



AGROCREDIT
АГРАРЛЫҚ НЕСИЕ КОРПОРАЦИЯСЫ

**Annual
Report**

2021

Agrarian Credit Corporation JSC

**DEVELOPING
AGRIBUSINESS
TOGETHER!**



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ADDRESS BY THE CHAIRMAN OF THE BOARD OF DIRECTORS



**NURBOLAT
AIDAPKELOV**

**CHAIRMAN OF THE BOARD OF
DIRECTORS**

DEAR PARTNERS AND COLLEAGUES!

We are pleased now to present you the 2021 Annual Report of Agrarian Credit Corporation JSC.

On the instructions of the Head of State Kassym-Jomart Tokayev, given in the Address to the People of Kazakhstan on September 1, 2020, «Kazakhstan in a New Reality: Time for Action», KazAgro National Management Holding JSC was merged with Baiterek National Managing Holding JSC within the transformation of quasi-state sector companies. Three financial institutions of KazAgro Holding: Agrarian Credit Corporation JSC, KazAgroFinance JSC and the Fund of Financial Support for Agriculture JSC were incorporated into Baiterek Holding Group through the merger.

The Fund subsequently merged with the Company, with the transfer of small business lending functions. Whereas the current funding terms, the Fund's production staff in the regions involved in the financial services business processes were retained. Whereas, the administrative and management staff was optimized.

The merging of companies eliminated the duplication of lending functions for farmers and enabled the provision of one-stop-shop services.

Following the incorporation of the Fund, the Company's activities in 2021 also expanded to the AIC insurance operator and agent functions within the «With Diploma to the Village!» Program.

In 2021, the Company retained its market leadership, which had a positive effect on its credit ratings. Fitch Ratings, the International Rating Agency, affirmed the issuer's long-term foreign and local currency ratings at «BBB-» with a «Stable» outlook. Moody's Investors Service, the international rating agency, also affirmed the credit ratings of the Company at «Ba1», with a «Positive» outlook.

The Company lends to the AIC sector on favorable terms for agricultural producers, thereby contributing to the food security of the Republic of Kazakhstan and increasing the export potential of the country.

Priority areas of lending are projects in crops, livestock and agricultural processing. Particular

attention is paid to the implementation of major investment projects in the AIC, including – poultry farms, breeding facilities, greenhouses, dairy farms, intensive gardens, meat processing complexes and others. The majority of the portfolio comprises loans aimed at developing the SME segment of the AIC.

A variety of financial instruments are used to extend loan coverage to AIC actors: direct lending, funding from financial institutions – such as credit partnerships, microfinance institutions, second-tier banks and leasing companies.

Annual financing through the Agrarian Credit Corporation has doubled over the past five years, from KZT 157.0 billion in 2016 to KZT 322.5 billion in 2021.

Continuous development and strengthening of our market position is supported by a corporate governance system that aims to improve performance, ensure transparency and accountability, strengthen our reputation and reduce the cost of raising capital. By complying with approved corporate standards, the Company continues to fulfil the objectives set by the Government of Kazakhstan and the shareholder.

In 2021, the Company's Board of Directors held 21 meetings and considered 176 items, including the improvement of the external audit and review of financial statements, internal control system, approval of risk appetite and risk tolerance. 38 meetings of the BoD committees were held, with 100% attendance by committee members.

The Board of Directors appointed an Ombudsman to assist in resolving social and labor issues, to promote compliance with principles of the Business Code of Conduct by Company's employees, and to advise management on the resolution and prevention of conflicts that are systemic, legal and organizational in nature.

The Company ended the year with a profit, reflecting a strong and resilient company. In 2022, it is planned to improve and automate business processes, organize measures to expand microcredit, and develop a system of credit partnerships.

Next year the merger of the Company with KazAgroFinance JSC, incorporated as the Company's subsidiary, will be completed.

This will make the Company a single sectoral lending institution aimed at supporting agriculture.

I would like to congratulate all members of the Board of Directors for their effective work in developing corporate governance. Including independent members of the Board of Directors: Dinkelaker Jorg Andreas, Weinstein Michael, Kim Kevin Gwangil, who



played an active role in improving and implementing the corporate governance standards approved by the Sole Shareholder.

**Best regards,
Chairman of the Board of Directors of
Agrarian Credit Corporation JSC**

ADDRESS BY THE CHAIRMAN OF THE MANAGEMENT BOARD



**ALMAT
ASHIRBEKOV**
CHAIRMAN OF THE
MANAGEMENT BOARD

DEAR CUSTOMERS AND PARTNERS!

Agrarian Credit Corporation JSC continues to implement its objectives of promoting the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by building an affordable and efficient financing system through the involvement of private financial institutions.

In accordance with the Head of State's instruction, Fund of Financial Support for Agriculture JSC merged with the Company in 2021 within the framework of the quasi-public sector transformation. This added micro-lending, agribusiness insurance agency services and agent services under the «With Diploma to the Village!» Program to the Company's business lines.

The past year was not easy for all of us. The effects of the pandemic and the adverse effects of the drought affected the country's economy and the activities of many businesses, especially in the agricultural sector.

Timely and high-quality spring field work was very important under these conditions. A total of KZT 70 bln was allocated from the republican budget in the form of a short-term loan for the financing of agribusinesses under the Ken Dala Program. This amount benefited 2,636 agricultural producers.

At the end of 2021, the company's loan portfolio numbered 76,500 borrowers amounting to KZT 817.7 bln.

Agrarian Credit Corporation AIC financing amounted to KZT 322.5 bln in 2021. 20 thousand agricultural producers received loans, 140 thousand heads of cattle, 400 thousand head of small cattle, 97.4 thousand horses were purchased, 4.4 million hectares were cultivated, 3.3 thousand units of agricultural machinery were purchased with the allocated funds for the reporting period.

163 agricultural insurance agreements were signed during the reporting year, including 118 crop insurance agreements covering 150.6 thousand hectares, 37 agreements in livestock breeding with more than 6.6 thousand head coverages, and 8 agreements in poultry breeding with 2.6 million bird coverages. Insurance premium subsidies amounted to KZT 242.6 mln and insurance payouts amounted to KZT 825.3 mln.

More than 11,100 microcredits totalling KZT 68.6 bln were issued for the development of entrepreneurship, including under Yenbek State Program for the Development of Productive Employment and Mass



Entrepreneurship for 2017–2021, which enabled the creation of more than 9,000 jobs.

Funding from financial institutions plays an important role in financing the agricultural sector. Since agricultural businesses are sometimes considerably farther from the regional centre, funding makes it much easier for rural people to access loan products. Thus, more than a third of the funds (34%) allocated for the development of the agricultural sector in the reporting year were placed through credit partnerships, amounting to KZT 110 bln. Another 10% comes from second-tier bank funding and 4% from microfinance institutions.

The lending terms and conditions currently offered by the Company are universal and cover both large businesses and small and medium-sized enterprises. The Company lends to livestock, crop and agro-processing projects.

The Company's Ken Dala Program aims at providing preferential financing to AIC companies for spring field and harvesting work.

Start-up projects and projects of emerging and existing entrepreneurs are supported under the Isker Program.

Financing of livestock, crop production and processing enterprises for the acquisition of fixed assets, modernization, construction and installation work and reconstruction will continue under the Agribusiness Program, implemented by the Company with own and borrowed funds.

In 2022, the Company sets itself several priorities. We plan to introduce an online microloan application review system as part of the automation of business processes, which will improve operational efficiency and significantly reduce loan issuing time.

