.571

31. Changes in liabilities arising from financing activities

	Debt securities issued	Amounts due to credit institutions	Amounts due to the Shareholder	Amounts due to NMH Baiterek JSC	Total liabilities from financing activities
Carrying amount at 1 January 2021	98.237.807	63.549.227	53.444.325	-	215.231.359
Additions	65.000.000	18.917.333	5.835.875	-	89.753.208
Redemption	(8.000.000)	(16.883.249)	(15.782.396)	-	(40.665.645)
Foreign exchange differences	-	84.912	-	-	84.912
Non-cash transactions	311.074	532.912	(31.282.601)	-	(30.438.615)
Dividends declared	-	-	6.718.739	-	6.718.739
Dividends paid	-	-	(6.718.739)	-	(6.718.739)
Other	1.655.305	109.589	(127.868)	-	1.637.026
Carrying amount at 31 December 2021	157.204.186	66.310.724	12.087.335	-	235.602.245
Additions	65.230.366	30.000.000	5.500.000	-	100.730.366
Redemption	(17.990.000)	(20.068.509)	(3.941.071)	(176.191)	(42.175.771)
Foreign exchange differences	-	663.432	-	-	663.432
Non-cash transactions	(677.798)	(26.241.671)	111.370	190.565	(26.617.534)
Reclassification	-	(19.553.956)	8.182.423	11.371.533	-
Dividends declared	-	-	12.111.222	-	12.111.222
Dividends paid	-	-	(12.111.222)	-	(12.111.222)
Other	2.950.355	(471.540)	122.031	198.333	2.799.179
Carrying amount at 31 December 2022	206.717.109	30.638.480	22.062.088	11.584.240	271.001.917

Non-cash transactions include changes in the discount on debt securities issued, other borrowed funds and loans received from the Shareholder and NMH Baiterek JSC during the reporting period as well as offset of advances.

The “Other” item includes the effect of accrued but not yet paid interest on debt securities issued, other loans and borrowings from the Shareholder and NMH Baiterek JSC. The Company classifies the interest paid as cash flows from operating activities.

32. Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company’s capital is monitored using, among other measures, the ratios established by the NBRK and 1988 Basel Agreement in supervising the Company.

As at 31 December 2022 and 31 December 2021, the Company complied in full with all its externally imposed capital requirements.

The primary objectives of the Company’s capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios to support its business and to maximise shareholders’ value.

The NBRK requires companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio of 6.0% of assets and Tier 2 capital adequacy ratio of 6.0% of assets and minimum general total capital adequacy ratio of 12.0% of risk-weighted assets. On 31 December, the Company’s capital adequacy ratio on this basis was as follows:

	2022	2021
Tier 1 capital	136.280.751	130.070.951
Tier 2 capital	20.619.374	17.301.745
Total equity	156.900.125	147.372.696
Total assets	485.259.494	413.345.621
Risk-weighted assets and contingent and potential liabilities	459.694.541	413.341.793
Operational risk	19.610.906	14.988.056
Capital adequacy ratio (k1) – not less than 6,0%	28,08%	31,47%
Capital adequacy ratio (k1 -2) – not less than 6,0%	29,65%	31,47%
Capital adequacy ratio (k1 -3) – not less than 12,0%	32,73%	34,41%

Capital adequacy ratio under Basel Capital Accord 1988

As at 31 December, the Company’s capital adequacy ratio calculated with requirements of the 1988 Basel Accord, inclusive of consequential amendments to incorporate market risks, was:

	2022	2021
Tier 1 capital	136.280.751	130.070.951
Tier 2 capital	20.619.374	17.301.745
Total equity	156.900.125	147.372.696
Risk-weighted assets	444.281.891	404.156.877
Tier 1 capital adequacy ratio	30,67%	32,18%
Total capital adequacy ratio	28,08%	31,47%

33. Segment reporting

The Company’s operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 Segment Reporting. The Company’s assets are concentrated in the Republic of Kazakhstan, and the Company’s revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The chief operating decision maker, in the case of the Company, the Chairman of the Management Board, only receives and reviews the information on the Company as a whole.

34. Subsequent events

Due to maturity of bonds KZ2C00002749 (KAFIb3), on 24 January 2023 the Company redeemed said bonds for the amount of KZT 17.630.340 thousand, including the nominal value of KZT 16.952.250 thousand and coupon interest of KZT 678.090 thousand.

Appendix 4.

Report on Compliance with the Principles and Provisions of the Corporate Governance Code of KazAgroFinance JSC

Principles and provisions of the Corporate Governance Code

1. General Provisions

1.1. The Corporate Governance Code (the Code) of KazAgroFinance Joint Stock Company (the Company) is a set of rules and recommendations that the Company follows during its activities to ensure efficiency, transparency, accountability, and high level of business ethics in relations within the Company and with other stakeholders.

The Code was developed to ensure compliance of the Company's corporate governance with the relevant standards of the Organization for Economic Cooperation and Development.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

• The Corporate Governance Code of KazAgroFinance Joint Stock Company, approved by Decision of the Board of Baiterek National Managing Holding dated December 22, 2021 (Minutes No. 68/21).

1.2. The Company shall strictly comply with the Code in its activities. In case of failure to comply, specify explanations in the Annual Report on the reasons of failure to comply with each of the provisions, periodically (at least once every two years) assess (if necessary, an independent assessment) the corporate governance and place the corresponding results on the Company's Internet resource.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- Internal assessment of performance of the corporate governance system is carried out by the Company's internal audit service at least once every two years in accordance with the Company's internal regulatory documents.
- External assessment of the level of corporate governance will be carried out once every three years by an independent organization if there are funds necessary for an external assessment in the Company's Budget (according to the results of assessment of the level of corporate governance, an appropriate rating is assigned).
- The corporate governance level was diagnosed by the internal audit service in 2021, the audit covered the period from January 01, 2018 to July 01, 2021. According to the audit results, the corporate governance level of the Company was 87.6%.
- The Company plans to conduct an independent diagnosis of corporate governance in 2023, relevant proposals with commercial proposals are sent to adjust the Company's Budget for 2023.

1.3. The Company's officials and employees assume obligations stipulated by this Code, including on the basis of relevant contracts with the Company, and undertake to comply with its provisions in the Company.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company's officials and employees strive to comply with the Code in the Company and in relations with the Sole Shareholder.

1.4. Control over the Company's implementation of this Code is assigned to the Company's Board of

Directors. The Corporate Secretary monitors and advises the Board of Directors and the executive body of the Company on proper compliance with this Code, as well as prepares an Annual Report on compliance/non-compliance with its principles and provisions. Subsequently, this Report is submitted for consideration by the relevant committee of the Board of Directors, approved by the Board of Directors and included in the Company's Annual Report.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company's Board of Directors monitors compliance with the principles and provisions of the Code through annual review of the report. The Company Corporate Secretary monitors proper compliance with the Code and prepares an Annual Report. Advises the Company's Board of Directors and the executive body on proper compliance with this Code and ensures effective implementation of the functions assigned to the Company Corporate Secretary, constantly identifies and eliminates facts of failure to comply with the provisions and principles of the Code in the Company.
- The Corporate Secretary provides the Board of Directors with a report on compliance/non-compliance with its principles and regulations on an annual basis.

1.5. Cases of failure to comply with this Code are considered at meetings of the relevant committee of the Board of Directors and the Board of Directors with adoption of appropriate decisions aimed at further improving corporate governance in the Company.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *There are no precedents registered.*

1.6. The Company conducts an independent assessment of corporate governance at least once every three years, which results are placed on the Company's Internet resource.

Partially observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Company plans to conduct an independent diagnosis of corporate governance in 2023, relevant proposals with commercial proposals are sent to adjust the Company's Budget for 2023.*
- *In 2021, the corporate governance system was audited. The audit covered a period from January 01, 2018 to July 01, 2021. According to the audit results, the corporate governance level of the Company was 87.6%.*

2. Principle of Separation of Powers

2.1. The rights, duties and competencies of the Sole Shareholder, the Board of Directors and the Board are determined in accordance with the current legislation of the Republic of Kazakhstan, constituent documents and are fixed in them.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In 2022, the Sole Shareholder was changed from Baiterek NMH JSC to Agrarian Credit Corporation JSC.

- (Decision of the Board of Directors of Baiterek NMH JSC dated July 15, 2022 No. 05/22 on alienation of 100% of common shares owned by Baiterek NMH JSC to KazAgroFinance in payment for the outstanding common shares of Agrarian Credit Corporation JSC, through the exercise by Baiterek NMH JSC, as the Sole Shareholder of Agrarian Credit Corporation JSC, of its preemptive right of purchase of shares of Agrarian Credit Corporation JSC).
- Placed shares were paid by transferring 100% of common shares owned by Baiterek NMH JSC to KazAgroFinance (report on execution/non-execution of the order of Central Securities Depository JSC dated July 25, 2022 No. 5422681), followed by placement of information on Kazakhstan Stock Exchange JSC and DFO.
- The Company's corporate governance system provides for a clear separation of powers and responsibilities between the Company's bodies, ensuring the consistency of corporate governance processes.
- Activities of the Sole Shareholder, the Board of Directors, the Board of the Company, as well as distribution of powers between the Sole Shareholder, the Board of Directors and the Board of the Company are optimally and fully reflected and regulated by the Law of the Republic of Kazakhstan "On Joint Stock Companies", the Law of the Republic of Kazakhstan "On State Property", the Company's Charter, the Regulations on the Company's Board of Directors, and other internal documents of the Company.

