



ANNUAL REPORT 2015



ANNUAL REPORT
OF KAZAGROFINANCE JSC
on 2015 Year End Results

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GROUP OF COMPANIES



Welcome Address of the Chairman of the Board of Directors of KazAgroFinance JSC



AIGUL MUKHAMMADIYEVA

Dear Customers and Partners!

Each annual report is a new opportunity to present results of our work done during the reporting year, to share the most effective solutions to pressing problems of the agricultural sector and the prospects for the Company's future development.

KazAgroFinance JSC has been operating in the Kazakhstani leasing service market for more than 16 years. At the end of 2015, the Company share amounted to 72% of the country's total leasing volume, in the loan portfolio of more than 7 million customers. As part of the investment projects financing, the company has created more than 13 thousand new jobs in rural areas, contributed to import phase-out and increase in exports of dairy, egg, poultry and horticultural products. 90 projects financed by the Company for a total amount of KZT 108.5 billion were included in the Industrialization Map and assigned the status of strategically important objects.

It should be noted that the agricultural sector is becoming attractive to business and the trust in the state agribusiness policy is increasing. In particular, the increase in agricultural investments indicates the potential of the area.

To improve the accessibility of services, KazAgroFinance JSC begins to work out new ways and mechanisms

of work: interest rate subsidies, policy of loyalty to customers and many other tools that allow easing a financial burden on the Company's borrowers.

In turn, the Board of Directors, having knowledge of management, strategic and financial planning and experience in the agricultural field, contributes to the overall development of the Company through effective management tools. 50% of the Board of Directors is formed of independent members, which allows making objective and well-considered decisions for the purpose of improving the structure, processes and transparency of the Company's activities.

In conclusion, I would like to express my gratitude to colleagues for their professionalism, hard work and team spirit, to thank customers and partners of KazAgroFinance JSC for their trust and cooperation, and wish you all a lot of success in 2016.

Respectfully yours,
Chairman of the Board of Directors
KazAgroFinance JSC

Aigul Mukhammadiyeva

Welcome Address of the Chairman of the Management Board



KANYSH IZBASTIN

As it is widely known, food security is of paramount importance for all inhabitants of the planet. Provision of food security in our country is the primary task of KazAgroFinance JSC.

In 2015, the Company invested KZT 70.8 billion in the development of agro-industrial complex of the country, at that the total amount of investment during the period from 2000 to 2015 amounted to approximately KZT 510.5 billion. In the overall composition of investment, the share of extra-budgetary funds exceeded the share of state funds and accounted for 61%.

Moreover, as of the end of the reporting year, our Company financed purchase of more than 4 195 units of machinery and equipment amounting to KZT 57.5 billion, which allows the Company to take an active part in renovation of the domestic machine and tractor fleet, being implemented by the state, for 16 years.

If in the early 2000s, KazAgroFinance JSC was being developed exclusively as an institution offering instruments of agricultural leasing, then later, under the implementation of major investment projects, 381 projects for a total amount of KZT 200.6 billion were commissioned. In 2015 alone, 94 investment projects on 16 investment directions (multiplying farms, irrigation systems, recycling projects, vegetable stores, fodder production, dairy farms, granaries, greenhouses, poultry farms, meat-processing complexes, gardens,

assembly plants, feedlots, etc.) for KZT 41.3 billion have been implemented.

In turn, owing to the implementation of the «Cattle Meat Export Potential Development» program, during the reporting period 3 968 head of breeding cattle have been imported, which includes 488 head of dairy cattle and 3 480 head of beef cattle. Thus, over the last 5 years from 2011 to 2015, the Company imported 44 348 head of breeding stock into the republic and created 95 multiplying farms.

It is important to note that behind these dry statistical figures are the thousands of real people. They are not only our staff, but also rural people, farmers and agricultural producers, whose work and zeal help all the inhabitants of our country to feel confidence in their future.

We express our gratitude to all our partners and customers for their cooperation and assistance: and wish you success, good health and stability!

Sincerely,
Chairman of the Board
KazAgroFinance JSC

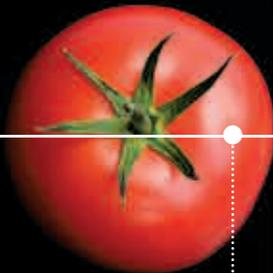
Kanysh Izbastin

2015 IMPORTANT EVENTS CALENDAR

JANUARY FEBRUARY

- Launch of the electronic system for collecting and processing applications for finance at the address: www.credit.kazagro.kz

2015

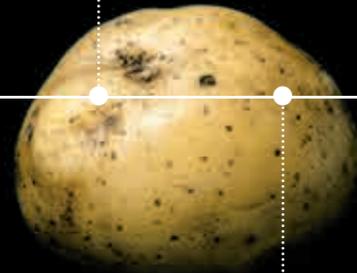


MARCH

- Implementation of plan for financing the spring-field works of AIC entities

APRIL

- Affirmation by the international rating agency «Fitch Ratings» of the KazAgroFinance's long-term foreign and local currency Issuer Default Ratings (IDRs)

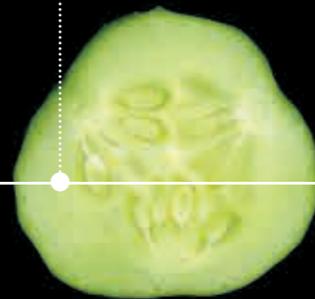


MAY

- Participation in the VIII Astana Economic Forum in Astana city

JUNE

- Election of a new Board of Directors of KazAgroFinance JSC



JULY

- Raising funds by KazAgroFinance JSC from Societe Generale amounting to USD 25 million

AUGUST

- A new Chairman of the Management Board has been appointed



SEPTEMBER

- The Company fulfilled the harvesting campaign plan, under which the purchase of more than 2 thousand units of harvesting equipment amounting to KZT 23.6 billion had been financed

OCTOBER

- The corporate governance score was assigned based on the results of corporate governance diagnosis



NOVEMBER

- The new corporate structure of KazAgroFinance JSC was approved

DECEMBER

- Within the framework of food security, the Company commissioned a record number of investment projects - 94 projects worth KZT 41, 3 billion



- In 2015, the Company reached its targets in executing Master plans
- The Company completed the «Cattle Meat Export Potential Development» program; over the period from 2011 to 2015, 37,304 head of beef cattle were imported into the country, 95 multiplying farms were constructed

ABOUT COMPANY

The Company is represented by 14 branches in all regions of Kazakhstan.



KazAgroFinance JSC (hereinafter referred to as "the Company") was incorporated on December 28, 1999 in accordance with the Decree of the Government of the Republic of Kazakhstan dated November 24, 1999 No.1777 "On Some Agricultural Issues" for assistance in solving one of the main problems of agriculture – renewal of technical fleet.

Key objective is to support the development of the agricultural sector by providing the agricultural producers with the access to financial resources, as well as the agricultural machinery and technological equipment on a lease basis.

Mission of KazAgroFinance JSC is participation in the implementation of the state policy on agrarian industrial diversification development by providing accessible financial services for technical and technological renewal of agricultural branches (hereinafter referred to as «the AIC»).

Vision of the Company. As an operator for implementation of the state policy on industrialization, diversification and productivity growth, KazAgroFinance JSC will strengthen the leading position at the market of leasing services of Kazakhstani AIC, as well as increase the coverage of operating subjects and amounts of their funding.

Types of activities. For implementation of the chartered objectives, the Company carries out the following types of activity:

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

The Company is a part of KazAgro National Management Holding JSC.

Developmental History

1999	Decree of the Government of the Republic of Kazakhstan on establishment of KazAgroFinance JSC
2000	First experience in leasing of the foreign agricultural machinery
2003–2005	Creation of the first machine and tractor stations. Active participation of the Company in the large scale Governmental Program "Year of Aul".
2006	KazAgroFinance JSC became the integral part of the newly established KazAgro National Managing Holding JSC
2007	Introduction of breeding cattle leasing for dairy farms.
2008	For the first time received Fitch's international credit rating at the level of BBB
2009	Start of financing the large investment projects
2010	First leasing market research by rating agency «Expert RA Kazakhstan»: KazAgroFinance JSC was recognized as a leader in the Kazakhstani leasing market
2011	The Company becomes the participant of the breakthrough program "Cattle Meat Export Potential Development".
2013	Implementation of projects under the Agribusiness 2020 Program on Kazakhstani Agro-Industrial Complex Development. KazAgroFinance JSC has become an official member of subsidy program.
2015	<i>A diagnosis of the Company's corporate governance has been performed, and for the first time a corporate governance level has been assigned</i>

PRODUCTS



Financial Products



LEASING PROGRAMS

- **Leasing of Agricultural and Special Machinery** (mounted, towed and self-propelled machinery of domestic and foreign manufacture).
- **Leasing of Special Machinery and Equipment** (for receiving, cleaning, packaging, storage and primary processing of agricultural, forest and fish products, cultivation of vegetables, equipment for cattle, pig, poultry farms, etc.).
- **Leasing of Vehicles for Transportation of Agricultural and Fishery Products, Biological Assets.**
- **Leasing of Reclamation Equipment** (is carried out in Kyzylorda, South Kazakhstan, Zhambyl and Almaty oblast).



SPECIAL PROGRAMS

- **«Express Leasing»**, accelerated examination of applications (from 5 Business Days).
- **«Harvest»**, combine harvesters, which are assembled and manufactured on the territory of the Republic of Kazakhstan, can be the leased asset, reduced advance payment, the advance shall be paid after harvest.
- **«Master Leasing»**, opening a leasing line of credit within which there is a certain monetary limit for a client, selected as necessary.
- **Financing Using Escrow Accounts** (milk tankers (specialized vehicles with tankers for milk transportation), vehicles for transportation of livestock and meat of domestic and foreign production, irrigation systems and drip irrigation systems of domestic and foreign production)



FINANCING OF INVESTMENT PROJECTS

- Leasing of equipment, machinery and cattle, crediting of construction and installation works, and working capital financing for the priority directions:
- Dairy farms;
 - Production of horticultural, industrial and oil crops using irrigation systems;
 - Poultry farms;
 - Vegetable stores;
 - Greenhouse facilities;
 - Agricultural machinery assembly;
 - Fodder production;
 - Feedlots;
 - Meat-processing complex;
 - Breeding farms (multiplying farms);
 - Slaughter units;
 - Fish farms;
 - Egg production;
 - Processing, production, storage of agricultural and fishery products.

FROM APPLICATION TO PROJECT

The core activity of KazAgroFinance JSC is providing farmers with affordable financial services through financial leasing and loan.

Company departments are focused on quality customer service within the minimum period of time.

In order to achieve strategic objectives, the new corporate structure of KazAgroFinance JSC is reviewed and approved, which is aimed at the effective interaction of the Company's structural and separate subdivisions when carrying out lending and leasing activities. It is planned to achieve high performance on the Company's core activities through optimization of business processes. Block division of the whole structure of KazAgroFinance JSC into front, middle and back offices will help to identify shortcomings, gaps in business processes, thereby making it possible to further improve them.

The peculiarity of the Company's structure division into front, middle and back offices is as follows:

Front Office is the structural units, which are in direct contact with clients or customers of the Company services. Front office is a term used to refer to employees of the credit and leasing units that held consultations and collect primary documents of the Company's customers.

Middle Office is the structural units, which enter into legal relationship with the customer of the Company only on certain prescribed or non-prescribed step when considering or monitoring the customer's project. Middle office includes collateral officers (at checking the status of collateral and leasing), legal affairs officers at enforcement of the Company's rights and interests.