Improving the activities of credit partnerships and optimizing the mechanisms of interaction with second-tier banks and microfinance organizations by boosting the efficiency of business processes will facilitate greater access to microcredit for



agricultural producers.

In 2022, there are plans to increase funding for the agricultural sector. It is a major and substantial job, and its results depend on each member of the team and their expertise, responsibility and business acumen.

**Best regards,
Chairman of the Management Board
Agrarian Credit Corporation JSC**

01

KEY EVENTS OF THE REPORTING YEAR



2021

There were personnel changes in the executive body of the Company: Aibolat Abenov was elected the Chairman of the Management Board with the resolution of the Sole Shareholder of the Company No. 18/21 dated 09.04.2021.

April

June

Due to the severe drought in most areas of Kazakhstan, the Company initiated measures to provide deferrals on loan repayments to borrowers in the amount of KZT 5.1 billion from June 2021 as support measures.

November

On November 15, 2021, Fitch Ratings affirmed the Company's long-term foreign and local currency credit ratings at «BBB-» and national scale rating at «AA+(kaz)» respectively and upgraded the rating outlook from «Negative» to «Stable».

March

On March 16, 2021, Moody's Investors Service, International Rating Agency, affirmed the Company's credit ratings at Ba1 with a positive outlook.

On March 18, 2021, the Company incorporated into the Group of Companies of Baiterek National Managing Holding JSC.

May

As of 19.05.2021 The Company financed 2,636 agricultural producers with a budget of KZT 70 billion for spring field and harvesting work.

September

Decree of the Prime Minister of the Republic of Kazakhstan No. 154-p dated September 15, 2021 included the Company in the list of operators of the Employment Road Map 2020-2021 in the implementation of two new areas focused on improving access to finance for participants of the Bastau Business project through the funding of microfinance institutions, and financing of investment projects in the agricultural sector.

December

On December 13, 2021, the Company was reorganised by merging with the Fund. The Company's activities expanded and nowadays, apart from direct lending to agricultural entities and funding of financial institutions, the Company performs micro-lending, agricultural insurance and agent functions under the «With Diploma to the Village!» Programme.

KEY EVENTS

2022

02

ABOUT COMPANY

The Company was established pursuant to the Decree of the Government of the Republic of Kazakhstan No. 137 «On Lending to the Agricultural Sector» dated January 25, 2001.

The pilot project included two stages. The first is the establishment of a specialized institution, Agrarian Credit Corporation JSC, with 100 per cent state participation.

The second stage involved the creation of a network of regional financial institutions – rural credit partnerships (hereinafter – CPs) to provide agricultural producers (hereinafter – APs) with access to preferential credit resources from the national budget.

The pilot project was successfully implemented, creating a unique system of lending to agricultural producers through CP, which enabled the availability of lending resources to small and medium-sized agricultural producers participating in the CP system. Since 2006, the Company's activities have been expanded with the adoption of Act No. 66-III dated July 8, 2005 «On State Regulation of the Development of the Agro-industrial Complex and Rural Areas».

The Company is currently a major financial institution engaged in the development of the agro-industrial complex, implementing lending programs in priority areas for the development of agricultural production.



2.1 HISTORY

2001

Company's establishment. 7 CPs were credited, amounting to KZT 132 million, the number of end borrowers being 172.

2002

The first 18 CPs were created, included 833 participants. 14 CPs were credited, amounting to KZT 929 million, the number of end borrowers being 344.

2005

The Company's portfolio increased to KZT 9.2 bln.

2006

Launch of financing of agricultural cooperatives. 147 ACs were financed for KZT 12,250.1 bln.

2009

Launch of a lending program for investment projects from the National Fund of the Republic of Kazakhstan. In 2009, 11 investment projects worth KZT 6.3 bln were financed.

2010

Launch of a financing program for agro-processing companies.

2011

Launch of the Sybaga Program for lending to AIC entities for the purchase of breeding cattle and breeding bulls for the reproduction of beef cattle offspring.

More than 4,000 APs were financed in the amount of KZT 50.6 bln, and 272,300 heads of cattle were purchased.

2014

New lending programs, Kulan and Altyn Asyk, were launched under the Master Plans for the development of horse and sheep breeding.

2016

The Company is a single operator of the Ken Dala loan program for spring field and harvesting operations.

Obtained ISO 9001:2008 QMS Certificate of Conformity.

Launch of new lending programs: Isker for rural entrepreneurs and Agrotechnika for purchasing agricultural machinery

2017

Approved the new Development Strategy of the Company for 2017–2026.

Optimized lending processes: the list of documents and timelines for loan application review were reduced; the branch network funding limit was increased to KZT 1 bln.

I Forum of Credit Partnerships was held in Shymkent. Sponsored by: Ministry of Agriculture of the Republic of Kazakhstan, the Company, Association of AIC Credit Partnerships.

2018

The Company becomes the operator of the Sybaga Lending Program within the framework of the Livestock Development Program 2018–2027. Purchase of 31,400 heads of cattle was financed during the year.

There are 7 credit products available, covering all areas of rural business.

2019

The Company is included as an operator in the Economy of Simple Things Program for lending and financial leasing of priority projects in crop farming, gardening, livestock farming, aquaculture, fisheries and malt production.

2020

Approved Development Strategy of the Company for 2020–2029.

Amid the pandemic emergency, KZT 70 bln allocated for spring field and harvest work was issued to 2401 agricultural producers in record 30 days.

Deferred loan repayment of KZT 7.3 bln was granted to borrowers suffering difficulties due to the impact of the pandemic.

The Company financially supported 100 healthcare workers serving in the state of emergency in the country.

Fitch Ratings upgraded Agrarian Credit Corporation's long-term foreign and local currency issuer default ratings to «BBB-» from «BB+», with a «Stable» rating outlook.

In 2019–2020, the Company financed 1,476 agricultural producers for a total of KZT 71.4 bln under the Economy of Simple Things SME Support Program.



2.2 MISSION, VISION



The Company's mission

is to contribute to the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by creating an affordable and efficient system of financing.

Vision

Agrarian Credit Corporation JSC is a key institution for the AIC development, with an effective operating model that promotes AIC industrialization, intensification and diversification through the development of a sustainable and affordable financing system.

In 2021, the Development Strategy of the Company for 2020–2029, approved by the Board of Directors of the Company dated 27.02.2020, was in force.