2.2. The Sole Shareholder delimits its powers to prevent a conflict of interests that does not contribute to both the interests of the Company and the interests of the Sole Shareholder. Functions of the Sole Shareholder of the Company are performed to ensure profitability of the Company's activities and implementation of state and government programs for development of the agro-industrial complex in which the Company participates.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *Paragraph 27 of the Company's Charter defines the exclusive competence of the Sole Shareholder.*
- *In connection with a change of the shareholder, amendments were made to the Charter of the KazAgroFinance Joint Stock Company. (Decision of the Sole Shareholder No. 16 dated 03.10.2022).*

2.3. The Sole Shareholder participates in the management of the Company solely through the exercise of powers of the Sole Shareholder, provided for in the legislative acts of the Republic of Kazakhstan and representation on the Company's Board of Directors.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Company is a subsidiary of Agrarian Credit Corporation JSC, which is a subsidiary of Baiterek NMH JSC. In turn, the Sole Shareholder of Baiterek NMH JSC is the Government of the Republic of Kazakhstan.*
- *According to paragraph 46 of the Code, quantitative composition of the Board of Directors is determined by the Sole Shareholder. Composition of the Board of Directors is determined individually, taking into account the scope of activities, current tasks, development strategy and/or development plan and financial capabilities.*
- *Composition of the Board of Directors is balanced, which means a combination of the Board of Directors members (representatives of the Sole Shareholder, independent directors, Chairman of the Company's Board), ensuring decision-making in the interests of the Company and economic development tasks assigned to it.*

- *At least one third of the members of the Company's Board of Directors are Independent Directors.*
- *The Board of Directors has established committees whose competence includes consideration of issues related to audit, risk management, strategic planning, personnel, remuneration and social issues.*
- *Committees are established to conduct a detailed analysis and develop recommendations on a range of the most important issues before they are considered at a meeting of the Board of Directors. Final decision on the issues considered by the committees is made by the Board of Directors.*

2.4. The Sole Shareholder of the Company provides the Company with full operational independence and does not interfere in the operational (current) and investment activities of the Company, except in cases provided for by the legislation of the Republic of Kazakhstan, acts and instructions of the President of the Republic of Kazakhstan and the Government of the Republic of Kazakhstan.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *All decisions on strategic and operational issues were made by the Board of Directors and the Board of the Company independently.*
- *Purpose of the Company establishment is technological renewal of the agro-industrial complex by providing agricultural producers with affordable financial resources, as well as agricultural and special machinery, processing and technological equipment and biological assets on a leasing basis.*
- *In its activities, the Company is guided by decisions of the Sole Shareholder and the Board of Directors of the Company.*

2.5. In order to ensure sustainable development, the Holding develops and approves uniform policies, guidelines and corporate standards for the Company.

Decision on application of corporate standards approved by the Holding in the field of risk management, internal control and internal audit in the Company is made by the Company's Board of Directors, taking into account compliance of these standards with specifics of the Company's activities.

The Company's Board ensures implementation of the Company's strategy and development plan approved by the Company's Board of Directors.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In accordance with the Order of Baiterek NMH JSC dated April 19, 2021 (letter No. 04-1-1/1838) on implementation and updating of internal regulatory documents (IRD), the Company on the basis of IRD of Baiterek NMH JSC approved a number of IRDs. Including:
 - Corporate Governance Code (approved by decision of the Sole Shareholder dated December 22, 2021 No. 68/21);
 - KazAgroFinance Sustainable Development Policy (approved by decision of the Company's Board of Directors No. 7 dated June 30, 2021).
 - Risk Management Policy (approved by decision of the Company's Board of Directors No. 10 dated August 31, 2021);
 - Rules on Internal Audit in KazAgroFinance (approved by decision of the Company's Board of Directors dated May 31, 2021 No. 5);
- The Report on Implementation of the KazAgroFinance Development Strategy for 2020-2029 based on the results of 2021 was approved by decision of the

Company's Board of Directors dated July 25, 2022 (Minutes No. 10).

2.6. The Board of Directors of the Company ensures management efficiency, sustainable development and profitability of the Company's activities. The results of effective management in the Company's group are the improved performance, enhanced reporting quality and standards of corporate culture and ethics, openness and transparency, risk reduction, and an appropriate internal control system.

The corporate governance system in the Company provides:

- 1) a clear management system in the group, delimited powers and decision-making process, no duplication of functions and processes;
- 2) common standards, policies and processes, including definition of common approaches to planning, monitoring and control, performance assessment and corrective actions;
- 3) access to quality information regarding the group's activities;
- 4) proper risk management of the group.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In the Company, decisions of the Sole Shareholder approved: the Regulations on the Company Board of Directors, the Corporate governance Code of the Company, the Company's Charter, which regulates processes that ensure a clear management system in the Company, separation of powers and independence of the decision-making process by the Board of Directors, the Board, other collegial bodies and executives of the Company, no duplication of functions and processes.

- In the Company, decisions of the Board of Directors approved internal regulatory documents on priorities (development), strategic goals (development strategy) of the Company, documents on planning and budgeting, internal documents on internal control, internal and external audit.
- The Company provides access to high-quality information on the Company's activities on the Company's Corporate Internet resource.
- The Company discloses information about corporate events, financial statements and audit reports, information about affiliates, as well as other information to be disclosed on the Internet resources of the financial reporting depository in accordance with the requirements approved by Resolution of the Board of the National Bank of Kazakhstan No. 189 dated August 27, 2018.
- Structure of the risk management system in the Company is represented by risk management at several levels, involving the following bodies and units of the Company: the Board of Directors, the Board, the structural unit responsible for risk management, the Internal Audit Service, and other structural units. Separation of powers of the Board of Directors, the Board, and other collegial bodies of the Company, as well as the risk management structure, main components of the risk management system, are reflected in the Company's Risk Management Policy.

3. Principle of Protecting the Rights and Interests of the Sole Shareholder

3.1. Compliance with the rights of the Sole Shareholder is a key condition for attracting investments in the Company. In this regard, corporate governance in the company is based on ensuring the protection, respect for the rights and legitimate interests of the Sole Shareholder and is aimed at contributing to the Company performance and achieving profitability.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company was established on December 28, 1999 in accordance with the Decree of the Government of the Republic of Kazakhstan dated November 24, 1999 No. 1777 "On Certain Issues of Agriculture".
- The Company's mission is assistance in technical equipping of the Kazakhstan agro-industrial complex by providing high-quality and competitive leasing services.
- The Sole Shareholder of the Company is Agrarian Credit Corporation Joint Stock Company.
- The Company ensures exercise of the rights of the Sole Shareholder and protection of its interests within the framework of the principles of corporate governance, expressed in participation in the management of the Company, in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies" and the Company's Charter, approved by Decision of the Sole Shareholder of the Company (Minutes of the Board of the Holding dated March 31, 2021 No. 15/21), making key decisions on approval of the Charter, the Corporate governance Code, determination of the composition and term of office of the Board of Directors, election of the Board Chairman, approval of the external auditor, annual financial statements, etc.
- Information about the Company's activities is provided to the Sole Shareholder in full and allows making balanced and fair decisions.

3.2. The Company, in accordance with the established procedure, ensures exercise of the rights of the Sole Shareholder, including:

- right to own, use and dispose of shares;
- right to participate in the management of the Company and election of the Board of Directors in the manner prescribed by the Laws of the Republic of

- Kazakhstan “On Joint Stock Companies”, “On State Property” and/or the Company’s Charter;
- right to receive a share of the Company's profits (dividends);
 - right to receive a share in the Company's assets upon its liquidation;
 - right to receive information about the Company's activities, including to get acquainted with the Company's financial statements, in accordance with the procedure determined by the Sole Shareholder or the Company's Charter;
 - right to apply to the Company with written requests regarding its activities and to receive motivated and exhaustive answers within the time limits established by the Company's Charter;
 - right to receive an extract from the registrar of the Company or a nominee holder confirming its ownership of securities;
 - right to challenge decisions taken by the Company's bodies in court;
 - right to apply to the judicial authorities on their own behalf in cases provided for in Articles 63 and 74 of the Law of the Republic of Kazakhstan “On Joint Stock Companies”, with a claim for compensation of losses caused to the Company by the Company's officials and the return to the Company by the Company's officials and/or their affiliates of the profit (income) they received as a result of making decisions on conclusion (proposals for conclusion) of large transactions and/or related-party transactions;
 - right to pre-emptive purchase of the Company shares or other securities convertible into its shares, in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies”, except for cases provided for by legislative acts of the Republic of Kazakhstan;
 - right to make a decision on changing the number of the Company shares or changing their type in accordance with the Law of the Republic of Kazakhstan “On Joint Stock Companies”.

Observed**Activities carried out to implement the principles and provisions of the Corporate Governance Code:**

- *In accordance with paragraph 17 of Article 5 of the Company's Charter, the Sole Shareholder has the right to:*
 - 1) *participate in the management of the Company in the manner prescribed by Law and/or this Charter;*
 - 2) *receive dividends;*
 - 3) *receive information about the Company's activities, including getting acquainted with the Company's financial statements, in accordance with the procedure defined by this Charter;*
 - 4) *receive extracts from the central depository or nominee holder confirming its ownership of securities;*
 - 5) *challenge in court the decisions taken by the Company's bodies;*
 - 6) *apply to the judicial authorities on their own behalf in cases provided for by Law, with a claim for compensation to the Company by the Company's officials for losses caused to the Company, and the return to the Company by the Company's officials and/or their affiliates of the profit (income) they received as a result of making decisions on conclusion (proposals for conclusion) of large transactions and/or related-party transactions;*
 - 7) *apply to the Company with written requests about its activities and receive motivated responses within thirty calendar days from date of receipt of request to the Company;*
 - 8) *a part of the property in case of liquidation of the Company;*
 - 9) *pre-emptive purchase of the Company shares or other securities convertible into its shares, in accordance with the Law, except for cases provided for by legislative acts of the Republic of Kazakhstan;*
 - 10) *make decisions on changing the number of shares of the Company or changing their type in the manner prescribed by Law.*

- 11) *propose to the Board of Directors to include additional issues in the agenda of the meeting of the Sole Shareholder in accordance with the Law;*
 - 12) *demand convocation of a meeting of the Board of Directors;*
 - 13) *require the audit organization to audit the Company at its own expense.*
- *The Sole Shareholder's rights enshrined in the Company's Charter are respected by the Company and the Company's bodies.*

- 3.3. Amount of dividends is calculated based on the amount of the Company's net income reflected in the Company's annual audited financial statements prepared in accordance with the legislation of the Republic of Kazakhstan on accounting and financial reporting and international financial reporting standards. At the same time, amount of dividend payment is determined taking into account the legislation of the Republic of Kazakhstan.