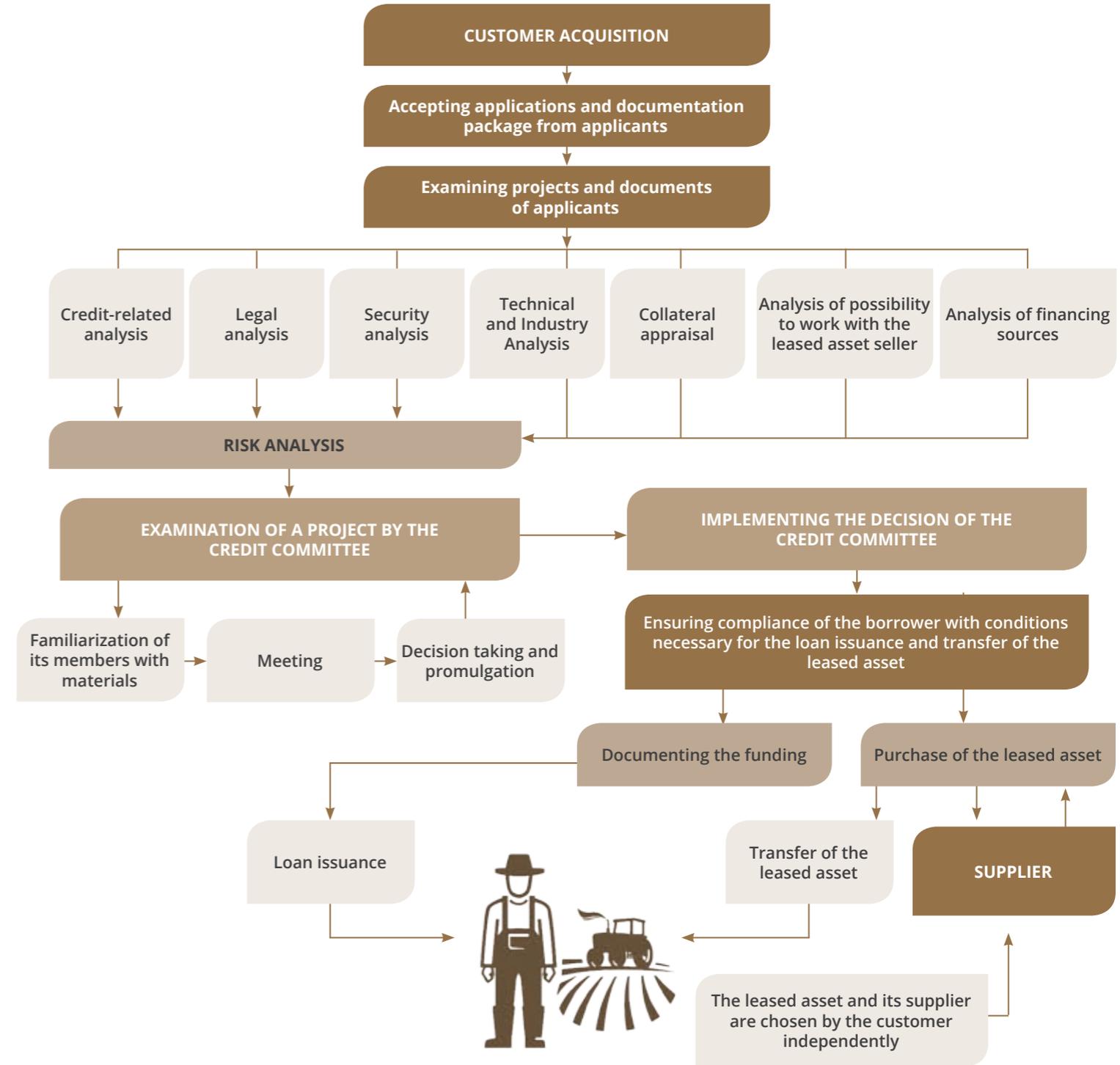
Back Office is the structural units supporting activities of middle and front offices. Employees of the units include departments of accounting, auditing, risk management, strategy development, methodology, etc. The employees of Back Office are not engaged in customer relations.

The Company's branch network allows covering / expanding the Company's activities geographically, as well as attracting the appropriate audience. Framework decentralization of the branch network makes it possible for separate subdivisions to make their own decisions on projects financing. The Company's following policy on equal financing conditions provides all AIC entities with an opportunity to obtain quality financial services of the Company. The Company's activity covers all market segments in the field of agro - industrial complex.

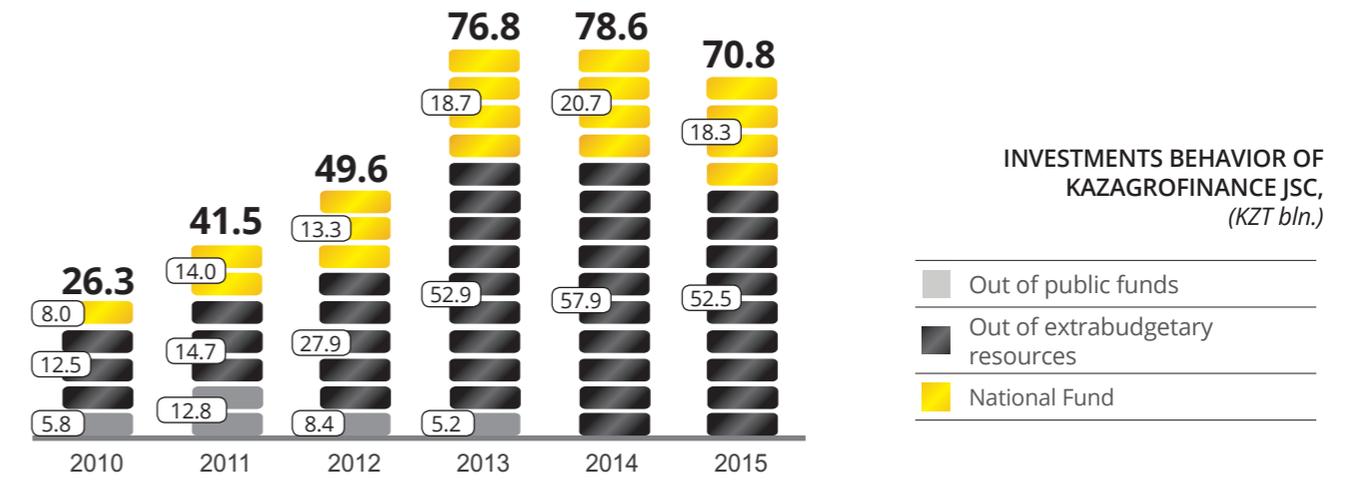
Monitoring of the Company's financial services quality is carried out on an ongoing basis. At the end of the corresponding period, the analysis of the quality management system is conducted in accordance with the requirements of the international ISO standard. Monitoring is necessary for the purpose of ensuring usefulness, adequacy and effectiveness of provided services, as well as for assessing opportunities to improve them.

In order to delegate clear functional responsibilities to the structural units involved in implementing loan and leasing projects, automation of the Company's core business processes is carried out.

The employees use Oracle, Siebel CRM and ERP in their work. The software programs are regularly improved. Full automation of all business processes will be done by connecting all structural units to the common system. The development and modification of the software is a priority for the Company.



2015 YEAR-END RESULTS



In 2015, the Company invested KZT 70.8 billion for the agriculture development. Over the period from 2000 and 2015, the cumulative investment amounted to KZT 510,5 billion. The share of extra-budgetary funds in the overall investment structure exceeded the share of state funds and accounted for 61%.

Compared to 2014, there is the decrease in investments by 10% due to the devaluation. Current economic factors had a significant impact on the situation with regard to implementing investment directions. Some companies refused from partial limits of financing, some of them moved their disbursement to 2016.

Machinery

In 2015, the Company financed the purchase of 4 195 units of agricultural and special machinery and equipment totaling KZT 57, 5 bln. (including the implementation of the plan made 130% or KZT 41.5 billion, while the plan was

KZT 32 billion). During the period from 2000 to 2015, the purchase of more than 34 thousand units of equipment and machinery amounting to KZT 344, 8 billion has been financed.

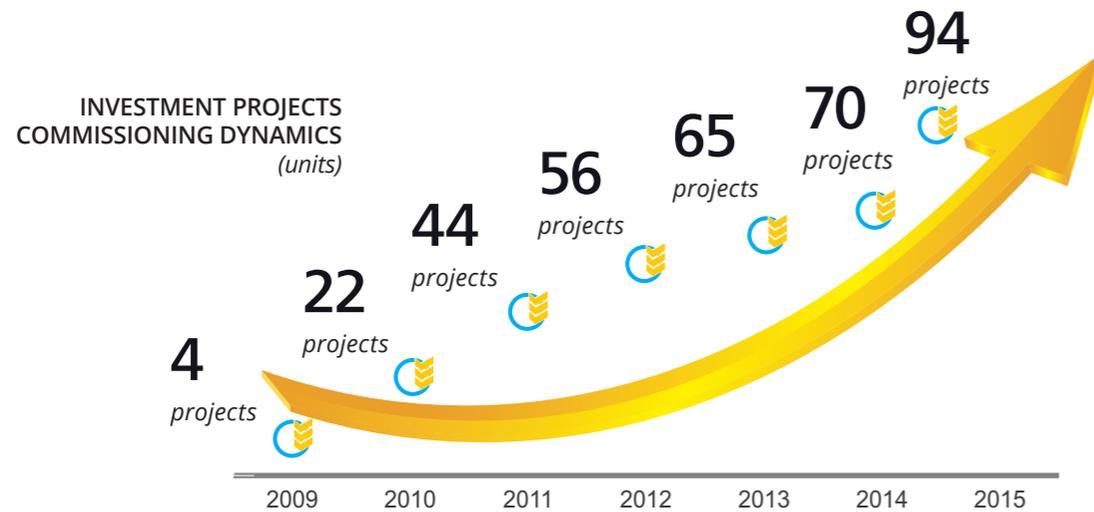
Leased Machinery and Equipment Dynamics, KZT. mln.

Name	units	2013		2014		2015		Total 2000-2015	
		units	cost	units	cost	units	cost	units	cost
Sowing complexes	99	2,802	130	3,247	52	1,774	1,097	42,018	
Tractors	1,250	9,362	1,477	11,144	1,334	10,732	9,933	54,252	
Combine harvesters	727	17,054	735	21,681	594	19,200	9,031	148,052	
Seeding machines	155	306	56	109	103	1,501	1,818	4,272	
Other machinery	1,254	6,846	2,107	10,889	2,020	8,238	11,780	47,098	
Equipment	52	5,157	89	10,700	92	16,085	395	49,085	
TOTAL:	3,537	41,527	4,594	57,770	4,195	57,530	34,054	344,778	

In general, there is the annual dynamics in financing of agricultural machinery purchase, but there was a slight decrease (by 10% in quantitative terms and by 0.4% in total terms) in

2015 that was caused by rise in purchase prices of equipment, imported from former Soviet Union and other foreign countries, due to the last devaluation of the national currency.

Investment Projects



As part of the investment projects implementation, 381 projects totaling KZT 200.6 billion have been commissioned by the Company during the period from 2007 to 2015.

- 2 fish farming complexes for 247,5 tons;
- Poultry farm for 3500 tons;
- Slaughter unit for 272,5 tons.

As compared to previous years, there is a positive trend of the projects commissioning, for example, in 2015, the Company implemented 94 investment projects worth KZT 41.3 billion, including:

- 26 irrigation systems on 3 295,7 ha (incl. drop irrigation – 1 834,7 ha);
- 12 multiplying farms for 3 929 head;
- 11 vegetable stores for 32 430 tons;
- 10 granaries for 286 500 tons;
- 6 gardens on 349 ha;
- 6 dairy farms for 2 408 head;
- 5 projects on fodder production for 24 686,3 tons;
- 4 feedlots for 16 500 head;
- 4 greenhouses on 10 ha;
- 3 processing projects;
- 3 meat processing complexes for 13 400 tons;



Master Plans

In 2015, within the framework of the «Agribusiness-2020» program, the Company has been entrusted with tasks of executing the Plans for Implementing Priority Directions in the agro – industrial complex – «Master Plans». At year-end the Company over fulfilled 8 investment directions from 15 directions of Master Plans (gardens, feedlots, purchase of domestic breeding cattle, construction of meat processing plants, construction of fruit and vegetable stores, poultry farms, sprinkler irrigation systems, salmon and sturgeon breeding and koumiss production enterprises).

Cattle Supply

Within the framework of the «Cattle Meat Export Potential Development» program, during the reporting period 3 968 head of breeding cattle have been imported, which includes 488 head of dairy cattle and 3 480 head of beef cattle. Thus, over a period of 5 years, from 2011 to 2015, the Company have imported 44 348 head of breeding livestock, which includes 7 044 head of dairy cattle, 37 304 head of beef cattle, also 95 multiplying farms have been created

In 2015, the Company completed the «Cattle Meat Export Potential Development» program, the program funds were disbursed in full.

Subsidies

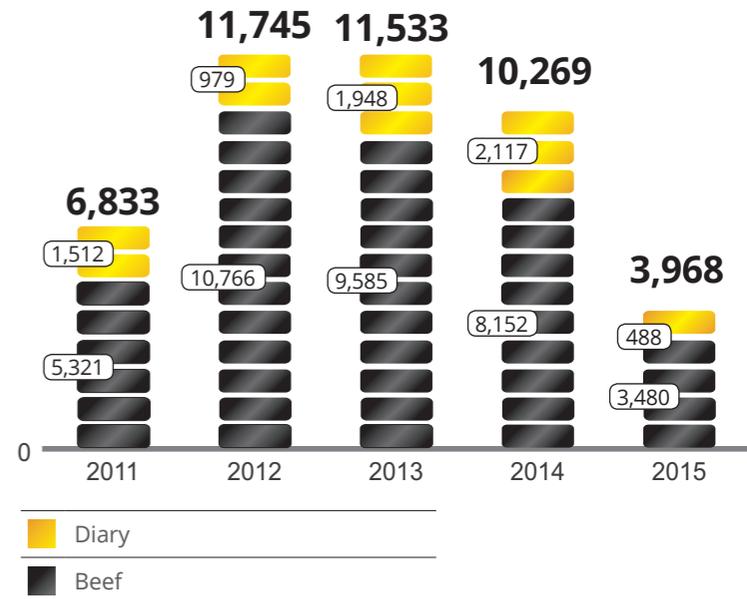
Interest Rates Subsidies

In 2015, KazAgroFinance JSC took part in the implementation of the budget program 227 «Reimbursement of interest rates on loans and leasing issued to support agriculture». Total 446 contracts for a total UPB amount of KZT 3, 7 billion were subsidized, the subsidy amount in 2015 totaled KZT 216 mln.

Financial recovery of AIC entities

In 2015, within the framework of the budget program 225 «Subsidizing the interest rate on credit and leasing liabilities within the area of AIC entities' financial improvement», 55

CATTLE SUPPLY (head)



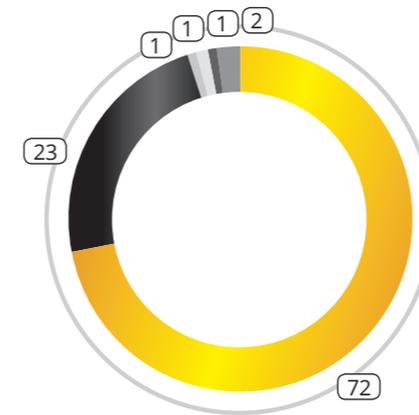
projects on 137 credit contracts for a total UPB amount of KZT 7.9 billion were approved.