The Company operates in accordance with the following principles:

THE COMPANY OPERATES IN ACCORDANCE WITH THE FOLLOWING PRINCIPLES:



Transparency



Affordability



Timeliness



Efficiency

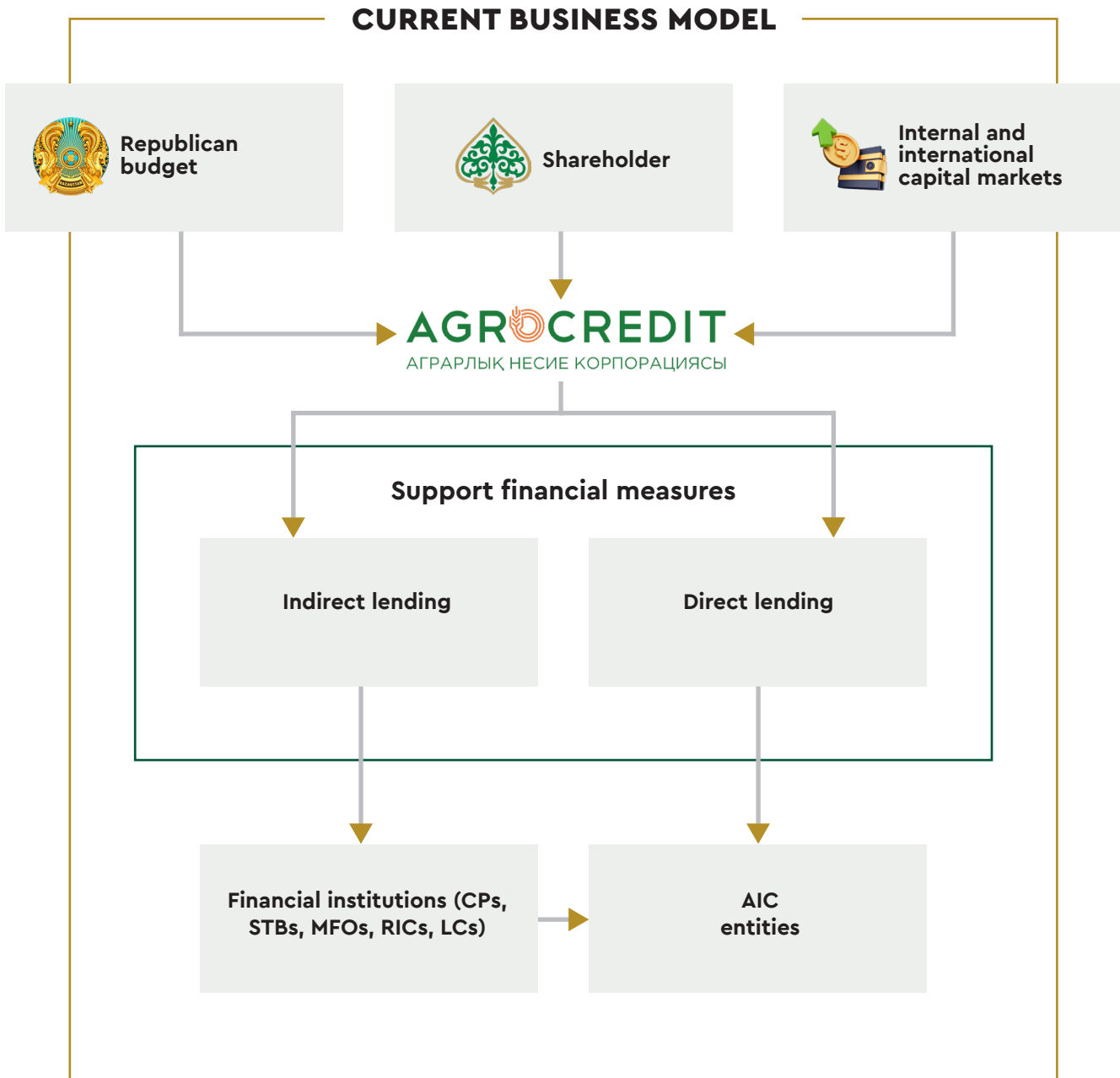


Break-even

2.3 BUSINESS MODEL

The Company, as a subsidiary of Baiterek National Managing Holding JSC, implements the state policy promoting an affordable lending system that stimulates the development of competitive entrepreneurship in rural areas. The Company operates on the basis of the following principle: development of the agro-industrial complex is impossible without the availability of affordable financial resources for agricultural producers

Sole Shareholder: Baiterek National Managing Holding JSC



The target business model defines two areas of the Company's activities: direct and indirect lending to AIC entities (indirect lending – funding of financial institutions of credit partnerships, second-tier banks, microfinance organisations, a regional investment center and leasing companies).

The company also finances investment projects that have a significant social and economic impact on the agricultural sector.

The Company offers financing to AIC entities on the basis of preferential lending programs within the framework of State Programs, as well as from its own and borrowed funds.



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2.4 CURRENT FUNDING PROGRAMS

01 Ken Dala Program – loans agricultural producers and AIC entities for spring field work and harvesting:

Source of funding	Sales Pipeline	Interest rate	Amount of funding	Loan term
Republican budget	Direct borrowers CPs/RIC/ MFO/ STB (margin no more than 3.5%)	1.5% per annum (AEIR – from 1.5% per annum)	up to 25% of the Company's equity	until December 1 of the corresponding year of financing

02 Agribusiness Program loans agricultural producers for working capital, acquisition of fixed assets, including renovation of facilities, construction and installation work and reconstruction:

Source of funding	Sales Pipeline	Interest rate	Amount of funding	Loan term
NF RK	Direct borrowers	6% per annum (AEIR – from 6% per annum)	KZT 50 mln to KZT 5 bln per borrower KZT 10 bln per group of borrowers	up to 12 years
NB RK (within the framework of the Employment Roadmap for 20-2021)	Direct borrowers	11.5% per annum (AEIR – from 11.5% per annum)		up to 10 years
Own funds	Direct borrowers	17% per annum (AEIR – from 17% per annum)	up to KZT 5 bln per borrower KZT 10 bln per group of borrowers	up to 10 years
	CP/RIC/MFO/STB (margin no more than – 4%)	13% per annum (AEIR – from 13% per annum)	from KZT 1 mln to 25% of the Company's equity	
Republican budget	Direct borrowers	6% per annum (AEIR – from 6% per annum)	up to KZT 5 bln per borrower KZT 10 bln per group of borrowers	up to 10 years
	CP (margin not more than – 3%)	3% per annum (AEIR – from 3% per annum)	from KZT 1 mln to 25% of the Company's equity	
	STB (margin not more than – 4%)	2% per annum (AEIR – from 2% per annum)		



03

Isker Program loans the production and processing of agricultural products; lending to agricultural cooperatives for the production of meat, dairy and horticultural products and for the development of non-agricultural businesses in rural areas:

Source of funding	Sales Pipeline	Interest rate	Amount of funding	Loan term
LEA funds (within the framework of Yenbek State Program)	Direct borrowers	6% per annum (AEIR – from 6% per annum)	up to 8,000 MCI	up to 5 years for livestock farming, for agricultural cooperatives – up to 7 years
	CP/MFO	2% per annum (AEIR – from 2% per annum)	from KZT 500,000 to 25% of the Company's equity	
	For members of low-income and/or large families	no more than 4% per annum	up to 8,000 MCI	up to 7 years
NB RK (within the framework of the Employment Roadmap for 20-2021)	MFOs with state participation	2% per annum (AEIR – from 2% per annum)	from KZT 500,000 to 25% of the Company's equity	up to 10 years
UNDP funds	Direct borrowers	6% per annum (AEIR – from 6% per annum)	up to 8,000 MCI	up to 4.5 years



2.5 GLOBAL REACH

The Company is represented in all regional centers of the Republic of Kazakhstan. The regional network of the Company consists of 17 branches, located in regional centres, as well as in cities of republican significance: Nur-Sultan, Almaty, Shymkent.

The Company operates through 17 branches.