Observed**Activities carried out to implement the principles and provisions of the Corporate Governance Code:**

- *Conditions and procedure for payment of dividends to the Sole Shareholder of the Company are regulated by the legislation of the Republic of Kazakhstan, the Company's Charter, as well as the corresponding decision of the Sole Shareholder of the Company.*
- *In accordance with Decision of the Sole Shareholder of the Company (Minutes of the Board of Baiterek Holding JSC dated May 26, 2022 No. 23/22), dividends were paid for 2021 in the amount of 12,111,221,390.11 (twelve billion one hundred eleven million two hundred twenty one thousand three hundred ninety tenge eleven tiyn) KZT (payment order dated June 27, 2022 year No. 36942).*

4. Principle of the Company Effective Management by the Board of Directors and the Board

- 4.1. The Board of Directors is a management body that provides strategic management of the Company and controls the activities of the Board.

The Board of Directors ensures full transparency of its activities to the Sole Shareholder, as well as the implementation of all provisions of this Code.

The Board of Directors performs its functions in accordance with the legislation of the Republic of Kazakhstan, the Company's Charter, this Code, the Regulations on the Board of Directors and other internal documents of the Company. At the same time, the Board of Directors pays special attention to:

- 1) determination of the Company Development Strategy (directions and results);
- 2) setting and monitoring the KPIs set in the development strategy and/or development plan;
- 3) organizing and supervising the effective functioning of the risk management system, internal control and internal audit;
- 4) approval and monitoring of the effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors;
- 5) election (re-election), remuneration, succession planning and supervision of performance of the head and members of the executive body;
- 6) corporate governance;
- 7) compliance in the Company with this Code and the Company's corporate standards on business ethics (Code of Business Ethics).

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *Activities of the Board of Directors of the Company are regulated by the Regulations on the Board of Directors of the Company, approved by Decision of the Sole Shareholder of the Company (Minutes of the Board of the Holding dated November 17, 2021 No. 62/21).*
- *Activities of the Company's Board of Directors are based on the principles of efficiency and responsibility, maximum compliance with and realization of interests of the Sole Shareholder. This principle is observed in practice by the Company's Board of Directors.*
- *The Board of Directors exercises general management of the Company's activities, with exception of issues falling within the exclusive competence of the Sole Shareholder and the Company's Board.*
- *The Development Strategy of KazAgroFinance Joint Stock Company for 2020 – 2023 was approved by Decision of the Company's Board of Directors No. 10 dated July 25, 2022, which defines key performance indicators (KPIs) corresponding to the Company's mission, goals and objectives. Amendments to the Development Strategy of KazAgroFinance Joint Stock Company for 2020 – 2023 were approved by Decision of the Company's Board of Directors No. 15 dated December 21, 2022.*
- *The Board of Directors continuously monitors the Development Strategy implementation.*
- *The Report on Implementation of the KazAgroFinance Development Strategy for 2020-2029 based on the results of 2021 was approved by Decision of the Company's Board of Directors dated July 25, 2022 (Minutes No. 10).*

4.2. The Board of Directors and its committees should maintain a balance of skills, experience and knowledge that ensures making independent, objective and effective decisions in the interests of

the Company and taking into account the interests of the Sole Shareholder and the principles of sustainable development.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *When electing a member of the Board of Directors of the Company, as well as the Chairman and members of the Committees of the Board of Directors of the Company, the Sole Shareholder and the Board of Directors of the Company are guided by the legislation and other internal regulations.*

4.3. The Board of Directors must include attendance and participation of independent directors. The number of members of the Board of Directors must be at least three people. At least one third of the members of the Company's Board of Directors must be independent directors. At the same time, the number of independent directors should be sufficient to ensure independence of the decisions taken. The recommended number of independent directors on the Company's Board of Directors is up to fifty percent of total number of members of the Board of Directors.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Board of Directors includes independent directors.*
- *At least one third of the members of the Company's Board of Directors must be independent directors, and the Company's Board of Directors consists of 2 independent directors.*
- *Quantitative composition of the Company's Board of Directors was determined (6 people) by decision of*

the Board of Directors of Agrarian Credit Corporation JSC dated January 31, 2023 (Minutes No. 1).

4.4. Relations between independent directors and the Company are formalized by contracts taking into account the legislation of the Republic of Kazakhstan, this Code and internal documents of the Company.

The contracts must specify the rights, obligations, responsibilities of the parties and other essential conditions, as well as the obligations of independent directors of the Board of Directors to comply with this Code, including to devote sufficient time to perform the functions assigned to them, non-disclosure of internal information about the Company after termination of its activities for a period established by the Board of Directors and additional obligations arising from requirements for the status and functions of independent directors (in terms of timely declaration of loss of independence and others).

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *Relevant Contracts have been concluded with the Independent Directors of the Company.*

4.5. The Company's Board of Directors has established committees whose competence includes consideration of issues related to audit and risk management, strategic planning and corporate development, human resources, remuneration and social issues.

The existence of committees does not exempt members of the Board of Directors from responsibility for decisions taken within the competence of the Board of Directors.

Committees are established to conduct a detailed analysis and develop recommendations on a range of the most important issues before they are considered at a meeting of the Board of Directors. Final decision on the issues considered by the committees is made by the Board of Directors.

Activities of the committees are regulated by internal documents approved by the Board of Directors, containing provisions on composition, competence, procedure for electing committee members, procedure for work of committees, as well as rights and obligations of their members. The Sole Shareholder has the right, upon request, to familiarize itself with the provisions on committees.

A Corporate Secretary is appointed by the committee or the Board of Directors, the Secretary of the committee to arrange work of the committee. The Secretary of the committee prepares committee meetings, collects and systematizes materials for meetings, timely notifies the committee members and invited persons of committee meetings, the agenda of meetings, materials on agenda items, records meetings, prepares draft decisions of the committee, as well as subsequent keeps all relevant materials.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *3 committees have been established under the Company's Board of Directors:*
 - 1) *Audit and Risk Committee;*
 - 2) *Strategic Planning and Corporate Development Committee;*
 - 3) *Social Affairs, Human Resources and Remuneration Committee.*

- *The Secretary of the Committees of the Company's Board of Directors is the Corporate Secretary of the Company.*

4.6. Meetings of the Board of Directors are held in accordance with the work plan approved by the Board of Directors before the beginning of the calendar year, which includes a list of issues under consideration and a schedule of meetings with dates. Meetings of the Board of Directors and its committees are held by in-person or absentee voting, while a number of meetings with absentee voting should be minimized. Consideration and decision-making on important and strategic issues is carried out only at meetings of the Board of Directors with in-person voting.

If the members of the Board of Directors (no more than 30% of the total number of members of the Board of Directors) are unable to attend a meeting of the Board of Directors in person, a combination of both forms of a meeting of the Board of Directors and its committees is possible. At the same time, an absent member of the Board of Directors may participate in discussion of the issues under consideration using technical means of communication and provide his/her opinion in writing.

The recommended frequency of meetings of the Board of Directors is at least six meetings per year. It is recommended to evenly distribute a number of issues planned for consideration during the year to ensure thorough and full discussion and timely and high-quality decisions.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Board of Directors holds regular meetings to effectively perform its functions. Meetings of the Board*

of Directors are held in accordance with the Work Plan for 2022 approved by Decision of the Board of Directors of the Company dated 22.12.2021 (Minutes No. 14). Meetings of the Board of Directors and its Committees are held by in-person and absentee voting.

- *In 2022, 15 meetings of the Board of Directors were held – 11 in-person and 4 in absentia meetings of the Company's Board of Directors, 102 issues were considered and decisions were made.*

4.7. The Board of Directors, committees and members of the Board of Directors are annually assessed. At the same time, at least once every three years, assessment is carried out with involvement of an independent professional organization.

Assessment makes it possible to determine contribution of the Board of Directors and each of its members in achieving the strategic objectives of the Company's development, as well as to identify areas and recommend measures for improvement. The assessment results are taken into account when re-electing or early termination of the powers of the members of the Board of Directors.

Assessment is one of the main tools for improving the professionalism of the Board of Directors and its individual members. Assessment is mandatory for both independent directors and representatives of the Sole Shareholder.

Assessment is carried out according to principles such as regularity, complexity, continuity, realism, confidentiality.

Process, timing and procedure to assess performance of the Board of Directors, its committees and members of the Board of Directors should be clearly regulated in the Company's internal documents.

Partially observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *In accordance with the best international corporate governance practices, the Company annually assesses performance of the Board of Directors, which determines further effective development of the Board of Directors.*
- *In accordance with the Corporate governance Code, the Regulations on the Company's Board of Directors – the Board of Directors, committees and members of the Board of Directors are annually assessed until June 1, following the reporting period.*
- *Decision to assess the Board of Directors is made by the Company's Board of Directors.*
- *Due to change of the Sole Shareholder of the Company in 2022 and change in the composition of the Company's Board of Directors, the Board of Directors decided on December 21, 2022 (Minutes No. 15) to assess the Company's Board of Directors for 2022 on its own. Assessment is carried out by the questionnaire method and its results will be included in the Company's Annual Report.*

4.8. The Board of Directors appoints a Corporate Secretary to effectively arrange activities of the Board of Directors and interact of the Board with the Sole Shareholder.