For reference only:

According to the results of 2015, the share of machinery and equipment purchased from Kazakhstani manufacturers accounted for more than 30%. Within recent years, there is an increase in the share of machinery of domestic production, which indicates the prospects of the industry development.

In 2015, the Company cooperated with the machinery and equipment suppliers from 26 different countries, which includes such major partner countries as Russia, Germany, Canada and the Netherlands.

ANALYTICS



SHARES OF COMPANIES IN THE LEASING MARKET*

KazAgroFinance	- 72%
DBK-Leasing	- 23%
Kazakhstan Ijara Company	- 1%
SK Leasing	- 1%
Leasing Group	- 0%
Forte Leasing	- 1%
Raiffeisen Leasing Kazakhstan	- 2%

72%

Share of KazAgroFinance JSC in the leasing market at year-end 2015

*According to the «Expert RA Kazakhstan» rating agency

Market

According to the Statistics Committee of the Ministry of National Economy of Kazakhstan, in 2015 the portfolio of leasing companies increased by 25%, while the volume of payments received increased by 37%. Main market players show the similar growth dynamics. However, in recent years, the positive trend is provided mainly by leasing companies working within the state economy support programs. The other market participants' development pathway is unstable. In 2015, the traditional funding problem has been complemented by devaluation of the national currency.

In connection with introducing a new monetary policy system, which implies the abolition of the currency band and transition to a freely floating exchange rate, many leasing companies reconsidered their credit and pricing policies. Namely - increased the amount of advances to their customers and reduced leasing period. Moreover, due to reducing the possibility of raising funds, as well as due to problems with lease payments, the number of leasing companies temporarily stopped processing the customers' applications. Thus, according to the results of the year, the revenues of most leasing companies have dropped, but the demand for leasing still dictates the need for further development of the market.

KazAgroFinance JSC, as a year before, has become a leader in the rating of Kazakhstani largest leasing market players. At 2015 year-end, the Company's leasing portfolio increased by 17%, while the weight of KazAgroFinance JSC in the total portfolio of leasing companies slightly decreased and made 72%.

The Company's leasing share has reduced, primarily, due to near doubling in the portfolio of DBK-Leasing in 2015, owing to participation in such state programs as «Performance 2020» and «Nurly Zhol».

It should also be noted that the growth rate of the Company's leasing portfolio decreased compared to the previous year, due to the completion of a large number of contracts, as before 2009 the business of KazAgroFinance JSC was focused exclusively on leasing. Thus, in 2015, the amount of the Company financing for leasing was at the level of 2014.

In 2015, changes in the leasing portfolio of KazAgroFinance JSC had taken place in part of purchasing sowing complexes, share of which decreased by 60% compared to the previous year, while the share of seeders increased by 54%. These changes are due to the fact that modern farmers have recently transferred to the small- and medium-sized business segment and can not take full advantage of the sowing complexes potential that depends on the absence of a large number of land plots or climate conditions. In this regard, the sowing complexes are operated by an average of 60-70% of their available power and farmers consider that buying seeders is economically advantageous than buying expensive sowing complexes.

Furthermore, there was a decrease in the proportion of combine harvesters by 20% in quantitative terms and by 12% in monetary terms due to the tenge devaluation, which led to an increase in equipment cost. The rest of the leasing portfolio of KazAgroFinance JSC has changed only slightly.

External Factors

«Agribusiness-2020» program adopted in 2013 has a significant impact on the market of financing agribusiness entities.

This program includes a set of measures aimed at the industry support in accordance with the strategic objectives to improve the competitiveness of AIC entities under the World Trade Organization.

In the conditions of accession to the WTO and prior to the possible seizure of market by large foreign operators, the Company shall take the first-mover advantage and secure a foothold in the market by directing its resources to business development.

The prospect for growth of domestic agricultural production in the country and import phase-out are the factors that positively influence the future strategic directions of the Company development. This situation requires continuous monitoring of the domestic agricultural producers' potential to finance needed AIC industries.

To maintain its position as a leasing market leader under the new monetary policy based on inflation targeting regime, the Company shall carry out work on search and widening of financing sources, including with regard to providing agricultural producers with reasonable prices, as devaluation raises the cost of equipment mostly supplied from abroad, and thus reduces the attractiveness of leasing transactions.

To improve the accessibility of services, the Company will improve business processes for accelerated examination of applications, as well as participate in the development of schemes to support agricultural producers.

Due to the population growth and changes in the food structure, there is an increasing demand for food in both volume and assortment. This factor requires the Company to carry out continuous analysis and monitoring of the food consumption market, taking into account the level of physiological consumption norms per capita.

PEST-ANALYSIS

Factor	Effects	Company's Actions
<i>Political factors</i>		
The focus of the state policy on development of agribusiness industry (Agribusiness-2020, Message of the Head of State, Strategy-2015 (100 concrete steps), etc.)	Ensuring national food security	Participation in implementing certain directions of state programs aimed at the AIC development
State support of innovation activity	Effective use of the AIC potential	Development of agricultural machinery and equipment leasing system for enterprises that are using innovative technologies
Import substitution (reduction of import quotas)	Growth of domestic agricultural products	Study of the domestic agricultural producers' potential to finance needed AIC sectors

<i>Economic factors</i>		
New monetary policy based on inflation targeting regime	Rise in price of imported machinery and equipment in KZT	Search for new partners (investors, suppliers) with mutually beneficial conditions for cooperation
Insolvent demand	Increase in the number of overdue obligations	Active rehabilitation work with troubled projects, taking timely measures for seizure and secondary sale of leased assets.
Mismatch in terms of maturities of conducting costly transactions by farmers and receiving income related to the seasonality of agricultural work.	Lack of available financial resources, high capital costs and low capital productivity of the sector	Search for new directions of leasing AIC equipment for agribusiness farms under conditions optimal for the Company and agricultural producers. The Ministry of Agriculture is proposed to expand spheres for support of agricultural producers (subsidy, allowance, insurance, etc.)
Increase in bank lending activity	Variety of loan products offered by second-tier banks in agriculture	Introduction of acceptable financial conditions, that help to preserve purchasing power (reducing documentation package and terms for applications processing)
Interindustry and intraindustry incoherence of prices	Food price instability	Study of price market for staple foods. Financing of projects depending on specialization of regions
<i>Social factors</i>		
Population growth	Increase in public consumption	Study of public demand for agricultural products with a view to implementing projects on providing public with food
Change in food structure	Increase in demand for fresh fruit and vegetable products in winter, consumption of low-calorie and healthy food	Study of market for production of food and its consumption by public in accordance with the minimum level of physiological consumption norm per capita
<i>Technological factors</i>		
Retooling and modernization of agribusiness industry	Advent of innovative equipment and technology on the AIC market	Study of innovative equipment and machinery market, building a database of manufacturers and suppliers
Increase in environmental load	Jump in demand for the most appropriate and environmentally friendly types of equipment and machinery	Search for manufacturers/suppliers of high-tech equipment and machinery that meet the requirements and environmental standards
Development of information space	Increase in the number of Internet users	Publication of necessary information on the corporate website, information portal, as well as on sites of Financial Statements Depository and stock exchange for the persons concerned. Receipt of online applications for leasing machinery and equipment.

SWOT-ANALYSIS

STRENGTHS

1. Extensive experience in the leasing field in the agro industrial sector, including in the implementation of major investment projects;
2. Wide client base of agricultural producers in the country;
3. Well-established partnerships with domestic and international manufacturers of agricultural machinery and equipment;
4. Significant volume of assets and equity;
5. State support for providing financial resources to reduce the cost of the Company's services in priority development areas;
6. Experience of raising funds in the international market, high credit ratings.
7. Developed regional network: coverage of the most remote areas ;
8. Qualified staff members.

WEAKNESSES

1. Concentration of loan portfolio in high-risk sectors;
2. Inability to fully select funding directions due to the need for the state programs implementation;
3. Availability of low liquid assets in the Company's assets and collateral provided;
4. Foreign currency liabilities associated with currency risks;
5. Insufficient degree of business processes automation;
6. Staff turnover;
7. Low level of corporate governance.

OPPORTUNITIES

1. Focus of state policy on support of the agricultural sector increases the public interest in the agricultural business;;
2. Improving the accessibility of the Company's services by optimization and automation of business processes;
3. Expanding the financial services line to meet the needs of agribusiness;
4. Improving the human capital management system;
5. Improving the corporate governance level through application of world practice.

THREATS

1. Financial instability in the international market, which results in decrease of potential customers' paying capacity and increase in foreign exchange risks for the Company;
2. Significant rise in price of machinery and equipment, which may lead to reduced demand;
3. Possible credit rating downgrade due to the decline in the share of state participation.

The reduced down payment in the amount of 15% of equipment cost (the majority of market players' initial contribution amount starts from 20-30%) distinguishes KazAgroFinance JSC from other market players. There is also a grace period on repayment of principal debt of up to two years, and the payment schedule is focused on the farmers' interests: once a year after harvesting.

KazAgroFinance JSC is constantly developing new programs to enhance the accessibility of their services, for example, the «Master Lease» program, which allows opening a credit line for purchase of machinery within a year: the customer collects the package of documents once a year, pays an advance and receives the machinery as needed. Or the «Express-Leasing» program - a certain type of machinery can be obtained through

the scoring system within five Business Days providing a minimum package of documents.

In addition, the Subsidy Program within «Agribusiness 2020» contributes to the development of the agricultural machinery and equipment leasing market. According to the program terms, the interest rate on loans to replenish working capital and construction, as well as on leasing for purchase of technological equipment and agricultural machinery is subject to reducing by 7% per annum, in turn, the interest rate on agricultural machinery and equipment purchase agreements in the field of livestock and fodder production is subsidized by the state at a rate of 10%.

KazAgroFinance JSC constantly develops new programs to improve the availability of its services, for example, the "Master Lease" and "Express-leasing" programs



STRATEGY

The Development Strategy of KazAgroFinance JSC for 2011-2020 has been developed in accordance with the President's Address "Kazakhstan - 2050", the goals and objectives of the Program for development of agro-industrial complex of the Republic of Kazakhstan for 2010-2014 and the Development Strategy of KazAgro National Management Holding JSC for 2011-2020.

In accordance with the Strategy for 2011-2020, the following strategic directions are defined:

- 1. Stimulating the labor productivity growth in the agro-industrial complex through industrialization and diversification.*
- 2. Participation in ensuring food security of the country.*
- 3. Promoting the development and realization of AIC export potential.*
- 4. Improving the accessibility of services for support of AIC entities.*
- 5. Improving the corporate governance quality and transparency of KazAgroFinance JSC activities.*

In order to implement the strategic directions, the Company sets itself a number of annual tasks, the performance of which is measured by the achievement of key performance indicators.

In 2015, the Company's management had a task to execute 15 key performance indicators, among which 9 indicators have been significantly exceeded.

As of today's date, given the changing external economic and political factors in relation to the agricultural sector, the Company needs to work on modernization of the Company's Development strategy.

Support of agricultural development through financing agro - industrial complex entities, without doubt, remains the main goal of the Company's activities.

Thus, in the strategy of KazAgroFinance JSC it is planned to take into account the objectives set by the state for creating conditions to improve the competitiveness of agricultural producers, providing access to financial services and marketing outlets for farmers, optimizing activities and improving the corporate governance system.

In accordance with the current need for upgrading the machine and tractor fleet of the republic, the Company will continue implementing activities on providing farmers with leasing of agricultural machinery.

With the development of government-to-government relations and Kazakhstan's accession to the WTO and Eurasian Economic Union, the Company will continue its work on financing import-substituting export-oriented domestic productions, as well as directions, which are of priority according to the state policy (Agribusiness - 2020, 100 concrete steps) and are designed to ensure the food security of the country.

For the convenience of its customers, the Company will continue its work on optimizing business processes, facilitating the procedures for application review, reducing the number of required documents, expanding the product line, taking into account the particularities of each client group.

In order to improve the loan portfolio quality, the Company will take effective measures to reduce the amount of overdue

obligations (work with troubled portfolio, crisis management, timely seizure and secondary sale of leased assets) and concentration of top borrowers in the loan portfolio, as well as maintaining the optimal level of reserves/provisions for assets and contingent liabilities.

Furthermore, the Company is planning to change the treatment of purchased leased assets, recognizing them as the Company's assets and taking their liquidity into account. Accordingly, the Company will be able to determine the structure of optimal leasing portfolio considering the level of risk for each group and manage its assets in accordance with the external and internal factors.

The Company is going to introduce the package of measures for minimizing foreign exchange risks, measures in regard of recurrence condition, pricing policy and cost optimization, which in turn will allow for moderate growth in return on assets and the Company's capital.

In addition, the Company will continue active work on investment raising, which will be carried out through cooperation with investors, on introduction of new loan instruments, diversification of funding sources and funding in the amount necessary for the implementation of the Company's goals and objectives.

As a result, it is planned to annually increase volumes of leased agricultural and special machinery by agribusiness entities, which will allow increasing the level of machine and tractor fleet renewability using the resources of the Company.