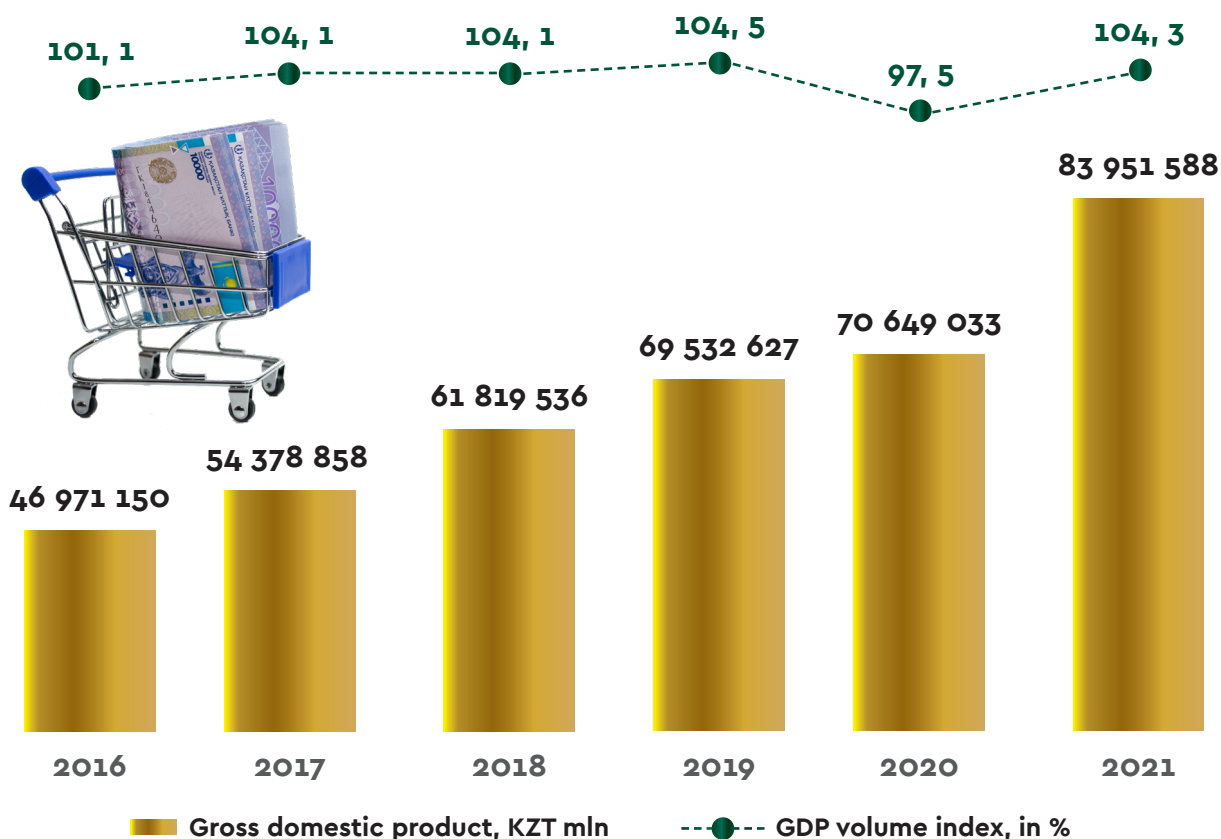
03

INDUSTRY ANALYSIS



3.1 MACROECONOMIC INDICATORS

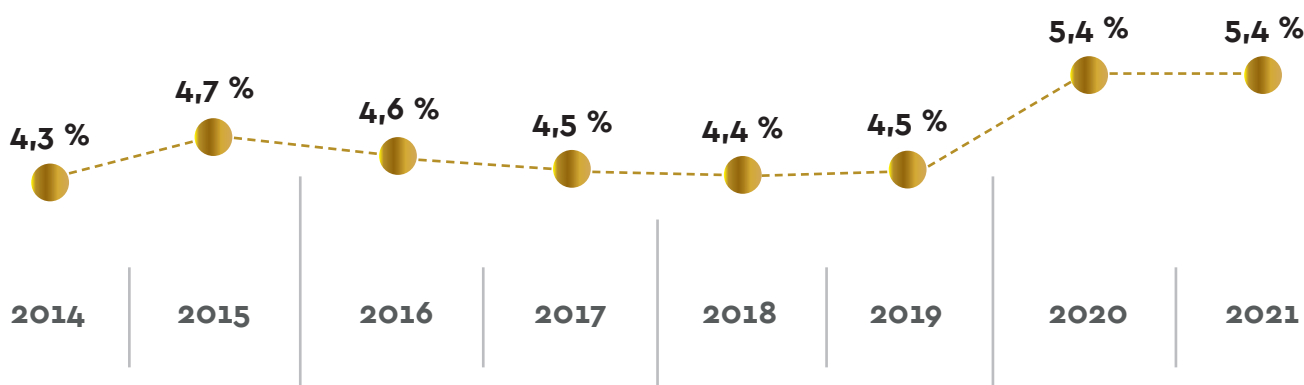
GDP DYNAMICS



According to the National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, gross domestic product output in 2021 amounted to KZT 83,951.6 billion, with an increase of 4.3% in real terms compared to 2020.

However, the share of gross value added in agriculture, forestry and fisheries in Kazakhstan's GDP in 2021 was 5.4%, thus remaining at the same level as in 2020.