The Board of Directors makes a decision on appointment of the Corporate Secretary, determines the term of his/her powers, functions and procedure of activity, amount of official salary and remuneration conditions, decides on establishment of the service (secretariat) of the Corporate Secretary (if necessary) and determines the budget of the specified service. The Corporate Secretary is accountable to the Company's Board of Directors and is independent of

the Company's Board. Main duties of the Corporate Secretary include assistance in timely and high-quality corporate decision-making by the Board of Directors, the Sole Shareholder, acting as an adviser to the members of the Board of Directors on all issues of their activities and application of this Code, as well as monitoring implementation of this Code and participation in improving corporate governance in the Company. The Corporate Secretary also prepares a report on compliance with the principles and provisions of this Code, which is included in the Company's annual report. This report should reflect a list of principles and provisions of the Code that are not observed, with appropriate explanations.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *A Corporate Secretary was appointed in the Company by Decision of the Board of Directors dated March 10, 2021 (Minutes No. 2).*

4.9. An Ombudsman is appointed to comply with the principles of business ethics, optimal regulation of social and labor disputes arising in the Company.

A candidate for the position of Ombudsman should have an impeccable business reputation, high authority, as well as the ability to make impartial decisions.

An Ombudsman is appointed by Decision of the Company's Board of Directors and shall be re-elected every two years. Role of the Ombudsman is to advise employees who have applied to him/her, participants in labor disputes, conflict and assist them in developing a mutually acceptable,

constructive and implementable solution, taking into account compliance with the legislation of the Republic of Kazakhstan (including confidentiality, if necessary), assisting in solving problematic social and labor issues of both employees and the Company.

An Ombudsman submits problematic issues identified by him/her that are systemic in nature and require appropriate decisions (comprehensive measures) for consideration of the relevant bodies and officials of the Company, puts forward constructive proposals for their solution.

An Ombudsman submits a report on his/her performance at least once a year to the Social Affairs, Human Resources and Remuneration Committee and the Audit and Risk Committee of the Company's Board of Directors, who assess his/her performance.

The Board of Directors of the Company assesses performance of the Ombudsman and decides on extension or termination of his/her powers as the Ombudsman.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *Dina Viktorovna Akrachkova, who holds position of Head of the Office of the Chairman of the Board of Baiterek NMH JSC, was appointed Ombudsman of the Company for a period of 2 years to comply with the principles of the Code of Business Ethics, optimal regulation of social and labor disputes arising in the Company, by Decision of the Board of Directors of the Company dated June 30, 2022 (Minutes No. 8).*
- *The report on performance of the Company's Ombudsman for 2022 was reviewed in accordance with the established procedure by the Company's Board of Directors (Minutes No. 2 dated March 7, 2023).*

4.10. An Internal Audit Service has been established and carries out internal audit as an activity to provide independent and objective guarantees and consultations aimed at improving the Company's performance. Internal audit helps to achieve the set goals by using a systematic and consistent approach to assessing and improving performance of risk management, control and corporate governance.

The Board of Directors of the Company determines quantitative composition and term of office of the Internal Audit Service, appoints its head and employees, as well as prematurely terminates their powers, determines procedure for its work, amount and conditions of remuneration and bonuses for employees of the Internal Audit Service, as well as the budget of the Internal Audit Service.

Employees of the Internal Audit Service cannot be elected to the Board of Directors and the Board of the Company.

The Internal Audit Service reports directly to the Company's Board of Directors and is independent of the Company's Board. The tasks and functions of the Internal Audit Service, its rights and responsibilities are determined by the regulations on the Internal Audit Service approved by the Company's Board of Directors.

The key responsibilities of the Internal Audit Service include assessing quality of internal control, risk management and corporate governance systems in the Company and informing the Board of Directors about sufficiency and performance of these systems. Main task of the Internal Audit Service is to contribute to the improvement of the Company's performance.

Regulation on the Internal Audit Service defines and fixes the following:

- 1) adherence to the principles and regulations adopted by the International Institute of Internal Auditors;

- 2) status, goals and objectives of the Company's internal audit;
- 3) conditions for ensuring the independence, objectivity and professionalism of the Internal Audit Service in order to achieve the goals and objectives of internal audit and effective performance by the Internal Audit Service of its functions and responsibilities;
- 4) qualification requirements for the head and employees of the Internal Audit Service;
- 5) scope and content of internal audit activities;
- 6) right of access to documentation, employees and tangible assets when performing relevant tasks;
- 7) procedure for interaction of the Internal Audit Service with the Board of Directors and the Board of the Company and reporting to the Audit and Risk Committee and the Board of Directors of the Company.

The Regulation on the Internal Audit Service also provides for the following tasks and functions:

- 1) assistance to the Board and employees of the Company in developing and monitoring implementation of procedures and measures to improve risk management systems, internal control and corporate governance;
- 2) coordination of activities with the Company's external auditor, as well as persons providing consulting services on risk management, internal control and corporate governance;
- 3) internal audit of the Company within the established procedure;
- 4) preparation and submission to the Board of Directors and the Audit and Risk Committee of periodic reports on performance of the Internal Audit Service and implementation of the (annual) audit plan (including information on significant risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of assessment of the actual condition, reliability and performance of the system risk management, internal control and corporate governance);

- 5) check of compliance by members of the Company's Board and its employees with the legislation of the Republic of Kazakhstan and internal documents related to insider information and anti-corruption, compliance with ethical requirements;
- 6) monitoring implementation of the recommendations of the external auditor;
- 7) providing consultations within the framework of the work plan approved by the Board of Directors on organization and improvement of internal control, risk management, corporate governance and internal audit, as well as on other issues within the competence of the Internal Audit Service.

Assessment of performance of the Internal Audit Service, its head and employees is carried out by the Board of Directors on the basis of consideration of reports of the Internal Audit Service, compliance with the deadlines for execution of the (annual) audit plan and reporting, assessment of compliance of reports with the standards and internal regulatory documents of the Internal Audit Service.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Company has an Internal Audit Service. Term of office of the Company's Internal Audit Service was determined until 30.07.2025 by Decision of the Board of Directors dated 30.06.2022 (Minutes No. 8). The functional accountability of the IAS to the Board of Directors is fixed and implemented in practice. The IAS head interacts directly with the Board of Directors. Individual objectivity is ensured (avoiding conflicts of interest). Internal auditors do not perform operational functions that are subsequently subject to audit. In accordance with the IAS Regulations, IAS employees cannot be elected to the Board of Directors and the Board of the Company. The relevant*

methodologies for assessing corporate governance, risk management, and internal control systems have been approved. The IAS regularly assesses these systems and the results are submitted to the Board of Directors for consideration. The IAS provides recommendations for improving the above systems. The Regulation on IAS has been approved, which meets the Standards and the Code of Ethics. Requirements for knowledge and skills of internal auditors have been formalized. IAS employees have the necessary collective knowledge and skills. The IAS budget is approved annually, which provides for the costs of training IAS employees. Procedures for periodic reporting on the IAS performance have been established and are being implemented in practice, within the framework of these reports, information is provided on identified violations and shortcomings, as well as on the risks taken by management. Monitoring of the measures taken based on results of the audit assignment is formalized and carried out in practice. As part of periodic reporting, monitoring results are provided to the Board of Directors. The requirements for formation of the audit assignment results are formalized and fulfilled in practice. Procedures for storing and accessing audit files are formalized and observed in practice. A Quality Assurance and Improvement Program has been developed and approved. Criteria for assessing quality of work of IAS employees have been developed and approved by the Board of Directors, the assessment results are submitted to the Board of Directors for consideration as part of the IAS performance assessment. The Quality Assurance and Improvement Program provides for an annual internal assessment of quality of IAS activities (self-assessment). Based on the results of annual self-assessment, the Board of Directors approves an action plan to improve performance of the IAS. In the reporting period, Baiterek National Managing Holding JSC (the Holding) conducted, with involvement of an external appraiser, KPMG

Tax and Advisory LLP, an assessment of compliance with the activities of Internal Audit Services (IAS) of subsidiaries (subsidiaries) of the Holding with International Professional Internal Audit Standards (IAS) and the Code of Ethics in accordance with the methodology of the International Institute of Internal Auditors for 2018-2022. Based on the assessment results, it was confirmed that performance the Company's IAS complies with the definition of internal audit and the Code of Ethics of the Institute of Internal Auditors, as well as the 93% of Standards, including in the context of 4 segments (Quality Assessment Manual methodology):

- Internal audit organization – 92%;
- Internal audit staff – 96%;
- Internal Audit Department – 92%;
- Internal audit processes – 93%.
- Assessment results of KPMG Tax and Advisory LLP are presented as a Report on Independent Assessment of the Company's IAS Performance, which have been reviewed by the Company's Board of Directors. A Plan for improving the IAS performance has been approved by Decision of the Board of Directors of the Company dated 29.11.2022 (Minutes No. 14).

4.11. The Board of Directors elects the Board members (with exception of the Board Chairman), determines terms of office, amount of official salary, terms of payment for their work and bonuses. The Social Affairs, Human Resources and Remuneration Committee of the Company's Board of Directors plays a key role in searching and selecting candidates to the Board, determining their remuneration.

Proposals on candidates for election to the Board for consideration by the Social Affairs, Human Resources and Remuneration Committee of the Board of Directors are submitted by the Chairman of the Board. If the Board of Directors rejects a

candidate proposed by the Head of the Board for the same vacant position in the Board for the second time, the right to make a proposal for a candidate for this vacant position passes to the Board of Directors.