Products, manufactured at the enterprises financed by the Company, will contribute to increase in the volume of domestic agricultural production and import substitution in the food market, as well as growth of the export-oriented products volume.

In general, the focus of the Company's financial products on each client's requirements, their accessibility and continuous raising public awareness will provide a valuable contribution to support of domestic farmers.

FINANCE



Plan-Actual Analysis

The total income for the reporting period amounted to KZT 24 132.5 million, versus KZT 18 796, 2 million envisaged by the plan, the deviation in the amount of KZT 5 336, 3 million mainly has been formed as a result of the following factors:

- obtained interest income is KZT 2 984,9 million higher than planned due to display of income arising from the amortization of discount on recognition of loans at fair value and recognition of embedded derivatives, as well as from over-fulfilling the plan to transfer leased assets and the increase in interest rates on current accounts;
- unforeseen income on financial instruments amounted to KZT 1 280,9 million due to the display of income from revaluating the embedded derivatives at fair value.
- other income obtained is KZT 921.7 million higher than planned due to revaluation of leased assets returned by lessees, reflecting the income from reimbursement of lost profits and supplier's penalties.

The Company expenses totaled KZT 29 854,9 million, versus KZT 17 023,1 million envisaged by the plan, the deviation in the amount of KZT 12 831,8 million mainly has been formed as a result of the following factors:

- foreign exchange losses are KZT 9 826, 9 million higher than planned as a result of the devaluation of the tenge.

- interest expenses are KZT 2 954.5 million higher than planned due to the display of income arising from the amortization of discount on recognition of loans at fair value. .

Net loss amounted to KZT 5 576.7 million with the planned net income in the amount of KZT 1 773.1 million.

Analysis of financial results

In 2015, the aggregate income of KazAgroFinance JSC amounted to KZT 24 132.5 million, which shows an increase by 23.3% and 70.7% as compared to 2014 and 2013, respectively. The main share in the 2015 income structure is represented by interest income amounting to 90.2%.

The expenses incurred by the Company in the reporting period amounted to KZT 29 854.9 million, showing an increase by 74.4% and 162.4% compared to 2014 and 2013, respectively.

The largest specific weight in the 2015 expenses structure corresponded to foreign exchange losses – 35.1%, costs recognized as interest expenses – 33.8%, expenses incurred to create loan reserves (provisions) – 16%.

According to the 2015 performance results, KazAgroFinance JSC obtained a negative finance outcome – a net loss amounted to KZT 5 576,7 million.



Income and Expenses Dynamics of KazAgroFinance JSC, KZT mln.

Indicators	2013	2014	2014 in % to 2013	2015	2015 in % to 2013	2015 in % to 2014
Income	14,136.2	19,575.7	138.48	24,132.5	170.71	123.28
Expenses	11,377.6	17,122.0	150.49	29,854.9	262.40	174.37
CIT	-247.1	-719.5	291.18	-145.7	58.96	20.25
Net income	3,005.7	3,173.3	105.57	-5,576.7	-185.54	-175.74

Dynamics of Key Financial Indicators, KZT mln.

Indicators	2013	2014	2015
Assets	206,561	256,437	285,298
Own capital, including	94,311	101,561.8	95,430
<i>Equity capital</i>	80,883.5	82,837.2	82,837.2
Liabilities	112,250	154,875.3	189,868.7
Aggregate income	14 136.2	19 575.7	24,132.5
Aggregate expenses	11,377.6	17,122	29,855
CIT	-247.1	-719.5	-145.7
Net income/ expense	3,005.7	3,173.2	-5,576.7
Return on assets (ROA), %	1.68%	1.37%	-2.06%
Return on equity (ROE), %	3.37%	3.24%	-5.66%

KazAgroFinance JSC has a fairly low level of ROA compared to other financial institutions that is linked to the Company's specific activities, the statutory purpose of which is not high performance of the assets, but availability of financing the agricultural sector of the country.

Balance Sheet Report

For the year ended on 1 January 2016, the Company's assets increased by 11% and amounted to KZT 285 298.3 million. The growth of assets are attributable to the increase of finance lease receivables by 16% and loans to customers by 13%.

The Company's total liabilities increased by 23% and amounted to KZT 189 868,7 million at year-end. The increase occurred due to the growth of debt to shareholders by KZT 6 534.6 million, funds of credit institutions in the amount of KZT 6 087,6 million and placement of bonds - KZT 21 992,9 million.

As of the end of 2015, the Company's equity amounted to KZT 95 429.6 million, decreasing by 6% as compared to 2014 due to the loss in the amount of KZT 5 576,7 million at the end of 2015.

Profit and Loss Statement

During 2015, the Company had a net loss amounting to KZT 5 576.7 million versus to 2014-year profit in the amount of KZT 3 173,3 million. The main factor which resulted in the loss is the increase in net expense from dealing in foreign currencies by 18.4% resulting from the sharp depreciation of the national currency against the US dollar due to the abolition by the Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan of the currency band and transition of the tenge to the freely floating exchange rate regime in August of the reporting year.

This is worth noting that the revenue side of the Profit and Loss Statement showed no deterioration. On the contrary, during the reporting period, the Company's interest income increased by 24% amounting to KZT 21 773.1 million due to the increase

in finance lease receivables by 25%, customer loans by 18% and amounts due from credit institutions by 53%. At the same time, the increase in interest income was partly offset by the increase in interest expense by 31% against a background of the increase in payables to shareholders by 10% and a significant increase in the issued securities volume by 341%. Thus, the net interest income before loan impairment provisions and finance lease receivables increased by 19% and taking into account the growth of the relevant provisions by 19%, during the reporting period, the Company was able to obtain the net interest income in the amount of KZT 7 055, 7 million, which is 19% higher than in last year. During the reporting period, staff costs decreased by 7%, while depreciation and amortization expenses (21%), net losses less gains from changes in future cash flows of loans to customers (+14%), other operating expenses (+ 2%) and other impairment and provisioning losses increased (+55%). In the reporting period, income tax expense decreased by 80% and amounted to KZT 146 million (2014 - KZT 719.5 million).

Financial Ratios

As of January 1, 2016, the interest margin increased from 3.08% to 3.09%. During the reporting period, the interest spread also

increased from 2.58% to 3.06%. Return on assets and equity deteriorated compared to the 2014 results and showed a reduction to -2.06% and -5.66%, respectively, due to the net loss at quarter-end. The capital adequacy decreased from 0.4% to 0.33 due to the excess of growth in total assets over the growth of capital. During the reporting period, there is an increase in the current liquidity ratio due to the reduced liabilities - an indicator is above the standard level. Absolute liquidity ratio is above the norm, the quick liquidity ratio also meets the established standard due to reduced liabilities.

The current financial position of the Company demonstrates its solvency and ability to fulfill its obligations to bondholders, while there are risks that its financial condition may deteriorate in the future due to the weakening of the tenge against the US dollar.

KZT **285,298.3** MLN.

Company assets as of January 1, 2016

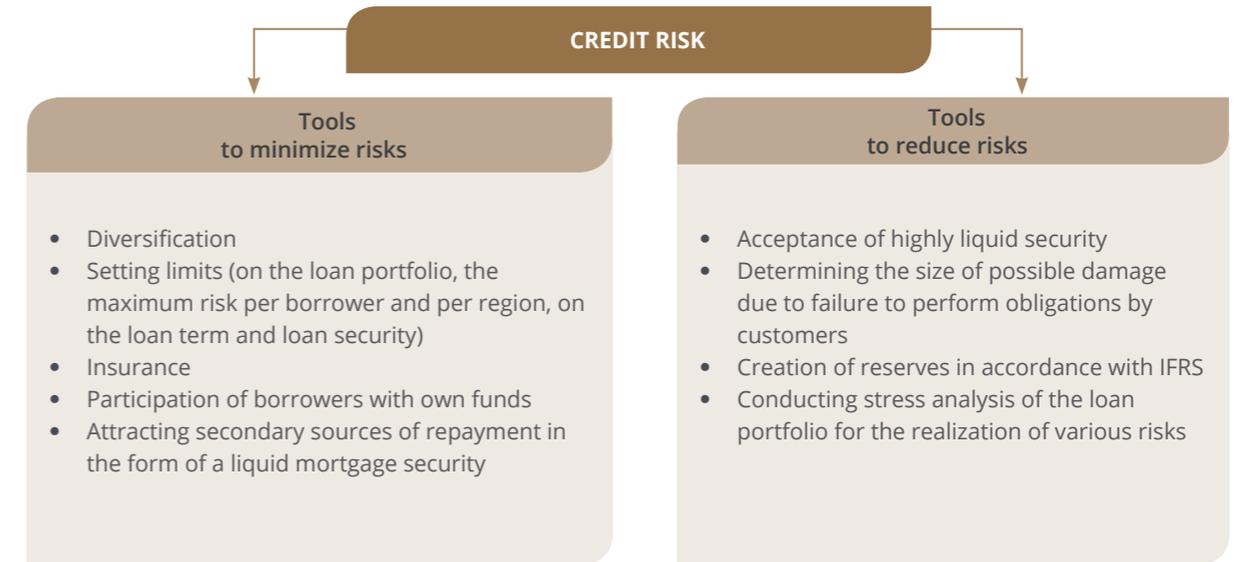


RISKS

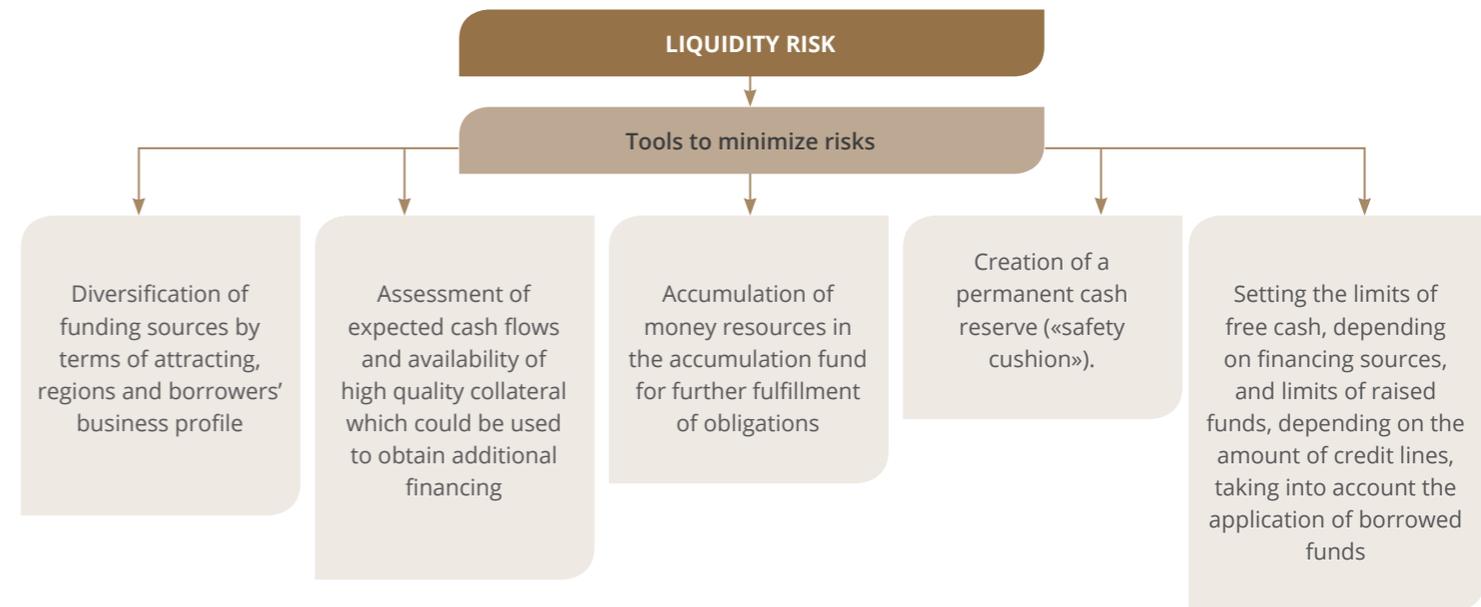


Risk Analysis

Taking the Company's activities into consideration, credit risk is one of the main risk types, which may occur through realization of industry risks, including the risks of seasonal climatic conditions, risks of changes in the global food market situation, etc.



Also, in its work the Company faces the risk of non-fulfillment of payment obligations when they fall due under normal and unforeseen conditions - liquidity risk. – **liquidity risk.**



Another risk inherent to the Company is the risk of losses related to adverse changes in market parameters, what is known as the **market risk**.