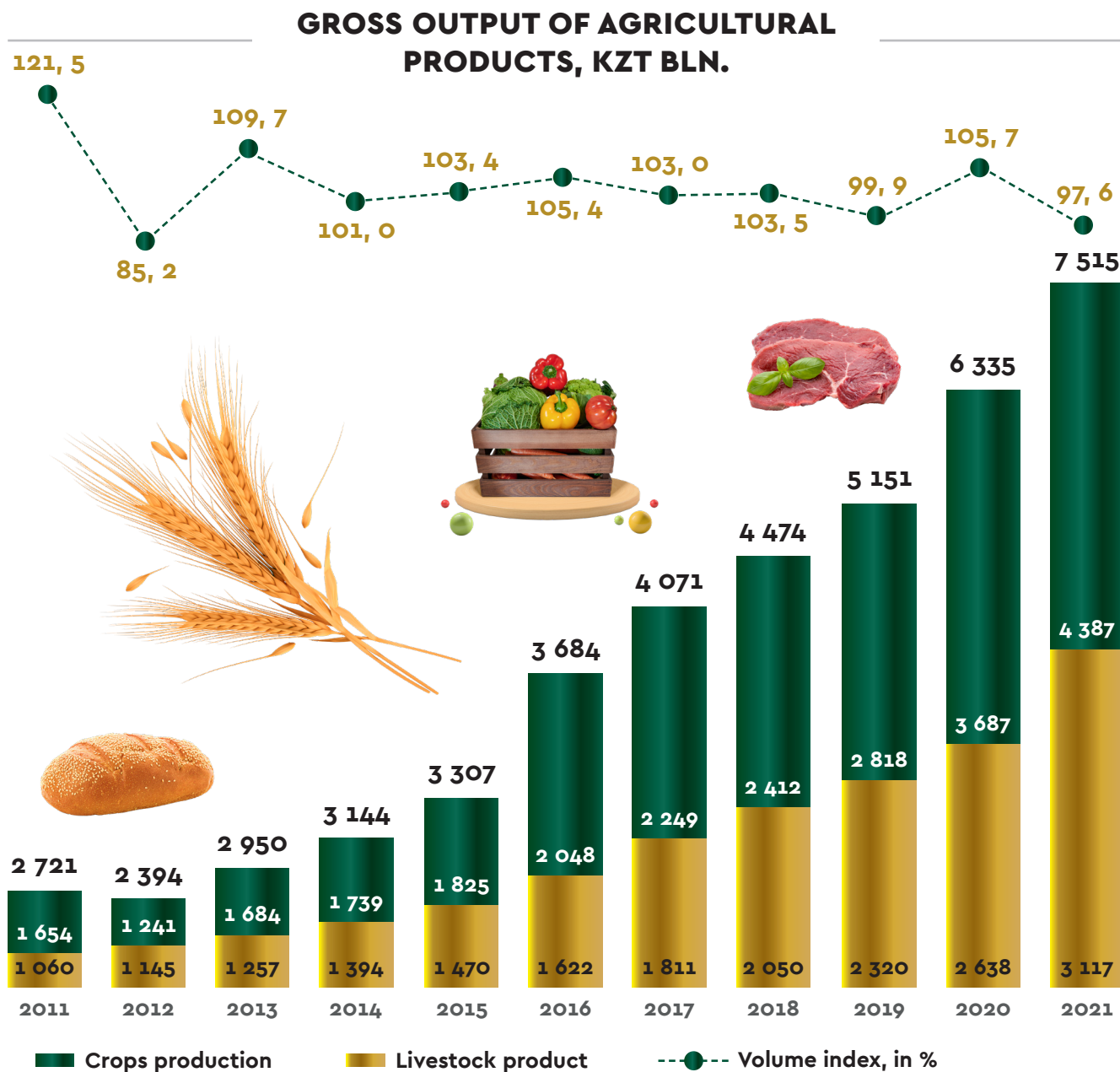
GVA SHARE OF AGRICULTURE, FORESTRY AND FISHERIES IN RK GDP, %



Source – Bureau of National Statistics of the Republic of Kazakhstan

3.2 AGRO-INDUSTRIAL COMPLEX

The volume of gross agricultural production in Kazakhstan in 2021 in current prices is KZT 7,550 bln, the volume index shows a decrease of 97.6%.



Source – Bureau of National Statistics of the Republic of Kazakhstan

In 2021, the share of crop production in gross agricultural output slightly increased compared to 2020, with values of 58.1% and 57.8% respectively. The crop production share has been increasing since 2019, before that period the crop production share averaged 44.2% for 8 years.

Grain crops account for about 70.3% of the total sown area of agricultural crops, with forage crops in second place at 13.6% and oilseeds in third at 13.5%. Compared to 2020, oilseeds increased by 6.8%, grain increased by 1.4%, while forage crops sown area decreased by 82,400 ha (3,197,500 to 3,114,600 ha).

Kazakhstan is one of the world leaders in grain and flour exports. The main export markets are Central Asia, Afghanistan and China.

The share of animal production in gross agricultural output in 2021 is 41.3%, with a decrease of 0.7 percentage points compared to 2020. There was a noticeable decline between 2018 and 2019, when the share of livestock

production fell from 53.6% to 45%. In nominal terms, gross animal production increased by KZT 493 bln in one year (an increase of 18.8%).

THE NUMBER OF LIVESTOCK SHOWS A POSITIVE TREND IN LIVESTOCK COMPARED TO 2020

INCREASE OF ...

+4,4%



Total number of cattle in 2021 –
8.2 mln heads

INCREASE OF ...

+4,1%



Total number of sheep in 2021 –
20.9 mln heads

INCREASE OF ...

+11,1%



Total number of horses in 2021 –
3.5 mln heads

INCREASE OF ...

+6,9%



Total number of camels in 2021 –
243.4 thous heads

INCREASE OF ...

+10,5%



Total number of poultry in 2021 –
47.9 mln heads



THERE IS ALSO A POSITIVE TREND IN LIVESTOCK PRODUCTS COMPARED TO 2020

INCREASE OF ...

+5,3%



Production of meat in slaughter weight in 2021 was **1.2** mln tons

INCREASE OF ...

+3,2%



Milk production in 2021 – **6.2** mln tons

INCREASE OF ...

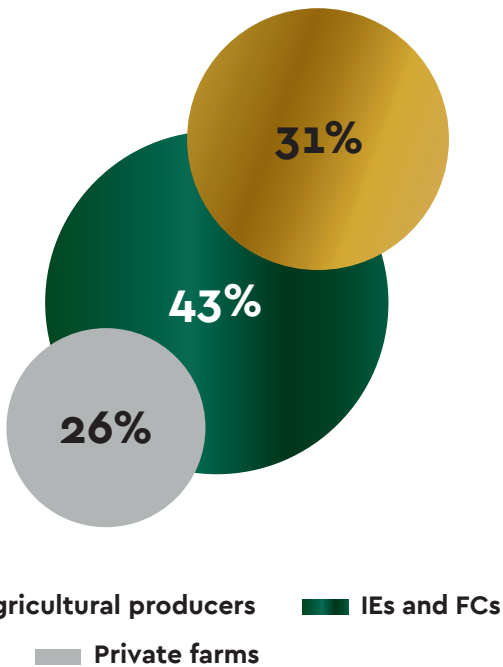
+2,5%



Wool production in 2021 – **41,2** thous tons



GROSS AGRICULTURAL PRODUCTION IN CROPS BY ECONOMIC CATEGORY

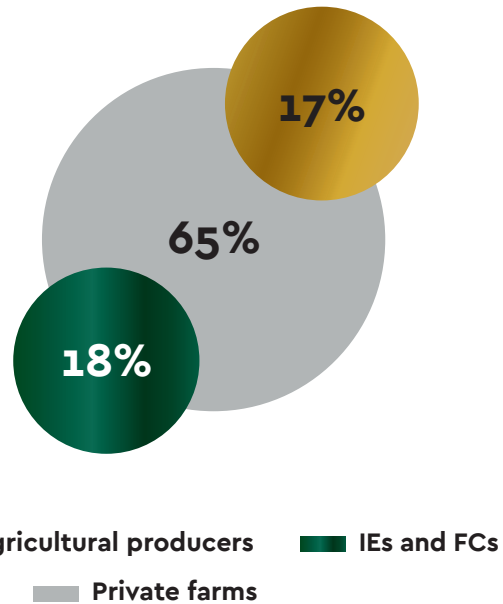


The share of households in the structure of gross agricultural production by categories of farms is still high, especially in livestock farming, where the share of households is 65%.

The high proportion of small-scale producers and their fragmentation has generally had a negative impact on the production of quality products on an industrial scale. Furthermore, this factor contributes to low intensification and low productivity.

Low productivity is caused by low crop yields and farm animal productivity, the use of outdated technology, and weak innovation activity by industry players. In 2021, agricultural productivity was KZT 3.4 mln, which is 2.5 times lower than the national average (KZT 8.4 mln).

GROSS AGRICULTURAL PRODUCTION IN LIVESTOCK BY ECONOMIC CATEGORY



The government, acknowledging the industry challenges, calls upon the National Development Plan 2025 to increase gross agricultural output in 2025 by 1.3 times, increase productivity by 2.5 times, and raise the share of processed goods to 70%.