The Board of Directors may terminate the powers of the Board members at any time (with exception of the Board Chairman).

It is recommended to elect members of the Company's Board for up to three years. The terms of office of the Chairman and members of the Board coincide with the term of office of the Board as a whole.

In order to increase transparency of the appointment and remuneration of members of the Company's Board, the Board of Directors is recommended to approve and strictly comply with the rules on appointments, remuneration, assessment and succession of members of the Company's Board.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- Electing members of the Company's Board is governed by the Regulation on the Board approved by Decision of the Company's Board of Directors dated March 30, 2022 (Minutes No. 3).
- Composition of the Company's Board was determined in the number of 5 (five) members with a term of office of the Board – 3 years from July 31, 2022 by the Decision of the Board of Directors of the Company dated July 19, 2022 No. 9.
- Remuneration of the Company's Board members is governed by the Rules of Remuneration, Performance Assessment and Remuneration of the Company's Executives, approved by Decision of the Company's Board of Directors dated 30.09.2021 (Minutes No. 11).

4.12. The Board holds in-person meetings and discusses implementation of the Development Strategy and/or development plan, decisions of the Sole Shareholder, the Board of Directors and operational activities. Board meetings are regularly held. Cases of holding absentee meetings are limited and defined in the Charter and internal documents of the Company.

The Board develops a work plan for the coming year with a list of issues before the beginning of the calendar year. Members of the Board are provided with materials for consideration in advance, of proper quality. When considering issues such as development strategies and/or development plans, investment projects, risk management, several meetings are allowed.

When considering each issue, a separate discussion is devoted to the risks associated with making/not making a decision and their impact on the Company's profitability.

All issues submitted by the Board for consideration by the Board of Directors and the Sole Shareholder are pre-considered and approved by the Board.

The Chairman and members of the Board do not allow a conflict of interest situation to arise. If a conflict of interest arises, they notify the Board of Directors or the Chairman of the Board in advance about the need to record it in writing and not participate in making a decision on the issue.

The Chairman and members of the Board may hold positions in other organizations only with the approval of the Board of Directors. The Board Chairman does not hold the position of the head of the Board of another legal entity.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Board's Work Plan for 2022 was approved by Decision of the Company's Board No. 36 dated December 29, 2021.
- The list of issues proposed to be included in the Work Plan of the Company's Board for 2022 has been determined. The Work Plan reflects issues on approval of internal regulatory documents of the Company, initiation of convocation of the Board of Directors, write-off of fixed assets and other issues.
- During 2022, 41 meetings of the Company's Board were held, all in person. Meetings were held on a regular basis.
- According to the Regulations on the Board, draft decisions are necessarily approved by the head of the initiating department, the head of the legal department, for compliance of draft decision with the legislation, and their supervising managers, the head of a structural unit engaged in risk management, for compliance with the Company's risk management policy.
- In addition, according to subparagraph 1) of paragraph 85 of the Company's Charter, the competence of the Board includes preliminary consideration of issues submitted to the Sole Shareholder and the Board of Directors, with exception of issues of the internal audit service, Corporate Secretary, Compliance Service, Ombudsman.
- The Company goals and objectives shall correspond to the Company mission and are consistent with the Company risk appetite. The Risk Management Department, when approving draft decision of the Board and other authorized bodies, ensures that decisions are weighted with the level of risk. When approving draft decision of the Authorized Body, the RMD checks for compliance/non-compliance of the draft decision with the approved level of risk appetite of the Company.

4.13. The Chairman and members of the Board are assessed by the Board of Directors. The main assessment criterion is achievement of the set KPIs.

Motivational KPIs of the Chairman and members of the Board are approved by the Company's Board of Directors. Proposals on motivational KPIs of the Board members are submitted to the Board of Directors by the Chairman of the Board.

Assessment results have an impact on the amount of remuneration, encouragement, re-election (appointment) or early termination of powers.

The remuneration of the Chairman and members of the Board consists of a constant and variable part. When setting an official salary, complexity of tasks performed, personal competencies of an employee and his/her competitiveness in the market, contribution made by this person to the Company development, level of official salaries in similar companies, economic situation in the Company are taken into account.

In case of early termination of the employment contract, remuneration is paid in accordance with internal documents approved by the Board of Directors of the Company.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In accordance with subparagraph 10) of paragraph 37 of the Company's Charter, the exclusive competence of the Company's Board of Directors includes determining an amount of official salary and conditions of remuneration, bonuses for the Board Chairman and members of the Company's Board.

- The Chairman and members of the Company's Board are annually assessed by the Board of Directors. The main assessment criterion is achievement of the set key performance indicators of the Chairman and members of the Board, consisting of corporate and functional key performance indicators that take into account the specifics of the Company's performance and include key financial and non-financial indicators.
- KPIs are developed by cascading the Company's strategic goals and based on the area of competence assigned to a certain position/ senior employee and are submitted for approval by the Company's Board of Directors in accordance with the established procedure.
- The KPI Maps for 2022 were approved by Decision of the Company's Board of Directors dated December 22, 2021 (Minutes No. 14).
- At the same time, changes have been made to the KPI Maps of Executives for 2022 by Decision of the Company's Board of Directors dated September 20, 2022.
- The KPI Maps of Executives for 2023 have also been approved (Decision No. 15 of the Company's Board of Directors dated December 21, 2022).

5. Principle of Sustainable Development

5.1. The Company is aware of importance of its influence on the economy, environment and society to ensure sustainable development in the long term, while maintaining a balance of interests of stakeholders. An approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of the Company.

The Company strives for profitability, ensures sustainable development, and maintains a balance of interests of stakeholders.

The Company, in the course of its activities, affects and is affected by stakeholders. Activities on sustainable development comply with the best international standards.

Stakeholders can have both positive and negative impacts on the Company's activities, namely on achieving profitability, sustainable development, reputation and image, create or reduce risks. The Company attaches great importance to proper interaction with stakeholders.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In order to determine fundamental norms, principles, rules and approaches that the Company should follow in building management systems on sustainable development, the Company developed and the Board of Directors approved on June 30, 2021 (Minutes No. 7) the KazAgroFinance Sustainable Development Policy (the SD Policy).
- Solving the sustainable development problems, the Company relies on its mission, the Company and Holding Development Strategy, and also uses international norms of behavior and principles enshrined in international standards on sustainable development. The Company considers the use of international standards on sustainable development as a necessary condition for ensuring compliance of its activities with the best international practices and achieving goals and objectives in sustainable development.
- The Company's Board ensures development of a proper sustainable development management system and its implementation.
- The Company is aware of importance of its influence on the economy, environment and society to ensure

sustainable development in the long term, while maintaining a balance of interests of stakeholders. An approach of responsible, thoughtful and rational interaction with stakeholders contributes to the sustainable development of the Company. The principles in sustainable development are openness, accountability, transparency, ethical behavior, respect for the interests of stakeholders, legality, respect for human rights, intolerance to corruption, inadmissibility of conflict of interests. In general, these principles are applied and observed by the Company.

- The Company pays due attention to interaction with stakeholders to implement successful and effective sustainable development policy.
- The Company's Stakeholders Map has been updated by the Board Decision No. 34 dated September 30, 2022 to determine a list of stakeholders, extent of their influence and spheres of influence on the Company's interests.
- Main forms of interaction with stakeholders are: joint programs and projects, memorandums of cooperation, joint working groups, reporting on activities, meetings, meetings, publications, interviews, etc.
- Interaction with stakeholders is based on the principle of involvement, which implies taking into account the interests of stakeholders at all stages of the Company's management process and involving stakeholders in the discussion of significant topics and important issues, potential risks and boundaries of responsibility.

5.2. The Company ensures consistency of its economic, environmental and social goals for sustainable development in the long term. Sustainable development in the Company consists of three components: economic, environmental and social.

The economic component directs the Company's activities to the profitability of their activities,

ensuring the interests of the Sole Shareholder and investors, improving efficiency of processes, increasing investments in the agro-industrial complex of Kazakhstan.

The environmental component contributes to minimizing the impact on biological and physical natural systems, optimal use of limited resources, use of environmentally friendly, energy- and material-saving technologies.

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

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

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- Sustainable development in the Company is carried out in accordance with the SD Policy and consists of three constituent categories: economic, environmental and social.
- The economic component of the Company's sustainable development contains the following goals:
 - 1) Company's break-even performance;
 - 2) ensuring the interests of the Sole Shareholder and investors;

- 3) improving the efficiency of processes;
 - 4) growth of investments in agriculture;
 - 5) creation of new jobs.
- The environmental component of sustainable development contains the following goals:
 - 1) minimizing the impact on biological and physical natural systems;
 - 2) optimal use of limited resources;
 - 3) use of eco-friendly, energy-efficient and material-saving technologies.
 - The social component of the Company's sustainable development contains the following goals:
 - 1) transparent competitive procedures and equal employment opportunities;
 - 2) fair remuneration and respect for the rights of employees;
 - 3) ensuring occupational safety and preserving the health of employees;
 - 4) training and professional development of employees;
 - 5) implementation of internal and external social programs.

5.3. The Company is building a management system on sustainable development, which includes, but is not limited to, the following elements:

- 1) commitment to the principles of sustainable development at the level of the Board of Directors, Board and employees;
- 2) analysis of the internal and external situation on three components (economy, environment, social issues);
- 3) identification of the sustainable development risks in the social, economic and environmental spheres;
- 4) stakeholder mapping;
- 5) integration of sustainable development into key processes, including risk management, planning, human resource management, investments, reporting, operational activities and others, as well as into development strategy and decision-making processes;

- 6) definition of goals and KPIs on sustainable development, development of an action plan and identification of responsible persons;
- 7) professional development of officials and employees on sustainable development;
- 8) regular monitoring and assessment of sustainable development measures and achievement of goals and KPIs, adoption of corrective measures, introduction of a continuous improvement culture.