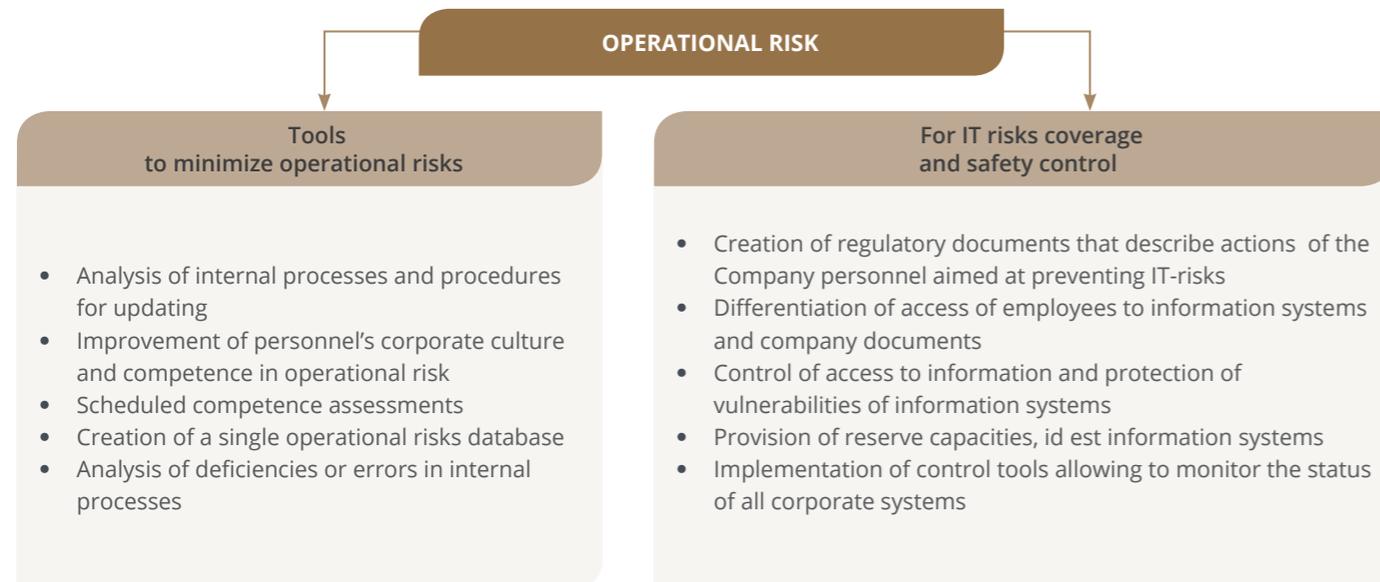


Market risk management is conducted on the basis of risk limits for each type of market risk. Risk Management Department carries out calculation, submission for approval/ adjustment of market limits, counterparty limits, monitoring and control of compliance with the Company's established limits (acceptable risk levels).

To assess the market risk, the Company uses a number of stress analysis models, gap analysis, as well as Value at Risk methodology. In order to monitor the open foreign currency position, foreign currency positions in each currency are calculated. A continuous work to prevent excess of foreign exchange position over the established limits is carried out.

Furthermore, the Company continuously analyses the second-tier banks and foreign banks with which the Company makes or plans to make financial transactions. Calculation / submission / approval of limits for bank - counterparties.

Additionally, the Company has a risk arising from systemic failures, personnel errors, fraud or external events what is referred to as the – **operational risk**.



- Analysis of internal processes and procedures for updating
- Improvement of personnel's corporate culture and competence in operational risk
- Scheduled competence assessments
- Creation of a single operational risks database
- Analysis of deficiencies or errors in internal processes

- Creation of regulatory documents that describe actions of the Company personnel aimed at preventing IT-risks
- Differentiation of access of employees to information systems and company documents
- Control of access to information and protection of vulnerabilities of information systems
- Provision of reserve capacities, id est information systems
- Implementation of control tools allowing to monitor the status of all corporate systems

Risk Management System

The efforts made in 2015 for developing the corporate risk management system aimed at improvement of the stress testing methodology, expansion of quantitative risk measurement methods and development of a response package, which are able to provide more effective results. As a result, the risk management process has become closer to real-time, at that has becoming more automated.

The Company's Corporate Risk Management System is based on the principle of continuous risk assessing in the course of the period of any activity execution. Risk management is carried out by means of a constant process of identification, measurement and monitoring, given the maximum allowable risk level and other factors. This risk management process is essential for continuous improvement of the Company's profitability, and each individual employee of the Company is responsible for the risks associated with their duties.

Monitoring and control of risks are primarily performed based on limits established by the Company. Such limits reflect the business strategy and market environment in which the Company operates, as well as the risk level acceptable by the Company, with emphasis placed on selected industries.

Various reports on risks are made for all levels of the Company in order to provide all structural units with access to extensive, necessary and up to date information.

Risks are managed through processes of constant identification, measurement and monitoring



RESPONSIBILITY



Social

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

The basis for implementation of HR Policy is the availability of the efficient organizational chart and optimal staff. The high level of employees' professionalism is supported and developed in the system of continued training and refresher training courses through training and retraining of workers. The Company needs in training and refresher training courses for its staff depend on several internal and external factors: change in the strategic objectives, changes in the legislation, introduction of new programs, professional growth and development of employees, entrusting them with new tasks and goals, etc.

In 2015, the number of workers, participated in the training and refresher training courses, amounted to 276 employees. The employees obtained the practical and theoretical experience thanks to visiting various regions and attending free seminars.

Successful implementation of the social policy contributes to staff motivation and increase in competitiveness of the Company, as well as to enhancement of the Company's image as a responsible employer and a socially oriented organization.

The Company has established a three-tier tariff scale for employees, which is based on the principles of fairness (equivalence of the employee's salary size to the quality of his work) and transparency (existence of clear guidelines for determining the salary size). Change in the official salary depends on shake-up and labor efficiency growth.

433

*Number of authorized personnel
as of 2015*

Ecological

KazAgroFinance JSC actively promotes the introduction and development of «green technologies» in the country, that will improve environment and public health, promote the natural resources conservation, improve the production efficiency, and hence the competitiveness of manufactured products.

At the present time, some funded projects use such «green technology», as the reverse osmosis system - a unique water purification system, return drainage system, bio-complexes, designed for processing of manure and litter, stockwater development, as well as alternative energy sources (wind turbines and solar panels).

Charity

KazAgroFinance JSC always provides charitable assistance to the most vulnerable strata of society, and offers its support to non-profit organizations (residential care homes, pre-school, secondary, vocational and higher education institutions, research organizations, etc.). In 2015, the Company spent KZT 55 000, 0 million on charity and sponsorship.

*In 2015, the total amount of KZT 55 mln.
was spent for charity and sponsorship*

CORPORATE GOVERNANCE

In accordance with the Corporate Governance Code, the relationship between the main management bodies - the Management Board, the Board of Directors and the Sole Shareholder is carried out within the framework of approved corporate procedures through appropriate authorities. Following the generally accepted principles of corporate governance, the Company has operating institutions of independent directors, the internal audit service, committees under the Company's Board of Directors and the Corporate Secretary.



Principles and Practice

The Company considers the corporate governance as a mean of enhancing the Company's effectiveness, profile raising and reducing costs for capital attracting. The Company considers proper corporate governance system as its contribution to the rule of laws in the Republic of Kazakhstan and a factor that determines its place in the modern economy and society as a whole.

Corporate governance is based on principles of fairness, honesty, responsibility, transparency, professionalism and competence. An effective corporate governance structure presupposes respect of rights and interests of the Company's all stakeholders and provides the Company's success, including an increase in its value, keeping financial stability and profitability.

The corporate governance principles are aimed at developing trust in relations arising in connection with the Company management, and are the basis of all the rules and recommendations of the Corporate Governance Code. The fundamental principles of this Code are:

1. Principle of protection of the Sole Shareholder's rights and interests;
2. Principle of effective management of the Company, the Board and its Board of Directors;
3. Principle of the Company's independent activity;
4. Principle of transparency and objectivity of the Company's information disclosure;
5. Principle of legality and ethics;
6. Principle of responsibility to the stakeholders.

Diagnosics

According to the international best practices, in 2015, the National Management Holding KazAgro JSC performed diagnosis of the Company's corporate governance, as a result of which the level of corporate governance complied with international standards – 58.3%.

According to the assessment of the Company's corporate governance, there was identified the need to increase the efficiency of the Board of Directors and strengthen the role of independent directors, improve systems of internal control and risk management, as well as to develop the Company's strategic and budget planning, etc.

Improvement of Corporate Governance System

The Company is taking and intends to take active measures to improve the corporate governance level by following the recommendations of the diagnostics. For example, next year the Company is going to approve the plan of measures for the improvement of corporate governance for the period from 2016 to 2020.

For the purpose of qualitative monitoring, the execution of the plan will be one of the key performance indicators of the development strategy of KazAgroFinance JSC for 2011–2020 and by 2017 the planned corporate governance level will be 73.3%, by 2018 – 83.3%.

This event will substantially contribute to improving the effectiveness of the Company's activities, as well as to improving the quality of making decisions for smooth implementation of strategic goals and objectives. Transparency and corporate governance in line with international best practices will increase the level of trust of internal and external target audiences, which ultimately affect the profitability, the value of shares and positive dynamics taking into account the Company's income and image.

Overall, the achievement of the planned corporate governance level will enable the Company to become a successful company operating in accordance with the highest international standards.

EQUITY CAPITAL

Number of repurchased shares of the Company or owned by its subsidiaries as of December 31, 2015:

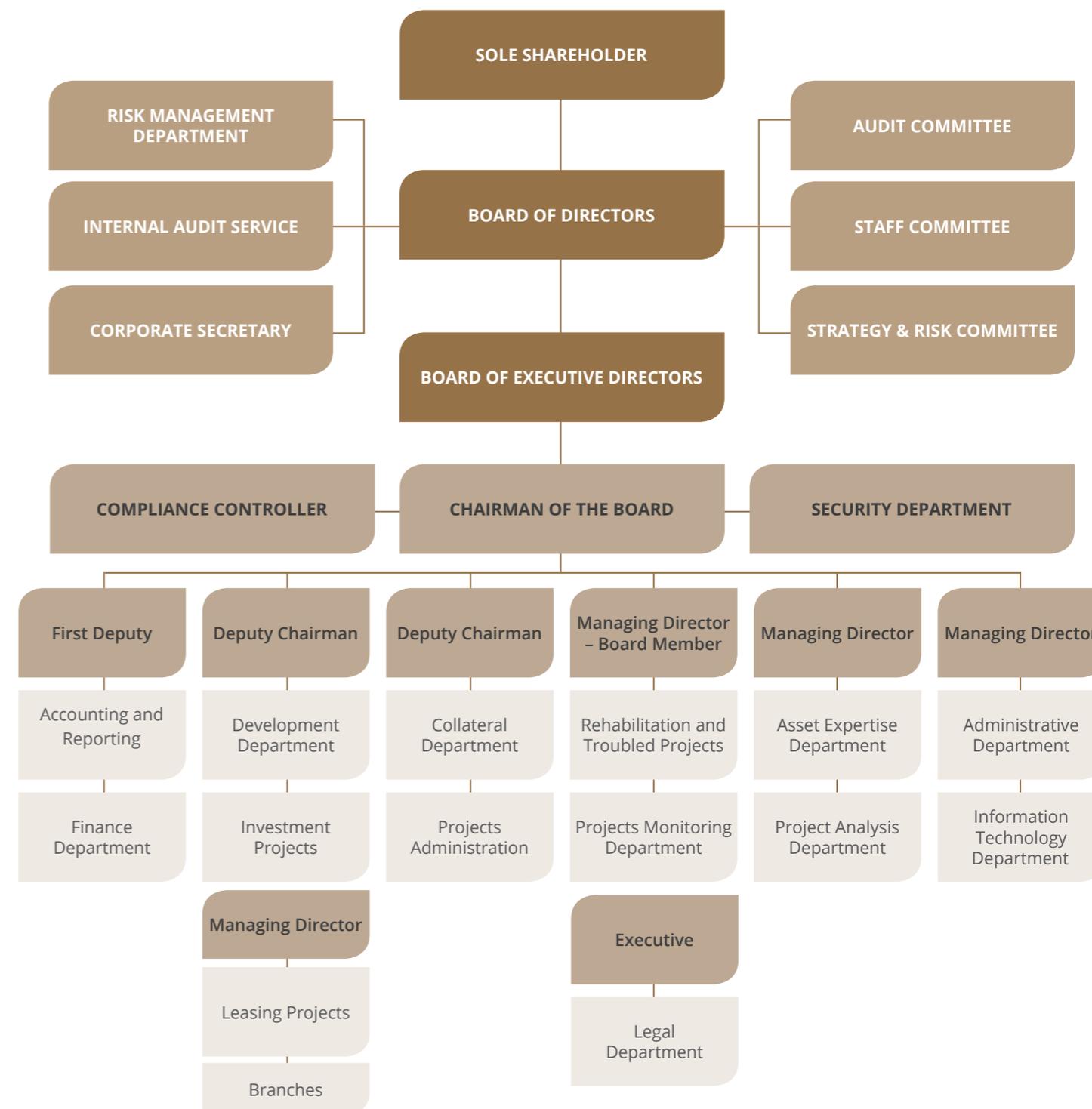
- Ordinary shares – not available;
- Preferred shares – not available.
- Book value of the Company's ordinary share – KZT 1 000 for one ordinary share.

The placement of shares has not been made during the reporting period. There were no changes of shareholders holding shares in the amount of 5 or more percent of the number of placed shares.

Initial public offering transactions were not carried out during the period under consideration.