AGRICULTURAL PRODUCTIVITY IN THE REPUBLIC OF KAZAKHSTAN, KZT THOUS

2021
year **3 350, 7**

2020
year **3 004, 8**

2019
year **2 466, 0**

2018
year **2 076, 6**

2017
year **1 735, 9**

2016
year **1 401, 3**

Source – Bureau of National Statistics of
the Republic of Kazakhstan

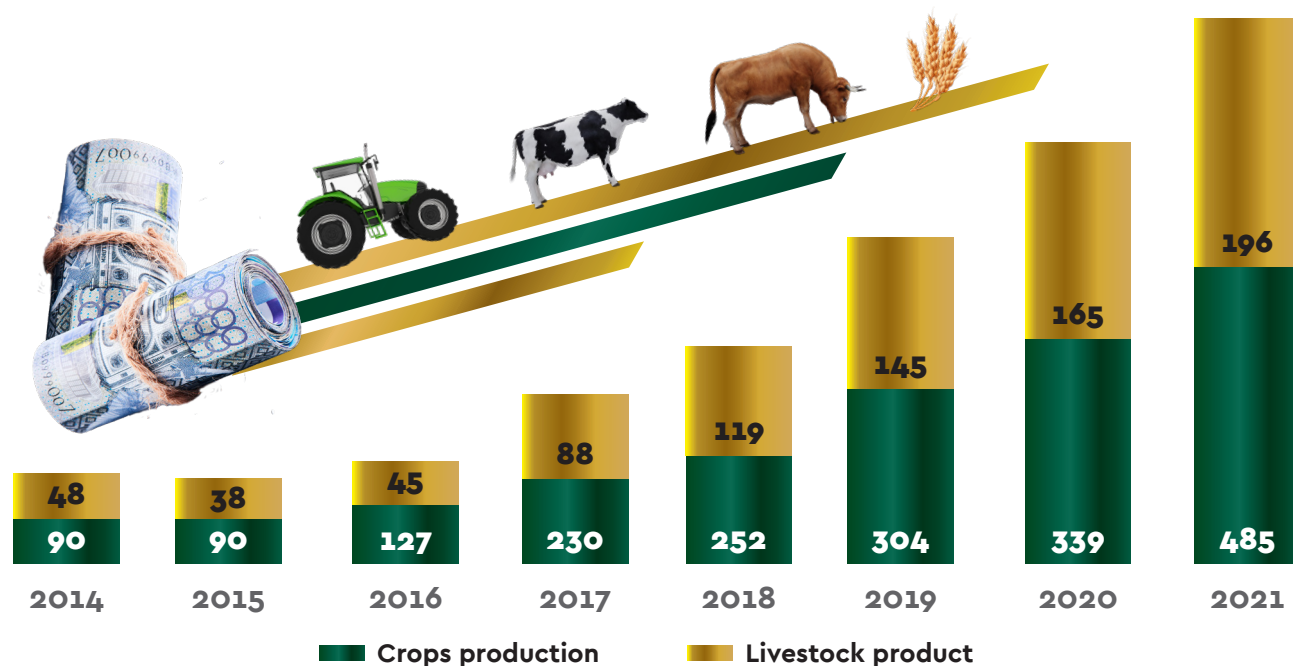


Agriculture in Kazakhstan is in need of agricultural machinery renewal, with an average depreciation rate of about 76% and an agricultural machinery renewal rate of 4.1%.

Investments in fixed capital in agriculture amounted to KZT 773.2 bln in 2021. The average annual growth rate was 33.3%. The contribution to agriculture is second only to industry, transport and warehousing and real estate operations by investment. Investment in agriculture increased 4.6 times in 2014–2020.

The bulk of investment is concentrated in crop production, comprising more than 62% of total investment in 2021, with livestock production accounting for 25%. The annual investment in crop production is 2.5 times the amount invested in livestock production.

INVESTMENT IN AGRICULTURE, KZT BLN



Источник: Бюро национальной статистики Республики Казахстан

According to the plans of the Ministry of Agriculture, **about KZT 6,803.0 bln will be allocated to finance agriculture in 2021-2025.**

AMOUNTS OF FUNDING THROUGH THE COMPANY AND KAF UNDER THE NATIONAL AIC DEVELOPMENT PROJECT OF KAZAKHSTAN 2021-2025, KZT MLN

Sources	2021	2022	2023	2024	2025	ИТОГО
<i>Increase in the share capital of KazAgroFinance JSC to finance the acquisition of machinery, forage equipment and mobile systems for subsequent leasing</i>	-	-	20 000	29 700	29 700	79 400
<i>AIC insurance support</i>	1 024	-	735	1 000	1 000	3 759
<i>Increase in the authorised capital of Agrarian Credit Corporation JSC for AIC financing</i>	-	-	-	30 000	30 000	60 000
<i>Funding for spring field and harvesting works to support AIC entities</i>	70 000	70 000	70 000	70 000	70 000	350 000
TOTAL	71 024	70 000	90 735	130 700	130 700	493 159

Source – Kazakhstan National AIC Development Project 2021-2025

3.3 INDUSTRY FUNDING

Maximising the financing coverage of AIC entities requires addressing the affordability of lending resources to AIC entities and increasing the level of participation of private financial institutions (STBs, MFOs, LCs and credit partnerships) in the AIC financing system.

It is worth noting that in 2010–2014, the volume of bank loans issued to the agricultural sector remained at a relatively stable level each year. In 2015, following the transition to a freely floating exchange rate of the national currency and the reduction of available tenge liquidity, there was a sharp decline from 2.5% in 2016 to 1.3% in 2021.

In 2021, loans to agricultural enterprises accounted for KZT 340.1 bln (or 1.8% share) of the STB total loan portfolio (KZT 18,497.7 bln).

The share of loans in agriculture thus increased slightly from 1.6% in 2020. However, when comparing the 2021 figure to 2017, there was a drop of 3.7 percentage points, which meant that the share of loans to agriculture fell by 3 times.

AIC loan disbursements through STBs in 2021 recovered from four years of decline and reached KZT 279 bln, 13% higher than in 2016.

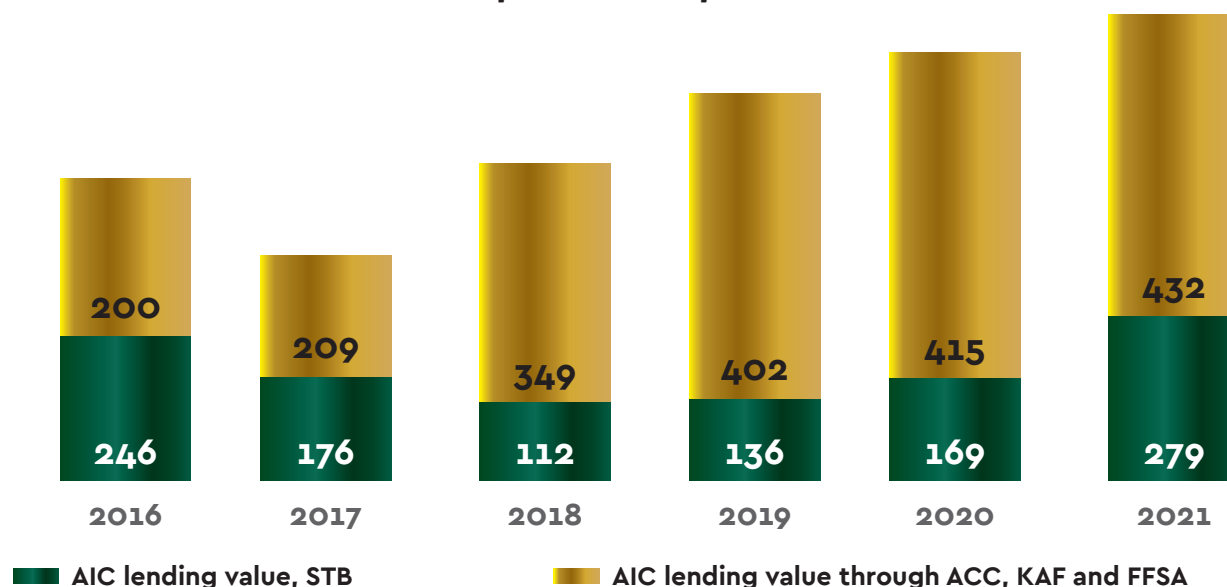
The growth of agricultural financing by STBs is constrained by the following factors:

1. a conservative assessment of sector risks in agricultural production, partly due to weak

analysis methodology and lack of experience in financing agricultural projects;

2. lack of effective instruments for hedging industry risks;
3. low liquidity of collateral in rural areas, including due to underdevelopment of the land and land-use rights market, the primary collateral instrument for many agricultural producers;
4. lack of long-term funding sources in KZT required to finance projects with long payback periods;
5. higher interest rates on loans compared to the Holding Subsidiaries;
6. high costs of developing and maintaining a regional network in rural areas.