The Board of Directors and the Board of the Company ensure development of an appropriate system on sustainable development and its implementation.

All employees and officials at all levels contribute to sustainable development.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- Sustainable development management in the Company is carried out within the framework of the general management system of the Company's activities and is its integral part.
- The SD Policy defines fundamental principles and approaches in building a management system on sustainable development.
- The Company's sustainable development objectives are:
 - 1) consistent implementation of the sustainable development principles in key business processes and corporate decision-making system;
 - 2) analysis of activities and risk control on sustainable development in the context of its three components;
 - 3) improving quality of sustainable development management through the systematic work;

- 4) creation of mechanisms for effective interaction of the Company with stakeholders, including regular information on the sustainable development performance.
- The Company's approach to sustainable development issues is based on harmonization of the Company's interests and strategic plans with the basic principles on sustainable development and compliance with the principles of conscientious and responsible behavior towards all stakeholders.

5.4. The Company develops action plans on sustainable development through:

- 1) analysis of the current situation in three main areas: economic, environmental and social; when conducting this analysis, the reliability, timeliness and quality of information is important;
- 2) identification of the sustainable development risks; risks are distributed in accordance with the three directions of sustainable development, may also affect related areas and capture other risks. To determine the risks, an analysis of both internal and external factors affecting the Company is carried out;
- 3) identification of stakeholders and their impact on the activities;
- 4) defining goals, as well as, if possible, targets, measures to improve activities according to three components, responsible persons, necessary resources and deadlines;
- 5) regular monitoring and assessment of implementation of goals, measures to achieve targets;
- 6) systematic and constructive interaction with stakeholders, receiving feedback;
- 7) implementation of the developed plan;
- 8) continuous monitoring and regular reporting;
- 9) analyzing and assessing the plan performance, summarizing and taking corrective and improving measures.

Sustainable development is recommended to be integrated into:

- 1) management system;
- 2) development strategy;
- 3) key processes, including risk management, planning (long-term (strategy), medium-term (5-year development plan) and short-term (annual budget periods), reporting, risk management, human resource management, investments, operational activities and others, as well as decision-making processes at all levels starting from bodies (Sole Shareholder, Board of Directors, Board), and ending with ordinary employees.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In the reporting year, the Company implemented the KazAgroFinance Sustainable Development Action Plan for 2022, approved by the Board's decision No. 36 dated December 29, 2021.
- The report on implementation of the KazAgroFinance Sustainable Development Action Plan for 2022 was reviewed and approved by the Board on January 13, 2023 (Minutes No. 1).
- The Plan reflects the Company's initiatives in an effort to follow international best practices on sustainable development.
- The plan includes measures on three components of sustainable development (economic, environmental and social). As part of implementation of the Plan, such measures as improving the energy supply culture, reducing energy consumption, optimizing paper document flow, increasing the coverage of trained workers and a number of other measures are envisaged.
- The Company plans to integrate the principles of sustainable development into a new Development Strategy.

6. Principle of Risk Management, Internal Control and Internal Audit

6.1. The Company has an effective risk management and internal control system aimed at ensuring reasonable confidence in the Company's achievement of its strategic and operational goals, and representing a set of organizational policies, procedures, standards of conduct and actions, methods and management mechanisms created by the Board of Directors and the Board of the Company to ensure:

- 1) optimal balance between profitability of the Company's activities, strategic goals and risks associated with them;
- 2) efficiency of financial and economic activity and achievement of financial stability of the Company;
- 3) preservation of assets and efficient use of the Company's resources;
- 4) completeness, reliability and validity of financial and management reports;
- 5) compliance with the legislation of the Republic of Kazakhstan and internal documents of the Company;
- 6) proper internal control to prevent fraud and ensure effective support for the main and auxiliary business processes and analysis of performance.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company has risk management and internal control systems, which are a set of interrelated components (organizational policies, procedures, methods, mechanisms, norms of behavior and actions, etc.) aimed at providing reasonable confidence in the Company's achievement of strategic and operational goals.
- Risk management in the Company is a constant, dynamic and continuous process and consists of

components according to the following scheme: identification, measurement, control, monitoring.

- The Internal Audit Service periodically assesses performance of the risk management and internal control systems.
- The corporate risk management system for 2021 was assessed by external consultants from KPMG. According to the assessment results, the final rating of the corporate risk management system was 82%. The 82% rating corresponds to the "Mature" level of efficiency and the elements of the risk management system correspond to the "best practice" and the risk management system is quite effective.
- The Company is constantly improving its corporate risk management system.
- The Company's internal control system is an integral part of the Company's corporate governance system, covers all levels of management, all internal processes and operations of the Company.
- In order to implement internal control, the Company has built a three-line protection:
 - first line of defense, internal controllers in the Company structural units are appointed from among the Company's employees by order of the Board Chairman;
 - second line of defense, the Company structural units performing control functions;
 - third line of defense is provided by the Internal Audit Service by assessing performance of the Company's internal control system.
- The Company approved a Plan on Improvement of the KazAgroFinance Internal Control System for 2022-2024 by decision of the Board of Directors No. 15 dated December 23, 2021 to ensure effective functioning of the Company's internal control system. The Plan includes five component activities: control environment, risk assessment, control procedures, information and communication channels, monitoring.
- The report on implementation of the Plan for 2022 was approved by the decision of the Board of Directors dated 07.03.2023 No. 2.

- In addition, the Internal Audit Service of the Company periodically assesses performance of the internal control system, so in the second quarter of 2021, based on the assessment results, the audit group determined “above average” rating, which is a fairly high indicator.

6.2. The Company's Board of Directors approves internal documents defining the principles and approaches to the risk management and internal control system based on the objectives of this system.

The effective risk management and internal control system in the Company is aimed at building a management system capable of ensuring that employees, management, and Company bodies understand reasonableness and acceptability of the risk level when making decisions, respond quickly to risks, control main and auxiliary business processes and daily operations, as well as immediately inform the relevant management of any significant drawbacks.

Principles and approaches to the effective risk management and internal control system include:

- 1) defining the goals and objectives of the risk management and internal control system;
- 2) Organisational Chart of the risk management and internal control system covering all levels of decision-making and taking into account a role of the appropriate level during developing, approving, applying and assessing the risk management and internal control system;
- 3) basic requirements for the risk management process (approaches to risk identification, procedure for identifying and assessing risks, determining response methods, monitoring, and others);
- 4) requirements for the internal control system and control procedures (characteristics of the key areas and main components of the internal control system, procedure for assessing performance and reporting on internal control, and others).

The Company's internal regulatory documents establish responsibility of the Board of Directors and the Board of the Company to organize and ensure the effective functioning of the risk management and internal control system on a consolidated basis.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company's Board of Directors approved the following internal documents:
- Risk Management Policy (approved by Decision of the Company's Board of Directors No. 10 dated August 31, 2021 (Minutes No. 10);
- Main objectives of the Risk Management Policy are:
- building an effective integrated system and creating an integrated risk management process, as well as continuous improvement of activities based on a unified standardized approach to risk management methods and procedures;
- ensuring that the Company accepts acceptable risks that are adequate to the scale of the Company's activities.
- Risk management in the Company is a constant, continuous process and is carried out at all levels with involvement of collegial bodies, authorized bodies, structural units and employees of the Company.
- Policy on Internal Control System of KazAgroFinance (approved by Decision of the Board of Directors of the Company dated 06.09.2019, No. 9).
- The Policy defines concepts, objectives and tasks of the Internal Control System, the principles of its functioning, key areas and main components of internal control procedures, as well as the competence and responsibility of internal control entities for implementation of procedures and assessment of the Company's internal control system.
- Main objective of the Policy on Internal Control System is to achieve the objectives set in three key areas:

- operating activities;
- preparation of financial statements;
- compliance with the regulatory legal acts.
- The Policy on Internal Control System applies to officials and employees at all levels of management and activities of the Company, structural units, as well as other participants in internal control and stakeholders.
- In addition, the Company has approved the Rules for Implementing the Policy on the Company's Internal Control System to determine a procedure for ensuring the effective functioning of the internal control system.
- The Company will continue to develop the internal control system in the future and ensure its effective functioning.

6.3. Each official of the Company ensures proper consideration of risks when making decisions.

The Company's Board ensures implementation of risk management procedures by employees with appropriate qualifications and experience.

The Board shall:

- 1) ensure development and implementation of internal documents approved by the Board of Directors on risk management and internal control;
- 2) ensure development and effective functioning of the risk management and internal control system through the practical and continuous implementation of the principles and procedures of risk management and internal control assigned;
- 3) be responsible for implementation of decisions of the Board of Directors and recommendations of the Audit and Risk Committee on risk management and internal control system organization;
- 4) monitor the risk management and internal control system in accordance with the internal documents;
- 5) ensure improvement of risk management and internal control processes and procedures, taking

into account changes in the external and internal business environment.

In order to implement the principles of internal control and ensure the performance of risk management and internal control system, the Company's Board distributes powers, liabilities and responsibility for specific risk management and internal control procedures among the managers of the following level and/or heads of structural units.

The heads of structural units, in accordance with their functional responsibilities, are responsible for elaboration, documentation, implementation, monitoring and development of the risk management and internal control system within their entrusted functional areas of the Company.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The regulations on structural units, job descriptions and the regulation of business processes regulate the roles and responsibilities for performance of official duties. The powers of decision-making at the level of the Management Body (Board of Directors) and the Executive Body (Board) have been defined; powers at the level of committees or individual members of the Executive Body have been additionally delegated.
- When considering issues within the scope of powers, preliminary coordination with structural units-experts and/or mandatory structural units within the business process is provided. According to the approval results, if necessary, an expert opinion is prepared.
- According to the job descriptions, the Company's employees are responsible for timely identification, assessment and risk management within their competence.