Registered ordinary shares declared	82 837 204 shares. Date of state registration of declared shares issue and the number of Shares Issue State Registration Certificate: November 6, 2014 No.A4159
Preferred shares declared and placed	Not available
Nominal value of declared shares	KZT 1 000 for one ordinary share
Registered ordinary shares placed	82 837 204 shares. The placement of shares is carried out by the Uniform registrar through debiting of paid-in shares from the Company's account for accounting declared securities to the account of the sole shareholder National Managing Holding KazAgro JSC in the register data of the Company's shareholders.
Date of approval of shares purchase procedure	The method for valuation of shares at their repurchase by the Company, approved by the decision of the meeting of the Board of Directors of National Managing Holding KazAgro JSC held in absentia No.6 dated September 7, 2007.
Method for determining the cost of the Company's placed shares	In accordance with subparagraph 3) of paragraph 2 of Article 53 of the Law of the Republic of Kazakhstan No. 415-II dated May 13, 2003 "On Joint Stock Companies" (hereinafter referred to as -"the Law"), unless otherwise established by the Law and (or) by the Company's Articles of Association, the decision on placement (sale) of shares, method and price of their placement (sale) fall within the terms of reference of the Board of Directors.

Corporate Structure



Sole Shareholder

The Sole Shareholder of KazAgroFinance JSC is the National Management Holding KazAgro JSC, established in accordance with the Decree of the President of the Republic of Kazakhstan No. 220 dated December 11, 2006 «On some issues of agribusiness complex development» and the Resolution of the Government of Kazakhstan No. 1247 dated December 23, 2006 «On measures to implement the Decree of the President of the Republic of Kazakhstan No. 220 dated December 11, 2006».

The purpose of the Holding establishment is implementation of the state policy to foster the development of agribusiness complex of the Republic of Kazakhstan through providing the effective management with investment assets and development of corporate culture of joint stock companies, operating in the agricultural sector, shares of which are given as payment for the placed shares.

The mission of the holding – is implementation of the state policy to stimulate the industrial development of agribusiness complex on the principles of effectiveness, transparency and effective corporate governance.

The Development Strategy of the Holding has the following strategic directions:

1. Stimulating labor productivity growth in the agro industrial complex through industrialization and diversification.
2. Participation in ensuring food security of the country.
3. Promotion and implementation of AIC export potential.
4. Improvement of access to AIC entities support services.
5. Improving the quality of corporate governance and transparency of KazAgroFinance JSC activities.

Summary of 2015 Year End Results:

In 2015, the Holding spent KZT 317.5 billion for supporting the AIC, while volume of loans amounted to KZT 203.8 billion. In 2015, funds in the amount of KZT 177.7 billion were allocated as loans to small and medium-sized businesses. During the reporting period, the number of loans granted to subjects was made 15.5 thousand.

Credit Resources of the Holding provided 29 thousand people with jobs; created 5.9 thousand new jobs.

The investment portfolio of the Holding has 527 investment projects worth KZT 318.6 billion.

In 2015, 92 projects worth KZT 41.5 billion were commissioned.



«Four out of five units of agricultural machinery in the AIC are purchased through the offices of Holding KazAgro. Only in 2015, 4 103 vehicles were acquired by farmers through KazAgroFinance JSC» – N. Malelov – Chairman of the Board of National Management Holding KazAgro JSC



Board of Directors



**Aigul Stakhanovna
Mukhammadiyeva**

Born in 1976, is the Deputy Chairman of the Board of National Managing Holding KazAgro JSC – Chairman of the Board of Directors of KazAgroFinance JSC, Representative of the Sole Shareholder of KazAgroFinance JSC.

Education:

- East Kazakhstan State University;
- Graduate School of East Kazakhstan State University ;
- Kazakh Academy of Transport and Communications named after M. Tynyshpayev.

Work experience for the last 3 years:

- May 2011 – October 2014 – First Deputy Chairman of the Board, Agrarian Credit Corporation JSC, Astana city;
- November 2014 – June 2015 – Deputy Chief Director of Business Development, Samruk-Kazyna JSC, Astana city;
- June 2015 – till present – Deputy Chairman of the Board of National Managing Holding KazAgro JSC, Astana city.



**Kanysh Temirtayevich
Izbastin**

Born in 1981, is the Chairman of the Board of KazAgroFinance JSC – member of the Board of Directors of KazAgroFinance JSC.

Education:

- Moscow State Institute of International Relations of Ministry of Foreign Affairs of Russia;
- Central Asian University

Work experience for the last 3 years:

- January 2013 – June 2014 – Managing Director of National Welfare Fund Samruk-Kazyna JSC;
- June 2014 – September 2015 – Chief Director of National Welfare Fund Samruk-Kazyna JSC;
- September 2015 – till present – Chairman of the Board of KazAgroFinance JSC.



**Kanat Sagyndykovich
Zhauymbayev**

Born in 1981, is the Managing Director of National Managing Holding KazAgro JSC – member of the Board of Directors of KazAgroFinance JSC, Representative of the Sole Shareholder of KazAgroFinance JSC.

Education:

- Karaganda State University named after E.A. Buketov;
- Master's degree programme of Karaganda State University named after E.A. Buketov;
- Contemporary Education Institute (Bolashak).

Work experience for the last 3 years:

- 2009 – September 2012 – Director of Small and Medium Business Department, Alfa-Bank JSC;
- September 2012 – November 2012 – Advisor to the Chairman of the Board of National Managing Holding KazAgro JSC;
- November 2012 – till present – Managing Director of National Managing Holding KazAgro JSC.



**Rustem Zhomartovich
Kurmanov**

Born in 1981, is the Independent Director – member of the Board of Directors of KazAgroFinance JSC, Chairman of the Committee on Social Affairs, Human Resources and Remuneration of the Board of Directors of KazAgroFinance JSC, Member of Committee on Internal Audit of the Board of Directors of KazAgroFinance JSC, Member of Committee on Strategic Planning and Risks of the Board of Directors of KazAgroFinance JSC.

Education:

- Kokshetau State University named after Sh. Ualikhanov;
- Part-time Postgraduate Training Program of Kokshetau State University named after Sh. Ualikhanov.

Work experience for the last 3 years:

- 2009 – 2014 – Head of Processing industry and Agrifood Markets Development Department, Acting Director of Processing industry and Agrifood Markets Development Department, Investment Policy Department, Chairman of the Veterinary Control and Supervision Committee of the Ministry of Agriculture;
- February 2015 – till present – Head of the AIC Committee Secretariat, National Chamber of Entrepreneurs of Kazakhstan.



**Erlan Bakhitovich
Orynbayev**

Born in 1982, is the Independent Director – member of the Board of Directors of KazAgroFinance JSC, Chairman of the Committee on Internal Audit of the Board of Directors of KazAgroFinance JSC, Chairman of Committee on Strategic Planning and Risks of the Board of Directors of KazAgroFinance JSC, Member of Committee on Social Affairs, Human Resources and Remuneration of the Board of Directors of KazAgroFinance JSC.

Education:

Karaganda State Technical University, Department of Economics and Management.

Work experience for the last 3 years:

- November 2012 – April 2015 – Head of Internal Audit Service, National Mining Company Tau-Ken Samruk JSC;
- April 23, 2015 – till present – Director of Corporate Management and Strategic Planning Department of National Mining Company Tau-Ken Samruk JSC.

Assessment of the Board of Directors

According to the international best practices of corporate governance, in 2016, the assessment of the Board of Directors' activity was conducted in the KazAgroFinance JSC.

Considering the fact that the assessment was carried out for the first time, it was made without the engagement of independent consultants, certified by experts in the field of corporate governance of the National Management Holding KazAgro JSC, which is consistent with the advanced requirements to ensure the effectiveness and transparency of corporate governance.

The assessment was conducted in accordance with the Regulations on the Company's Board of Directors approved by the decision of the Board of Holding KazAgro JSC No.8 dated February 13, 2016, based on the requirements of the legislation of the Republic of Kazakhstan, as well as on the requirements of the international best practices of corporate governance, in particular, on the principles of OECD corporate governance and Corporate Governance Code of the United Kingdom.

According to the Regulation, assessment technology included questionnaires and interviews of all members of the Board of Directors, as well as an interview with the Chairman of the Board, Corporate Secretary, Heads of Internal Audit Service and Risk Management Division.

Following the results of assessing the Board of Directors, there were identified directions for further development of corporate governance practices, in particular the active participation of the Board of Directors to improve the following issues:

- strategic planning;
- internal audit system;
- risk management;
- internal control;
- appointment and rewarding of senior executives;
- distribution of powers between the Board of Directors and the Management Board.

On the basis of the made assessment, the action plan was developed that is aimed at improving efficiency and enhancing the role of the Board of Directors, committees and corporate secretary.

Remuneration

The procedure for payment of remuneration to the members of the Board of Directors is governed by the Regulations on the Board of Directors of KazAgroFinance JSC, where payment of remuneration only to the independent directors of the Board of Directors is defined.

The main components of remuneration are fixed remuneration (constant), which is determined by the decision of the Sole Shareholder, and additional remuneration (variable), which depends on the membership and chairmanship in the committees of the Board of Directors.

This regulation took effect from 2016, wherefore payment of remuneration to independent directors will be carried out at 2016 year-end. In 2015, the remuneration was not paid to the members of the Board of Directors.



COMMITTEES OF THE BOARD OF DIRECTORS

There are three committees working under the Board of Directors of the Company responsible for dealing with issues related to strategic planning, human resources and remuneration, internal audit, social affairs, risks, etc. The Board

committees contribute to deep and careful consideration of the most important issues, falling under the competence of the Board of Directors, and to improvement of decision-making.

Internal Audit Committee of the Board of Directors of KazAgroFinance JSC

The functions of the Internal Audit Committee include a preliminary review and providing the Board of Directors with recommendations regarding financial statements, external audit, internal audit, statutory compliance, reporting and activities assessment, etc.

Committee members:

1. Erlan Bakhitovich Orynbayev, Independent Director – Committee Chairman;
2. Rustem Zhomartovich Kurmanov, Independent Director – Committee member.

Strategic Planning and Risks Committee of the Board of Directors of KazAgroFinance JSC

Strategic Planning and Risks Committee of the Board of Directors is responsible for conducting a preliminary review and providing the Board of Directors with recommendations related to strategic planning, investment and innovation activities, internal control and risk management, reporting and activities assessment, etc.

Committee members:

1. Erlan Bakhitovich Orynbayev, Independent Director – Committee Chairman;
2. Rustem Zhomartovich Kurmanov, Independent Director – Committee member.

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

The functions of the Social Affairs, Human Resources and Remuneration Committee of the Board of Directors include a preliminary review and providing the Board of Directors with recommendations on competence requirements, evaluation of candidates, succession planning, performance assessment, remuneration system, etc.

Committee members:

1. Rustem Zhomartovich Kurmanov, Independent Director – Committee Chairman;
2. Erlan Bakhitovich Orynbayev, Independent Director – Committee member.



Management Board



Kanysh Temirtayevich
Izbastin

Chairman of the Board

Born in 1981.

Education:

- Moscow State Institute of International Relations of Ministry of Foreign Affairs of Russia;
- Central Asian University

Work experience for the last 3 years:

- January 2013 – June 2014 – Managing Director of National Welfare Fund Samruk-Kazyna JSC;
- June 2014 – September 2015 – Chief Director of National Welfare Fund Samruk-Kazyna JSC;
- September 2015 – till present – Chairman of the Board of KazAgroFinance JSC.



Ainur Gabdygapparovna
Seitkassimova

First Deputy Chairman of the Board

Born in 1976.

Education:

- Karaganda State University;
- State University - Higher School of Economics, Moscow, MBA;
- Candidate of Economic Sciences.

Work experience for the last 3 years:

- July 2011 – October 2013 – Managing Director, Member of the Board of Agrarian Credit Corporation JSC;
- October 2013 – April 2014 – Director of Investment Projects Department of National Welfare Fund Samruk-Kazyna JSC, Astana;
- April 2014 – July 2014 – Deputy Chief Director in charge of Business Development of NWF Samruk-Kazyna JSC, member of the Supervisory Board of Samruk-Kazyna LLP;
- June 2015 – till present – First Deputy Chairman of KazAgroFinance JSC, Astana.



Rustam Timurovich
Karagoishin

Deputy Chairman of the Board

Born in 1983.

Education:

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

Work experience for the last 3 years:

- September 2012 – October 2013 – Deputy Director General, Sberbank Leasing Kazakhstan LLP, Astana;
- October 2013 – November 2015 – Director General, Sberbank Leasing Kazakhstan LLP, Almaty;
- November 2015 – till present – Deputy Chairman of the Board of KazAgroFinance JSC, Astana.



Kanat Ismatovich
Tursynkulov

Deputy Chairman of the Board

Born in 1973.

Education:

- Kazakh State Academy of Managements.

Work experience for the last 3 years:

- August 2010 – July 2013 – Deputy Chairman of the Board of KazAgroProdukt JSC, Astana;
- July 2013 – December 2013 – Managing Director of KazAgroProdukt JSC, Astana;
- December 2013 – January 2015 – Managing Director – Chief of Staff of KazAgroProdukt JSC;
- January 2015 – till present – Deputy Chairman of the Board of KazAgroFinance JSC.



**Assylkhan Bolatovich
Dzhugashev**

Managing Director

Born in 1981.

Education:

- Kazakh Economics University named after T. Ryskulov.

Work experience for the last 3 years:

- May 2011 – November 2015 – Deputy Chairman of the Board of KazAgroFinance JSC;
- November 6, 2015 – till present – Managing Director of KazAgroFinance JSC.

During the reporting year, the Company's Management Board held 59 meetings, where 287 issues were considered, including approval of matters within the competence of the Board of Directors and the Sole Shareholder. In 2015, the Management Board approved the internal regulations, made decisions on major transactions and interested party transactions, on financial and economic activities, on industrial activities, on HR-related matters and on regulation of the internal activities, etc.