VOLUME OF AIC LENDING BY STBS, THE COMPANY AND KAF, THE FUND, KZT BLN



Source – data of the Company, KAF, Fund, National Bank of the Republic of Kazakhstan (ACC values cleared from STB funding values)

STBs have incentives to participate in AIC development state programs through cooperation with the Company.

The economic incentives for STBs are in the form of preferential funds available to banks, as well as the possibility of increasing the customer base. Yet, STBs are restraining lending to the AIC sector with their own funds, due to credit risks and the high cost of transactions in rural areas.



3.4 PEST ANALYSIS

POLITICAL AND REGULATORY FACTORS

01 HIGH LEVEL OF STATE SUPPORT FOR AGRICULTURE

- Implementation of state programs for the AIC development, expansion of microcredit in rural areas.

02 TIGHTENING BANKING LEGISLATION IN KAZAKHSTAN AND THE TRANSITION OF BANKS TO BASEL III

- Reducing risks from financial losses in extreme situations;
- Search by banks for more sustainable sources of funding;
- Merger of banks to meet the regulatory requirements of the National Bank of the Republic of Kazakhstan.

03 OBTAINING FINANCIAL AGENT STATUS BY THE COMPANY

- Budgetary loans from the national budget may be drawn without collateral.

04 STATE REGULATION OF THE AGRICULTURAL INDUSTRY

- Changes in trends and priorities of AIC state policy.

ECONOMIC FACTORS

01 MEMBERSHIP IN THE WTO, EAEU, CU, SCO

- Intensive development potential of the agro-industrial complex through the development of foreign trade
- *Increased competition from foreign agricultural producers*
- *Strengthening restrictions on the application of state support measures for agricultural policy*

02 VOLATILITY OF FOREIGN CURRENCY AGAINST TENGE

- *Reduced liquidity of the national currency from financial institutions;*
- *Increased value of foreign exchange risk hedging instruments;*
- *Impact on the value of imported agricultural machinery and equipment.*

03 CHANGE IN THE REFINANCING RATE OF THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

- *Impact on interest rates on loans from financial institutions.*

SOCIAL FACTORS

01 GROWTH IN POPULATION, LIVING STANDARDS AND URBANIZATION

- Demand for increased agricultural production;
- *Outflow of the working-age population from rural areas.*

02 LACK OF FINANCIAL LITERACY AMONG THE RURAL POPULATION

- *Lack of or poor-quality financial reporting;*
- *Relatively low level of trust of the rural population in financial institutions.*

03 LOW INCOME AND COLLATERAL BASE OF AIC ENTITIES IN RURAL AREAS

- *Low solvency of AIC entities;*
- *Low affordability of funding sources.*

TECHNOLOGICAL FACTORS

01 INCREASED INTERNET AND MOBILE TECHNOLOGY PENETRATION IN RURAL AREAS

- Demand for the development of electronic and online services.

02 INCREASED DEMAND FOR THE RENEWAL OF FIXED ASSETS IN THE AIC

- Increased demand for credit products and leasing.

03 DEVELOPMENT OF «GREEN» TECHNOLOGY

- Demand for lending to «green» technology;
- Improved energy efficiency.







04

BUSINESS OVERVIEW






4.1 DYNAMICS OF THE COMPANY'S FINANCIAL PERFORMANCE INDICATORS

FINANCIAL INDICATORS

	2019	2020	2021
 ASSETS, KZT BLN	462,9	547,5	806,5
 EQUITY, KZT BLN	168,8	159,7	270,7
 LOAN PORTFOLIO, KZT BLN	477,6	549,0	817,7
 NET PROFIT, KZT BLN	16,0	18,6	8,7

OPERATING INDICATORS

	2019	2020	2021
 LENDING VOLUME, KZT BLN	289,8	277,3	322,5
 AMOUNT OF INVESTMENT IN AIC FIXED CAPITAL PER YEAR, KZT BLN	154,0	155,3	180,5
 NUMBER OF CUSTOMERS IN THE PORTFOLIO AT THE END OF THE YEAR, UN.	21 390	22 001	75 468

NON-FINANCIAL INDICATORS

	2019	2020	2021
 CORPORATE GOVERNANCE RATING, %	88,2	—	—
 FITCH RATINGS	BB+	BBB-	BBB-



4.2 IMPLEMENTING STRATEGIC ACTIVITIES

In 2021, Agrarian Credit Corporation JSC, implemented the Development Strategy for 2020–2029, within the framework of 2 strategic areas.

An Operating Action Plan for 2021 was implemented to achieve the objectives and to monitor the effective implementation of the Development Strategy.

01. STRATEGIC AREA

Increasing coverage of AIC financing, promoting institutional maturity of financial institutions and increasing agricultural output

Key Performance Indicators	2020 (FACT)	2021 (ПЛАН)	2021 (FACT)
<i>The volume of lending to AIC under the Company's financing programs, KZT bln</i>	277,3	251,9	253,9
<i>Volume of lending for the purchase of fixed assets in agriculture and food production, KZT bln, including:</i>	155,3	136,1	137,4
<i>Volume of lending for the purchase of fixed assets in agriculture, KZT bln</i>	146,1	134	135
<i>Volume of lending for the purchase of fixed assets in food production, KZT bln</i>	9,2	2,1	2,4
<i>Share of funding from financial institutions in the Company's total lending, at least, %</i>	54	55	60,7

GOAL 1.1 INCREASING AIC FINANCIAL INCLUSION

Task implementation

Increased share of AIC entities that have received funding through CPs, MFOs, RICs, STBs, LCs under the Company's programmes and with funds from financial institutions

In 2021, the Company financed 8,532 agricultural producers to the total amount of KZT 253.9 bln, including through direct lending of 1,458 agricultural producers to the amount of KZT 99.7 bln., through financial institutions – 7,074 agricultural producers amounting to KZT 154.2 bln, including: through CSs – 4,730 agricultural producers amounting to KZT 110.0 bln, STBs – 116 borrowers amounting to KZT 31.8 bln, MFOs (including RICs) – 2,228 agricultural producers amounting to KZT 12.4 bln. Execution of the plan 101% (KZT 251.9 bln).

Task implementation

Expansion and development of agricultural financing instruments

The corporation lends to AIC on favourable terms: low interest rates and long terms. Thereby contributing to the food security of Kazakhstan and increasing the country's export potential. ACC's main customers are located in remote rural areas. In order to expand its credit coverage of AIC entities, the corporation uses various financial instruments: direct lending and funding from financial institutions such as credit partnerships, microfinance organizations, second-tier banks and leasing companies. In 2021, 60.7% of ACC's funds were disbursed through funding instruments.