- Description of the methods and procedures of the risk management, including a procedure for submitting and reporting forms on risk management, tasks, functions and responsibilities of participants during managing the main types of risks, risk management measures and other components of the risk management are presented in the Company's internal documents approved by the authorized bodies of the Company in accordance with their competence.
- According to paragraph 10 of the Rules for Implementation of the Policy on Internal Control System, internal controllers have been appointed from among the Company employees by order of the Chairman of the Board dated 14.10.2022 No. 209 to implement internal control on the first line of defense in the Company's structural units.
- Based on the reports provided by internal controllers and structural units performing control functions, in accordance with paragraph 33 of the Rules for Implementation of the Policy on Internal Control System, the Consolidated Report on Identified Violations and Shortcomings of Internal Control System for 2022 has been approved by Decision of the Board dated February 15, 2023 No. 3.
- Methodology for assessing performance of Internal Control System has been approved by Decision of the Board dated December 29, 2021 No. 36 to conduct self-assessment and its control procedures.
- In accordance with the IAS recommendation, for internal control performance, the Company conducted an annual assessment (self-assessment) of the internal control system, following which, the Report on Performance Assessment (Self-Assessment) of the Company's Internal Control System was approved by Decision of the Board of the Company dated July 01, 2022 No. 24. Based on the assessment (self-assessment), the performance rating of the internal control system was assigned "High".

6.4. The risk management and internal control system provides for identification, assessment and monitoring of all significant risks, as well as adoption of timely and adequate measures to reduce risk level.

Risk management procedures ensure rapid response to new risks, their clear identification and identification of risk owners. In case of any unforeseen changes in the competitive or economic environment of the Company, the risk map and its compliance with risk appetite are reassessed.

The Board of Directors approves the overall level of risk appetite and the level of tolerance in relation to key risks, which are fixed by the Company's internal documents.

Tolerance levels for key risks are reviewed in case of significant events. Limits are set that limit the risks in day-to-day activities.

For a holistic and clear understanding of the inherent risks, the Company identifies and assesses the risks at least annually, which are then reflected in the risk register, risk map, risk response plan (process improvement, minimization strategies) approved by the Board of Directors.

The Board of Directors, when reviewing the risk register and map, ensures that risks that can really affect implementation of strategic objectives are included in them, and when considering the risk response action plan, make sure that the measures are useful. The Board of Directors and the Board of the Company regularly receive information about key risks and their analysis in terms of their impact on the Company's strategy and development plan.

Risk reports are submitted to the meetings of the Board of Directors at least once a quarter and are discussed properly in full.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Risk Management Policy (approved by Decision of the Company's Board of Directors dated August 31, 2021 (Minutes No. 10) defines the risk management structure, main components of the risk management system, provides a systematic and consistent approach to the risk management implementation.
- The risk appetite for 2022 was approved by Decision of the Board of Directors of the Company dated December 23, 2021 No. 15.
- The risk appetite for 2023 was approved by Decision of the Board of Directors of the Company dated 29.11.2022 No. 14.
- Key risk indicators for 2022 were approved by Decision of the Company's Board of Directors dated December 23, 2021 No. 15.
- The risk appetite for 2023 was approved by Decision of the Board of Directors of the Company dated 29.11.2022 No. 14.
- The Matrix of Business Processes, Risks and Controls of KazAgroFinance was approved in a new edition (Decision of the Board of Directors of the Company No. 14 dated November 29, 2022) as part of analysis and updating of business processes, inherent risks and controls.
- To systematize the identified risks, the Company uses the Risk Register (the Risk Register), which is a list of risks that the Company faces in its activities and includes the possible consequences of risk realization, and a Risk Map (the Risk Map), which allows assessing the relative importance of each risk (compared to other risks), as well as highlight the risks that are critical and require development of measures to manage them. The Risk Register and Risk Map were updated during 2022 as new risks were identified, as the significance of risks changed or the strength of impact of risk on the Company's

activities changed. Results of risk identification and assessment were periodically reviewed by the Board and approved by decisions of the Company's Board of Directors, respectively, No. 1 dated 22.02.2022, No. 7 dated 31.05.2022, No. 8 dated 30.06.2022, and No. 14 dated 29.11.2022.

- The Critical Risk Management Action Plan (the Plan) is a list of identified risks affecting the business process with mandatory identification of measures aimed at minimizing risks. Based on the results of assessment of the most critical risks (red zone), after determining the risks that represent the maximum exposure to the risk of the Company's activities and requiring immediate actions to minimize the risk from the Company's structural units – risk owners, during 2022, the Board of Directors approved Plans dated 12.11.2021, No. 12, dated 30.06.2022, No. 8, dated 29.11.2022, No. 14 respectively.
- During 2022, the STB limits were approved by ALCO Decisions dated March 04, 2022 No. 06-2022, March 16, 2022 No. 08-2022, March 31, 2022 No. 10-2022, June 10, 2022 No. 15-2022, July 22, 2022 No. 20-2022, November 28, 2022 No. 33-2022.
- The Company's Risk Management Rules regulating methods, tools and approaches for identification, assessment, monitoring and risk management were approved by Decision of the Board No. 27 dated 20.10.2021.
- The Development Strategy for KazAgroFinance Risk Management System for 2022-2025 was approved by Decision of the Company's Board No. 9 dated March 25, 2022, which includes an Action Plan for Improving the KazAgroFinance Corporate Risk Management System for 2022-2025.

6.5. The Company has established an Internal Audit Service for a systematic independent assessment of reliability and performance of the risk management system, internal control and corporate governance practices.

The Internal Audit Service carries out its activities on the basis of a risk-oriented (annual) audit work plan approved by the Company's Board of Directors. The results of audit reports, key findings and relevant recommendations are submitted quarterly for consideration by the Board of Directors.

The Head of the Internal Audit Service takes into account the risk management concept adopted by the Company, and also applies his/her own risk judgment formed after consultations with the Company's Board and the Audit and Risk Committee.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The IAS regularly assesses risk management and internal control systems, as well as corporate governance system. As part of each audit assignment, the IAS assesses the internal control and risk management system in the Company based on the results of testing the control procedures of the business processes being audited and provides recommendations for their improvement. In addition, the IAS periodically assesses internal control, risk management and corporate governance systems in accordance with the methodology approved by the Board of Directors. The assessment results are submitted for consideration by the Board of Directors. In 2021, the IAS diagnosed the corporate governance, according to which the recommendations were given on improvement of the corporate governance system, as well as the internal control system performance was assessed resulting in recommendations for improving the internal control system. The Company plans to conduct an*

independent diagnosis of corporate governance in 2023, relevant proposals with commercial proposals are sent to adjust the Company's Budget for 2023. The Head of the IAS draws up a risk-oriented plan that determines priorities of internal audit in accordance with the strategic goals of the Company. Procedures for periodic reporting on the IAS performance have been established, within the framework of these reports, information is provided on identified violations and shortcomings, as well as on the risks taken by management.

- 6.6. The Company conducts an annual audit of financial statements by engaging an independent auditor who provides an objective opinion to stakeholders on reliability of financial statements and their compliance with the International Financial Reporting Standard.

An external auditor is selected on the basis of a competition. The selection process takes into account the opinion of the Audit and Risk Committee of the Company's Board of Directors, which coordinates the qualification requirements and/or technical specifications developed for the competition.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Company conducts an annual audit of financial statements by engaging an independent and qualified auditor who, as an outside party, provides an objective opinion to stakeholders on reliability of financial statements and their compliance with IFRS requirements.*

7. Principle of Settlement of Corporate Conflicts and Conflicts of Interest

- 7.1. Members of the Board of Directors and the Board of the Company, employees of the Company, shall perform their professional duties in good faith and reasonably in the interests of shareholders and Company, avoiding conflicts.

In case of corporate conflicts, the participants seek ways to resolve them through negotiations in order to ensure effective protection of the interests of the Company and stakeholders. At the same time, Company officials promptly inform the Corporate Secretary and/or the Ombudsman about any conflict.

Effective prevention and resolution of corporate conflicts presupposes identification of such conflicts and coordination of actions of all Company bodies in full and quick manners.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *In 2022, there were no situations related to a conflict of interests in the Company.*

- 7.2. A conflict of interest is a situation in which the personal interest of an employee of the Company affects or may affect the impartial performance of official duties.

The Company's employees do not allow a situation in which a conflict of interests may arise, either in relation to themselves (or related persons), or in relation to others.

The Company implements mechanisms to prevent and regulate them to avoid conflicts of interest that prevent the Board of Directors from fulfilling its duties objectively and to limit political interference in the processes of the Company's Board of Directors.

The basic principles of preventing conflicts of interest, ways to identify, assess and resolve them are enshrined in the Company's Code of Business Ethics, approved by the Board of Directors.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- *The Rules for Settlement of Corporate Conflicts and Conflicts of Interest in the Company were approved by decision of the Board of Directors of the Company dated November 04, 2015 (Minutes No. 17) to prevent and resolve corporate conflicts and conflicts of interest in the Company, as well as to coordinate the actions of all bodies and officials.*
- *The decision of the Company's Board of Directors dated February 23, 2022 (Minutes No. 2.) approved:*
 - 1) *The Company's Code of Business Ethics, which establishes fundamental values and principles of corporate (business) ethics;*
 - 2) *The Regulation on the Company's Ombudsman, which defines the functions of the Ombudsman institution in resolving labor disputes, conflicts, social and labor problems, as well as in compliance with the principles of business ethics by the Company's employees.*

8. Principles of Transparent and Objective Disclosure of Information about the Company's Performance

8.1. In order to comply with the interests of stakeholders, the Company promptly and reliably discloses information provided for by the legislation of the Republic of Kazakhstan and internal documents of the Company, as well as information on all important aspects of its activities, including financial condition, results of operations, ownership and management structure.