Remuneration

The procedure and conditions of awarding bonuses to the executive employees comply with the Regulation on Labor Remuneration, Bonuses and Social Security of executives of KazAgroFinance JSC, approved by the decision of the Board of Directors No.30 dated December 29, 2014.

According to this provision, executives are awarded with bonuses by evaluation of their activities for achievement of qualitative and quantitative key performance indicators, and the main condition for obtaining the remuneration is presence of net profit.

According to the 2015 year-end results, the Company's net profit showed a negative value, that is why in the reporting year the Company's management was not awarded with bonuses.

Internal control and audit

The Company has its own Internal Audit Service (hereinafter referred to as «the IAS») that is functionally subordinate to the Board of Directors. The IAS activities are carried out in accordance with the Regulation on the Internal Audit Service and the Internal Audit Organization Rules, based on use of the Code of Ethics, Qualitative Standards and Performance Standards for Internal Auditors, established by the International Institute of Internal Auditors, in the IAS activities.

The main goal of the IAS is to provide the Board of Directors with independent and objective guarantees and consulting aimed at improving risk management systems, internal control and corporate governance in the Company.

As of 31 December 2015, the actual number of the IAS members was 4 people.

In order to improve the IAS activities, some amendments were introduced in 2015 to the legal framework, including the Regulation on the Internal Audit Service, procedures for the internal audit and assessment of its activities.

Key functions of the Internal Audit Service:

- assessment of risks, adequacy and effectiveness of internal control over risks in the area of corporate governance, operating (business and financial) activities of the Company and its information systems;
- assessment of the Company's corporate risk management system in the prescribed manner;
- check on compliance with the legislation of the Republic of Kazakhstan and the Company's internal documents, as well as on executing the instructions of authorized

and supervisory bodies, the Company's decisions and assessment of systems established in order to comply with these requirements;

- assessment of the adequacy of measures applied by the Company's subsidiaries to achieve their goals within the framework of the Company's strategic objectives.

In 2015, the audit was carried out in 16 structural units (departments) of the Company's Central Office and 2 branches. Based on the results of the IAS checks, corresponding recommendations have been issued.

The effectiveness of the Internal Audit Service and its head is assessed on a quarterly basis according to the procedures approved by the Board of Directors. In accordance with the results of 2015, the IAS activities are identified by the Board of Directors as «effective».

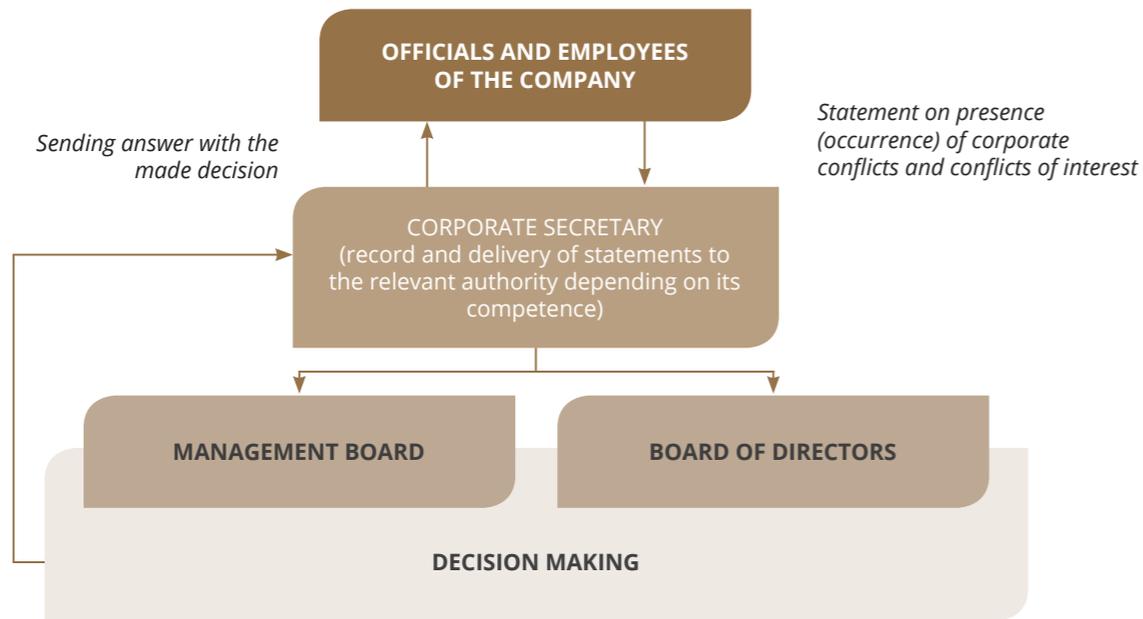


Conflict of Interest Management

In order to prevent and resolve conflicts of interest in the Company according to the Law «On Joint Stock Companies», the Charter, the Company's internal documents, as well as to the decision of the Board of Directors of KazAgroFinance JSC No.17 dated November 4, 2015, the Rules for Settlement of Corporate Conflicts and Conflicts of Interest in KazAgroFinance JSC were approved.

These rules regulate the order and procedures of conflict resolution in the Company, as well as the activity of bodies, officials and employees in the framework of these processes.

Process of Settlement of Corporate Conflicts and Conflicts of Interest



In order to avoid conflicts, the Company's officials and employees are obliged to avoid any actions and relationships that can potentially lead to a conflict.

In case of conflict, officials and employees of the Company must inform their immediate superior and take appropriate measures to resolve the conflict.

Corporate conflict is a disagreement or dispute between the Company's management bodies and other bodies of the Company, which adversely affect the interests of the Sole Shareholder and the Company's activities.

Conflict of interests is a situation where the personal interest of the Company's employee or officer affects or may affect the impartial performance of his official duties.

Corporate Ethics

Given the importance of the Company goals and the immense responsibility for undertaken obligations on implementing state policy in agriculture, every employee of KazAgroFinance JSC is guided by the following principles of corporate ethics in working with clients, team, business partners, government officials, etc.:

- observance of international law, legislation and the Company's internal documents;
- adherence to the principle of respect for the morality, ethical norms and rules for the timely execution of obligations;

- strengthening the company's reputation;
- adherence to the principle of rationality, objectivity and fairness in performing responsibilities with due regard to the vertical chain of command;

These principles, as well as the standards and behavioural patterns for managers and employees, mentoring and coaching rules are regulated by the rules of the Company's Code of Corporate Ethics, which have been developed with direct involvement of the entire team, proclaiming its commitment to generally accepted international standards of corporate governance, ethics and business culture.

Information Disclosure

One of the key stages of improving the Company's corporate governance is to ensure transparent and objective disclosure of information on the Company's activity as to the company itself and to its shareholders, investors and other stakeholders.

To ensure a step-by-step approach to the information disclosure by the Company, the Rules for disclosure of information on its activities and protection of commercial and official secrecy have been approved. These Rules introduce a procedure, deadlines and persons responsible for disclosing information in the

Company, determine the list of information to be disclosed on the websites of the Financial Statements Depository, stock exchange and the Company's corporate website to stakeholders and public authorities of the Republic of Kazakhstan and holders of the Company's bonds.

In addition, these Rules defines a list of information constituting commercial, official and other secrecy protected by law; protection measures are determined.



Information on Dividends

The Regulation on Dividend Policy of KazAgroFinance JSC is approved by the decision of the Board of KazAgro National Management Holding JSC No.35 dated June 20, 2012. The dividend policy is based on the following principles:

1. Strict observance of the Sole Shareholder's rights, stipulated by the current legislation of the Republic of Kazakhstan, the Company's Charter, its internal documents, as well as the best practices of corporate governance;
2. Balance of interests of the Company and the Sole Shareholder at determining the amount of dividend payments;
3. Consideration of the Sole Shareholder's interests and maximizing its assets;
4. Upholding of restrictions, established by the legislation of the Republic of Kazakhstan and the Company's Charter, at taking decisions on dividend payment;
5. Development of medium- and long-term dividend policy in compliance with the basic principles and approaches to the formation of the Company's dividend policy, contained in this Regulation;
6. Motivation of the Board of Executive Directors to achieve the projected net income and dividends.

Information on Dividends Paid over the Last 3 Years, KZT thousand

KZT thous.	2013*	2014**	2015***
Dividends declared during the year	302,889	2 705,114	2 855,932
Dividends paid during the year	302,889	2 705,114	2 855,932

* Payment of dividends for 2012 in favor of KazAgro National Management Holding JSC was effected in May 30, 2013 according to the decision of the Board of KazAgro National Management Holding JSC No.33 dated May 29, 2013 in the amount of KZT 302 889 156.

** Payment of dividends for 2013 in favor of KazAgro National Management Holding JSC was effected in November 28, 2014 according to the decision of the Board of KazAgro National Management Holding JSC No.32 dated June 9, 2014 in the amount of KZT 2 705 113 781,1.

*** Payment of dividends for 2014 in favor of KazAgro National Management Holding JSC was effected in November 30, 2015 according to the decision of the Board of KazAgro National Management Holding JSC No.29 dated April 30, 2015 in the amount of KZT 2 855 932 228.

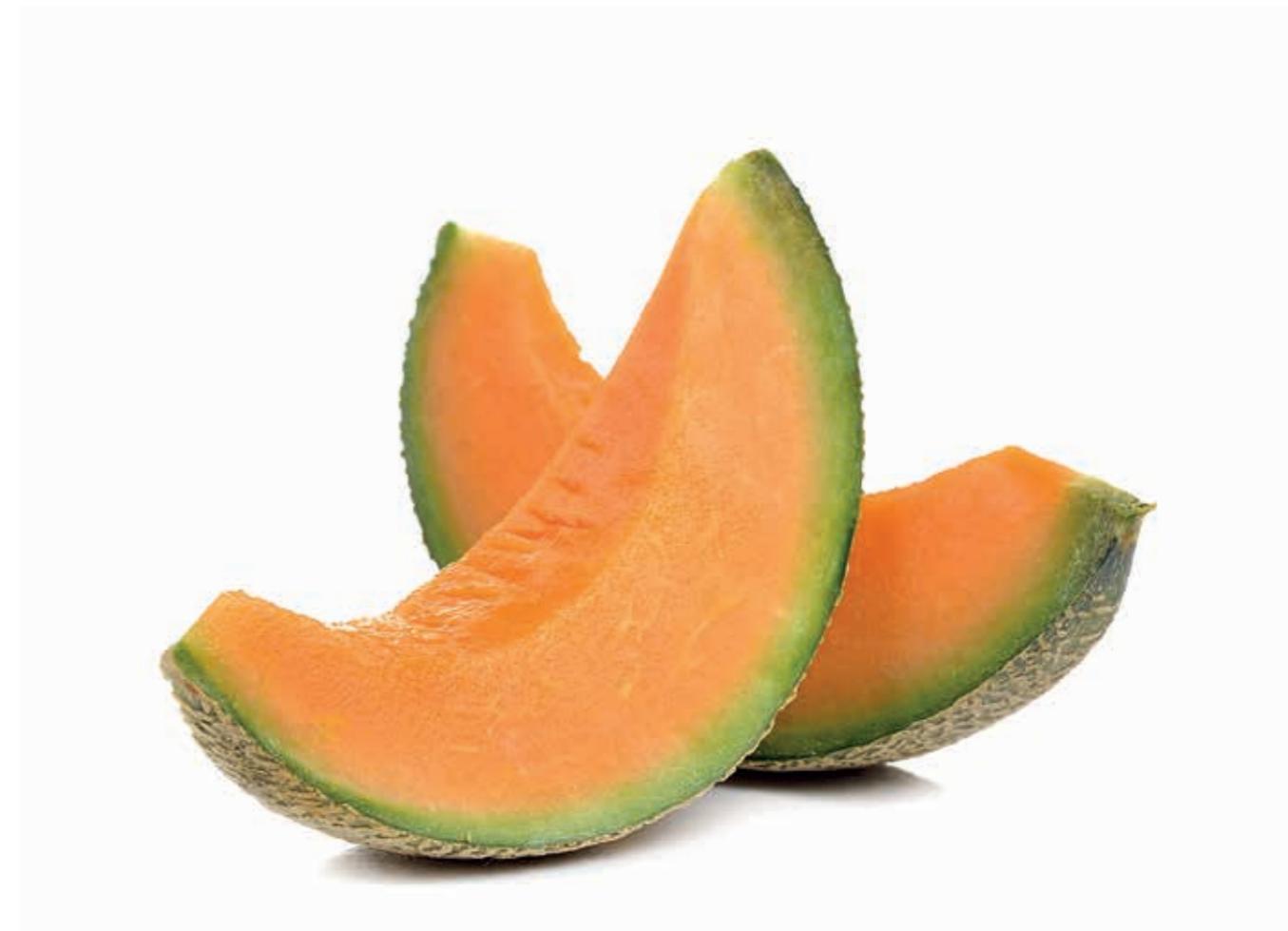
As of December 31, 2015, the value of one share is KZT 1 000. The Company does not determine earnings per share. Book value of one ordinary share is KZT 1 149.26, as at December 31, 2015.

Information Policy in Regard to Investors

Over a period of several years, due to specific character of its activities, KazAgroFinance JSC has gained considerable experience in the implementation of major investment projects in the agro-industrial complex. Noting the importance of implemented ideas and projects, KazAgroFinance JSC invites potential investors to invest in projects of agro-industrial complex of the Republic of Kazakhstan, in particular in projects on production and processing of agricultural products.

For deepening of cooperation with potential investors, KazAgroFinance JSC has developed a scheme of interaction

with investors, which is available on the corporate website of the Company. Furthermore, the ready-made solutions for investors, which contain detailed information on the current situation of troubled projects, including full information on their status, problems and required amounts for the further implementation (tabular and textual forms of background report on projects, if possible, enclosing photos) are placed on the Company's website and regularly updated.



FUTURE PLANS



Next year, the Company's activities will also be focused on implementation of measures aimed at achieving the goals and objectives of the Program of Agro-Industrial Complex Development in the Republic of Kazakhstan for 2013–2020 “Agribusiness–2020” and Plan of the Nation – 100 Concrete Steps to Implement Five Institutional Reforms, specified by the Head of State.

The Company will continue financing directions, which, according to the state policy, are priorities and designed to ensure food security of the country.

In 2016, the Company plans to invest KZT 79.5 billion in the development of the republic's agro – industrial complex.

1. For financing of investment projects, implementation of which will be aimed at agricultural export development and increasing import substitution. It is planned to commission 75 investment projects in all regions of Kazakhstan within the

priority directions of Master Plans, designated by the Ministry of Agriculture of Kazakhstan on 12 investment directions:

- funding of intensive gardens;
- feedlots;
- purchase of domestic breeding cattle;
- import of pedigree livestock for dairy farms;
- construction of meat processing plants;
- construction of greenhouses;
- fruit and vegetable stores;
- poultry farms;
- fodder plants;
- projects with the application of drip irrigation;
- sprinkler irrigation systems;
- construction of sturgeon breeding enterprises.

In 2016, the Company plans to spend KZT 34,5 billion on purchase and leasing of agricultural machinery

In 2016, KazAgroFinance JSC plans to commission approximately 75 investment projects

KZT **79.5** bln

is planned to be spent on development of agro-industrial complex of the republic



Within the steps 60 and 61 of «Plan of the Nation - 100 Concrete Steps», in 2016, the Company is planning to raise funds from the Single Accumulative Pension Fund for implementing the following investment directions:

- 60 Step – Attraction of Strategic Investors to Develop Milk and Dairy Products;
- 61 Step – Attraction of Strategic Investors for the Development of Meat Production and Processing.

2. In order to improve the country's level of machine and tractor fleet, the Company plans to carry out activities for purchase and leasing of agricultural machinery, including KZT 11.1 billion for spring-field works, KZT 20.6 billion for harvesting campaign and KZT 2.8 billion for acquisition of interseasonal machinery. In general, in 2016, KZT 34.5 billion is planned to allocate for these purposes.

Furthermore, in order to reduce the financial burden on agricultural producers, KazAgroFinance JSC plans to conclude an agreement with the Government of the Republic of Belarus on soft financing of agricultural machinery manufactured in Belarus. According to this Agreement, the Republic of Belarus will compensate KazAgroFinance JSC for part of lease payments under Financial Leasing Contracts concluded before 2016 year-end for a period of not more than 5 years, subject matters of which are agricultural machinery produced in the Republic of Belarus. The compensation of the lease payments accounts for 2/3 of the refinancing rate set in the Republic of Kazakhstan. Considering the fact that today the refinancing rate of the National Bank of the Republic of Kazakhstan is 5.5%, the amount of interest rate subsidization by the Government of the Republic of Belarus for Kazakh farmers will be 3.67%.

Given the increased need for working capital and demand of the agricultural sector for agricultural and special machinery, KazAgroFinance JSC aims to increase the proportion of funds invested in agriculture. In view of the current economic situation, devaluation of the tenge, volatility in the US dollar and the Russian ruble, KazAgroFinance JSC plans to attract more funds in the Russian rubles. In 2016, for the aforementioned purposes, KazAgroFinance is planning to raise funds from ROSEXIMBANK JSC to purchase machinery of Rostselmash, from SB Sberbank of Russia JSC, the Eurasian bank JSC, CitiBank JSC, as well as to issue and place bonds amounting to KZT 8 billion on the domestic stock market for a period of 5 years.

In general, in 2016, the Company is going to attract approximately KZT 30 billion from domestic and foreign markets, which will be used for financing agribusiness entities.

In the current economic conditions, one of the most important factors in supporting country's agriculture is providing farmers with approachable financial services. In this regard, in 2016 the Company will continue its work on optimizing business processes, facilitating the procedures for application review, reducing the number of required documents, expanding the product line, etc.

Also, in order to improve the integrated corporate automated company management system, it is planned to reintroduce the ERP system that will ensure transition to a higher level of automation, as well as improve the work of previously non-automated business processes (records of suppliers and leased assets, management of risks and troubled contracts, automation of subsidy process, etc.).



FINANCIAL REPORTS



STATEMENT OF FINANCIAL POSITION As 31 December 2015 (Thousand of tenge)

	Notes	2015	2014
Assets			
Cash and cash equivalents	5	23,874,332	23,525,825
Amounts due from credit institutions	6	2,549,777	4,043,957
Derivative financial assets	7	1,734,567	468,834
Loans to customers	8	59,739,798	53,044,703
Finance lease receivables	9	179,633,484	155,525,718
Assets held for sale	10	508,034	-
Property held for financial lease	11	7,594,407	11,726,638
Property and equipment	12	1,078,038	1,082,622
Intangible assets		227,695	182,528
VAT and other taxes recoverable	13	1,554,151	1,288,343
Current corporate income tax assets		626,732	551,867
Advances paid	14	5,996,446	4,720,656
Other assets	20	180,819	275,336
Total assets		285,298,280	256,437,027
Liabilities			
Amounts due to Shareholder	15	104,286,082	97,751,437
Amounts due to credit institutions	16	30,424,302	24,336,678
Debt securities issued	17	38,624,394	16,631,461
Deferred corporate income tax liabilities	18	2,460,648	2,031,244
Advances received	19	4,760,927	3,421,569
Deferred VAT		2,533,534	2,064,716
Other liabilities	20	6,778,834	8,638,153
Total liabilities		189,868,721	154,875,258
Equity			
Share capital	22	82,837,204	82,837,204
Additional paid-in capital	22	22,248,866	18,786,572
Reserve capital	22	1,436,184	1,436,184
Provision for notional distribution	22	(9,047,665)	(7,885,776)
(Accumulated deficit / retained earnings)		(2,045,030)	6,387,585
Total equity		95,429,559	101,561,769
Total liabilities and equity		285,298,280	256,437,027
Book value per common share, in tenge	22	1,149,26	1,223,84

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

Izbastin Kanysh Temirtayevich

Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief Accountant

INCOME STATEMENT
For the year ended 31 December 2015
(Thousand of tenge)

	Notes	2015	2014
Interest income			
Finance lease receivables		14,918,315	11,921,480
Loans to customers		6,032,488	5,090,957
Amounts due from credit institutions		822,340	537,643
		21,773,143	17,550,080
Interest expenses			
Amounts due to Shareholder		(6,298,616)	(5,707,929)
Amounts due to credit institutions		(1,782,960)	(1,563,620)
Debt securities issued		(2,024,110)	(458,467)
		(10,105,686)	(7,730,016)
Net interest income		11,667,457	9,820,064
Impairment charge on loans to customers and finance lease receivables	8	(4,611,789)	(3,886,444)
Net interest income less allowances for impairment of loans and finance lease receivables		7,055,668	5,933,620
Net gains from transactions with derivative financial assets	7	1,280,852	946,452
Net losses from foreign currency transactions		(10,489,402)	(570,193)
Other income	23	930,326	513,470
Other operating (expenses)/income		(8,278,224)	889,729
Personnel expense	24	(2,355,234)	(2,542,508)
Other loss from impairment and provisions	26	(540,540)	(348,242)
Other operating expenses	24	(811,297)	(791,664)
Net losses less gains from changes in deferred cash flows of loans to customers	25	(647,866)	(567,194)
Amortisation		(144,888)	(120,030)
Non-interest expenses		(4,499,825)	(4,369,638)
(Loss)/profit before corporate income tax expenses		(5,722,381)	2,453,711
Income tax benefit	18	145,698	719,547
(Loss)/profit for the year		(5,576,683)	3,173,258

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

Izbastin Kanysh Temirtayevich Chairman of the Management Board

Shodanova Gulnara Takishevna Chief Accountant



STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015
(Thousand of tenge)

	Notes	2015	2014
(Loss)/income for the year		(5,576,683)	3,173,258
Other comprehensive income for the year		-	-
Total comprehensive (loss)/income for the year		(5,576,683)	3,173,258

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

Izbastin Kanysh Temirtayevich Chairman of the Management Board

Shodanova Gulnara Takishevna Chief Accountant



STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015
(Thousand of tenge)

	Share capital	Additional paid-in capital	Reserve capital	Provision for notional distribution	Accumulated deficit / retained earnings	Total Equity
As of December 31, 2013	80,883,511	12,597,918	1,436,184	(6,525,798)	5,919,441	94,311,256
Total comprehensive income for the year	-	-	-	-	3,173,258	3,173,258
Increase in share capital	1,953,693	-	-	-	-	1,953,693
Income from initial recognition of loans obtained from the Shareholder at below market rates (Note 22)	-	6,188,654	-	-	-	6,188,654
Provision for notional distribution for the year (Note 22)	-	-	-	(1,359,978)	-	(1,359,978)
Dividends paid (Note 22)	-	-	-	-	(2,705,114)	(2,705,114)
As 31 December 2014	82,837,204	18,786,572	1,436,184	(7,885,776)	6,387,585	101,561,769
Total comprehensive income for the year	-	-	-	-	(5,576,683)	(5,576,683)
Increase in share capital	-	3,462,294	-	-	-	3,462,294
Income from initial recognition of loans obtained from the Shareholder at below market rates (Note 22)	-	-	-	(1,161,889)	-	(1,161,889)
Dividends paid (Note 22)	-	-	-	-	(2,855,932)	(2,855,932)
As 31 December 2015	82,837,204	22,248,866	1,436,184	(9,047,665)	(2,045,030)	95,429,559

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

Izbastin Kanysh Temirtayevich

Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief Accountant



STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(Thousand of tenge)

	Notes	2015	2014
Cash flow fro operating activities			
Interests received		16,198,885	12,284,588
Interests paid		(3,917,832)	(4,240,533)
Realised gains from transactions with derivative financial assets	7	15,008	513,962
Personnel expenses paid		(2,381,558)	(2,502,473)
Other operating expenses paid		(815,003)	(780,094)
Other income received		923,201	351,889
Realised (losses)/ gains from foreign currencies		(386,220)	69,877
Cash flows from operating activities before changes in operation assets and liabilities		9,636,481	5,697,216
Net (increase)/ decrease in operating assets			
Amounts due from credit institutions		1,494,180	9,993,317
Derivative financial assets		111	20,126
Loans to customers		(5,464,672)	(13,130,101)
Finance lease receivables		(26,983,980)	(36,699,055)
Assets held for sale		5,895	237,220
Property held for financial lease		3,756,988	1,536,682
VAT and other taxes receivable		(265,808)	4,393
Advances paid		(1,330,499)	2,501,345
Other assets		(16,072)	(258,847)
Net increase/ (decrease) in operating liabilities			
Advances received		1,339,358	(334,164)
Other liabilities		(3,519,059)	2,466,019
Net cash flows used in operating activities before income tax		(21,347,077)	(27,965,849)
Income tax paid		(74,865)	(379,259)
Net cash flows used in operating activities		(21,421,942)	(28,345,108)
Cash flows from investment activities			
Purchase of property and equipment and intangible assets		(192,866)	(247,008)
Proceeds from sale of property and equipment		-	4,703
Net cash used in investing activities		(192,866)	(242,305)
Cash flows from financing activities			
Proceeds from increase in amounts due to the Shareholder		24,883,416	42,357,332
Repayment of amounts due to the Shareholder		(18,107,533)	(19,839,039)
Receipt of loans from credit institutions		6,901,367	13,954,566
Payment of loans received from credit institutions		(14,365,824)	(9,391,204)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2015
(Thousand of tenge)

	Notes	2015	2014
Proceeds from debt securities issued		19,984,542	16,196,665
Proceeds from increase in share capital	22	-	1,953,693
Dividends paid	22	(2,855,932)	(2,705,114)
Net cash from financing activities		16,440,036	42,526,899
Effects of exchange rate changes on cash and cash equivalents		5,523,279	270,597
Net increase in cash and cash equivalents		348,507	14,210,083
Cash and cash equivalents at the beginning of the year	5	23,525,825	9,315,742
Cash and cash equivalents at the ending of the year	5	23,874,332	23,525,825

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

Izbastin Kanysh Temirtayevich



Chairman of the Management Board

Shodanova Gulnara Takishevna

Chief Accountant

GLOSSARY

AIC – Agro-industrial complex

AP – Agricultural producer

SFW – Spring fieldworks

KPI – Key Performance Indicators

MoA – Ministry of Agriculture

IAS – Internal Audit Service

SKO – South - Kazakhstan oblast

NKO – North-Kazakhstan oblast

WKO – West-Kazakhstan oblast

EKO – East Kazakhstan oblast

ROA – Return on assets

ROE – Return on equity

CONTACT INFORMATION

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For shareholders: +7(7172)58-04-51

E-mail: mailbox@kaf.kz

Company Auditor:

Ernst & Young LLP

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Branch in Kostanay oblast

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Branch in Almaty city

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