To ensure the systematic disclosure of information, the Company approves internal documents defining the principles and approaches to disclosure and protection of information, a list of information disclosed to stakeholders, deadlines, procedure, method, form of disclosure of information, responsible officials and employees with indicating their functions and responsibilities, as well as other provisions governing the disclosure processes.

The Company determines a procedure for classifying information into access categories, conditions for storing and using information in accordance with the legislation of the Republic of Kazakhstan in order to protect information constituting commercial and official secrets. The Company determines a circle of persons who have right of free access to information constituting commercial and official secrets, and takes measures to protect its confidentiality.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In order to ensure transparency of its performance, the Company is guided by the Policy of Disclosure

of Information on the KazAgroFinance Performance, approved by Decision of the Board of Directors No. 1 dated February 11, 2021, which defines the goals, principles, forms and methods of disclosure of information, a list of information constituting commercial, official or other legally protected secrets.

- Procedure and terms of information disclosure on Internet resources of the depository of financial statements, the Kazakhstan Stock Exchange, the Company's corporate Internet resource are governed by the Instructions on Disclosure of Information on the KazAgroFinance Performance, updated by Decision of the Board dated March 15, 2023 No.5 (Instructions on Information Disclosure).
- The Instructions on Information Disclosure provide for a list of information disclosed to stakeholders, timing, procedure, method, form of information disclosure, responsible officials and employees with indicating their functions and responsibilities, as well as other provisions on information disclosure.
- In 2022, the Company, in accordance with the legislation and the Rules of Information Disclosure by initiators of admission of securities of the Kazakhstan Stock Exchange, disclosed information about corporate events, financial statements, information about affiliated persons and other information affecting the interests of the shareholder. By the end of 2022, 93 publications were posted on the Internet resource of the Kazakhstan Stock Exchange, 65 on the Internet resource of the financial statements depository. There are no violations of the information disclosure deadlines for 2022.
- Also, on the Company's corporate Internet resource www.kaf.kz, full information about the Company's performance, Organisational Chart, financing products and other relevant information is placed.
- The Company has an Information Security Policy of KazAgroFinance, approved by Decision of the Board of Directors of the Company dated October 25, 2017 No. 13.

8.2. Internet resource is structured, user-friendly and contains information sufficient for stakeholders to understand the Company's performance. It is recommended that the information be placed in separate thematic sections of the Internet resource.

Internet resource is updated as necessary, but at least once a week. The Company regularly monitors the completeness and relevance of information placed on the Internet resource, and also determines compliance of this information placed on the Kazakh, Russian, English versions of the Internet resource. For these purposes, responsible persons (structural unit) responsible for the completeness and relevance of information on the Internet resource are assigned.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company's corporate website (www.kaf.kz) is structured and easy to use. It contains general information about the Company, management information, performance results and other information in accordance with the best corporate governance practices.
- The Company's corporate website is permanently updated, based on requests from structural units and monitoring the relevance of data, information is published in equal access in Russian, Kazakh, English (if necessary).
- The Company's corporate website is improved and updated as necessary.
- Procedure for maintaining the Company's corporate website is regulated by the Instructions on Information Disclosure (Appendix No. 3, 3-1) and defines the structural units responsible for timely filling and updating of the corporate website sections.

8.3. The Company prepares an Annual Report in accordance with this Code and the best practices of information disclosure. The Annual Report is approved by the Sole Shareholder.

The Annual Report is a structured document and is published in Kazakh, Russian and English (if necessary).

The Annual Report is prepared and, after approval by the Sole Shareholder of the Company, is placed on the Internet resource.

Requirements for the Annual Report content shall include at least:

- 1) address of a Chairman of the Board of Directors of the Company;
- 2) address of a Chairman of the Board;
- 3) about Company: general information; about structure of the authorized capital, including the following information: number and nominal value of the issued shares (participation shares), description of rights granted by the shares, number and nominal value of the declared but outstanding shares, information about the Sole Shareholder, number of ordinary shares owned by it, procedure for disposing of ownership rights; mission; development strategy, results of its implementation; market overview and market position;
- 4) financial and operational performance for the reporting year: review and analysis of activities in relation to the objectives set; operational and financial performance indicators; key significant events and achievements; information on significant transactions; any financial support, including guarantees to be received/received from the state and any obligations to the state and society, assumed by the Company (if not disclosed in accordance with IFRS);

- 5) asset structure, overview, main results of their financial and production activities;
- 6) goals and plans for future periods;
- 7) main risk factors and risk management system;
- 8) corporate governance: corporate governance structure; composition of shareholders and ownership structure; composition of the Board of Directors, including qualifications, selection process, including independent directors with criteria for determining their independence; report on performance of the Board of Directors and its committees, which reflects the performance of the Board of Directors and its committees for the reporting period, significant events, issues considered, number of meetings, form of meetings, attendance; information on compliance of corporate governance practices with the principles of this Code, and the explanations on the reasons for failure to comply with each of the principles if fails to comply with; composition of the Company's Board; report on performance of the Board; remuneration policy of officials;
- 9) sustainable development;
- 10) auditor's report and financial statements with notes;
- 11) analytical indicators and data included in the annual report should reflect a comparative analysis and the progress achieved (regression) in relation to the previous period (comparison with values of similar indicators from the last annual report). In order to compare indicators with international companies operating in a similar industry, it is recommended to publish performance indicators that will allow for an industry benchmarking analysis.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- The Company prepares an Annual Report on Performance on an annual basis, approved by the Sole Shareholder.

- In 2022, the Company's Annual Report for 2021 was approved by Decision of the Sole Shareholder No. 30/22 dated July 20, 2022.
- The Annual Report of KazAgroFinance for 2021 (the Annual Report) was developed in accordance with the structure defined by the Rules of Information Disclosure by the initiators of admission of securities of the Kazakhstan Stock Exchange, Instructions on Disclosure of Information about the KazAgroFinance performance, as well as the best practices for formation of annual reports (in accordance with GRI Standards (basic compliance level).
- Information presented in the Annual Report discloses reliable information, ensures transparency of the Company's performance and reflects the Company's commitment to corporate governance principles.
- The Annual Report is placed on the Company's corporate website in the "Reporting" section <https://www.kaf.kz/upload/iblock/4a0/dm86q0zitzjzsig2f5ln3nuh0aaqnfq/KazAgroFinansRUS.PDF>.
- The Company took part in the Annual Reports Competition for 2021.
- In the Annual Reports Competition held by PwC Kazakhstan, the Company's Annual Report for the year 2021 took 1st place as "The Best Financial Companies in terms of ESG information disclosure" and received B+ disclosure rating of a good level, and also took 5th position in the overall ESG information disclosure rating.
- In the Annual Reports Competition held by Kazakhstan Stock Exchange JSC, the Company was recognized as the winner in the nomination "Best Annual Report for 2021 in the Financial Sector" and the winner in the nomination "Best Design of the Annual Report for 2021".

- 8.4. The Company interacts with business partners (clients, investors, rating agencies, consulting companies, etc.) on the basis of mutual benefit,**

respect, trust, honesty and fairness. The Company does business only with reliable business partners who are engaged in legitimate activities.

The Company selects suppliers of services/goods mainly on a competitive basis in accordance with the legislation and internal documents of the Company.

The Company faithfully fulfills its contractual obligations to business partners and demands the same from them.

Disputes arising in the course of the Company's activities are always resolved by legal means, negotiating and seeking to find mutually acceptable compromises.

Observed

Activities carried out to implement the principles and provisions of the Corporate Governance Code:

- In accordance with the SD Policy when interacting with investors and counterparties of the Company:
 - 1) sufficiently discloses up-to-date information about financial condition, dividend policy and credit history, as well as development prospects;
 - 2) financial and management reports are prepared and submitted in a timely manner in accordance with legislative and regulatory requirements, while the financial statements are reviewed by independent auditors;
 - 3) information on influence of the Sole Shareholder and other stakeholders (state bodies), as well as on a procedure for monitoring and approving party-related transactions is known, transparent and accessible;
 - 4) carries out proactive communication of approaches to strategic decision-making;
 - 5) faithfully fulfills its contractual obligations to business partners;

- 6) ensures information transparency, openness, equality, fairness, no discrimination and unreasonable restrictions on competition in strict accordance with the legislation of the Republic of Kazakhstan;
- 7) adheres to the principles of corporate governance and improvement of the corporate governance system in accordance with the world's leading practice.
 - When interacting with clients and consumers, the Company:
 - 1) provides services available to consumers;
 - 2) ensures security of consumer data and commercial information in order to protect them from breach and misuse;
 - 3) provides services of the same quality and the same level of service without discrimination to all groups of consumers;
 - 4) contributes to improving quality of service and public service, which is expressed in improving client service standards;
 - 5) regularly informs clients about new tools and principles of operation;
 - 6) contributes to the improvement of financial literacy of consumers and clients to the best of their abilities and in accessible forms.
 - In the Company, goods, works and services are procured online and the participants are provided with access to an electronic format for making civil law transactions for the purchase of goods, works and services with the certification of legal actions with an electronic digital signature. The portal provides domestic suppliers with an opportunity to participate in the Company's competitive procurements. Procurements are made on the Eurasian electronic portal: eep.mitwork.kz.
 - The international Fitch Ratings agency annually conducts a rating assessment of the Company on assignment of a long-term credit rating, conducts a thorough analysis. Fitch Ratings has deep experience, more than 100 years, in more than 20,000 organizations around the world.