The funding of credit partnerships is of the most effective instrument in ACC for bringing preferential loans to rural population, covering 98% of rural areas. Most of the funds to CPs were allocated under the Ken Dala, Agribusiness and Isker programs.

The main program is Ken Dala, which lends spring-field harvesting work. The end borrower benefits the loan at 5%.

ACC is also an active lender under the Agribusiness Program. All activities of agricultural producers are financed under this program, including the purchase of machinery and livestock. Numerous areas are state subsidized. So, interest rates on loans:

- working capital loans are subsidized at 5% by the state, i.e. at 17% per annum (including CP margin of no more than 4%), the end borrower pays only 12%;
- loans for the purchase of machinery and fixed assets are subsidized at 10% by the state, i.e. at a rate of 14% per annum (including CP margin of no more than 4%), the end borrower pays only 4%.

SEEDING COVERAGE UNDER THE KEN DALA PROGRAM

Indicative	2020		2021		Market indicators as of 01.01.2022	Area coverage for 2021
	Plan	Fact	Plan	Fact		
<i>Number of APs</i>	2 400	2 401	2 400	2 636	–	–
<i>Including new</i>	300	391	240	737	–	–
<i>Area, thous. ha</i>	3 000	3 689	3 000	3 659	22 925,7	16,0%

ACC pays special attention to the development of the SME segment, and under the Isker Program issued KZT 12.5 bln at 6% per annum for the production and processing of agricultural products, supply and procurement services for meat, dairy, fruit and vegetables and developing agricultural businesses in rural areas, including KZT 10.3 bln through CPs and KZT 2.2 bln through MFOs. Among them, 820 loans worth KZT 3.9 bln were issued to implement start-up projects, 446 loans worth KZT 1.9 bln to start-up entrepreneurs (less than 3 years old) and 1,145 loans worth KZT 6.7 bln to existing entrepreneurs.

In 2021, the Company financed 128 agricultural producers for KZT 6.0 bln under the Economy of Simple Things Program, including KZT 3.3 bln from the National Bank of Kazakhstan and KZT 2.7 bln from own and borrowed funds for the implementation of SFHW on 256,000 ha.

Loans were issued to borrowers to replenish working capital, the ultimate interest rate for agricultural producers was 6% per annum, including subsidies (9% per annum subsidised), and the term of the loan was up to 1 year.

GOAL 1.2 PROMOTING INCREASED EFFICIENCY IN AGRICULTURE

Productivity on financed investment projects amounted to KZT 4,854.6 thous per employee, or 125.8% of the planned value.

Task implementation

Financing of anchor projects involving the introduction of advanced and innovative technologies

Priority areas of ACC financing are projects in crops, livestock and agricultural processing. Special attention is also paid to the implementation of major investment projects in the agricultural sector, including poultry farms, breeding farms, greenhouses, dairy farms, intensive gardens, meat processing complexes, etc. In 2021, the Company financed 19 investment projects involving the introduction of advanced innovative technologies.

- Dairy farm projects use loose housing technology with a milking parlour.
- Greenhouse farms grow plants on hydroponics, using a weather station, fogging system, drainage, automatic irrigation system, fertiliser supply and climate control.
- Oil production projects use automated product transfer lines between shops. Waste husks (sunflower husks) are used to produce steam, which in turn fuels production.
- Circular sprinklers with innovative motorized irrigation technology are used to irrigate the fields, the high degree of uniformity in rain distribution enables a simultaneous supply of sprinkling water and fertilizer.
- Poultry farm projects use floor poultry production, automated feeding, watering and weighing processes, an appropriate indoor climate, and recycling with high-tech equipment from global manufacturers.
- Production of deep-freezing and storage facilities is based on the technology of shock freezing vegetables at extremely low temperatures, which has a positive impact on the quality of products (frozen vegetables retain up to 90% of vitamins and up to 100% of microelements).
- In intensive apple orchards, drip irrigation systems are used.

GOAL 1.3 PROMOTING INSTITUTIONAL DEVELOPMENT OF FINANCIAL INSTITUTIONS IN AIC

Task implementation

Enhancing the institutional maturity of CPs

In 2021 there was a positive trend in providing financial services to CP members and improving the quality of the CP loan portfolio: CP loan portfolio increased by 12.9% (KZT 213.8 bln to KZT 241.5 bln), the number of end borrowers with liabilities to the Company increased by 3.5% (KZT 22,672 to KZT 23,461).

The main beneficiaries of preferential lending are AIC entities in rural areas. The largest share of concessional financing for AIC was provided through CP and MFO financing under the Agribusiness, Isker and Keen Dala programs.

191 out of 206 credit partnerships obtained licenses, and 15 credit partnerships that failed to obtain a license are in the problem loan portfolio.

The Company has updated its internal regulations on defining and assigning a rating to a CP, the register of authorities of credit committees, procedures related to lending and audits.

The Government amended the Employment Road Map for 2020–2021 to the second pillar as part of the implementation of the instructions of the Head of State. A total of KZT 22,500 mln was allocated for its implementation to develop the production of domestic goods and services and create jobs in 2021, with a disbursement period of 12 months from the date of receipt of funds.

To address the challenges of increasing access to finance for business entities, LEA designated the Company as the regional lending organization, and microfinance organizations with government participation (NPO – 51% and LEA – 49%) are identified as the sole financier of end-borrowers. For instance, LEA provides a budget loan to ACC JSC at 0.01% per annum for a period of up to 10 years. MFOs are funded at 2% per annum for up to 10 years. The MFO's end-borrower microcredit is issued at 6% per annum for a maximum term of 7 years with a loan amount of up to 8,000 MCIs.

02. STRATEGIC AREA

Improving performance

Key Performance Indicators	2020 (FACT)	2021 (PLAN)	2021 (FACT)
<i>NPL by CP portfolio</i>	2,7	3	1,66
<i>NPL 90+</i>	5,4	6,9	5,4
<i>Ratio of budget funds to extrabudgetary funds raised</i>	1 : 0,65	1:0,59	1: 0,61
<i>Maintaining the optimal level of loan portfolio provisions at a level not exceeding, %</i>	12,1	12,9	11,7
<i>Level of automation of main lending processes, %</i>	40	70	83,8

GOAL 2.1 PROMOTING FINANCIAL SUSTAINABILITY

Task implementation

Attracting funds from domestic and international capital markets

- The Company borrowed KZT 207.5 bln in 2021, including:
- budget funds, amounting to KZT 128.6 bln (KZT 70.0 bln – budget loan for spring field and harvest works, KZT 22.5 bln – from LEA funds under the Employment Roadmap 2020–2021; KZT 18.6 bln from NF RK, KZT 12.5 bln from LEA funds under the Enbek Program, and KZT 5 bln from the National Bank of Kazakhstan to finance AIC projects under the Employment Road Map 2020–2021 program;
- commercial funds in the amount of KZT 78.9 bln.

Task implementation

Measures to reduce the number of problem projects

Resolution of the Management Board No.13 dated 23.02.2021 approved the repayment plan for the problem loans portfolio for 2021 in the amount of KZT 9,776.1 mln. At the end of 2021, the execution of the repayment plan amounted to KZT 9,503.9 mln or 97%, including:

- 86 projects worth KZT 2,864.7 mln were fully repaid;
- 74 projects worth KZT 6,868 mln were transferred to the current portfolio;
- 8 projects worth KZT 435.5 mln were written off;

5 credit partnerships recovered; 2 CPs repaid their loans in full.

Repayments of KZT 988.8 mln were made for problem investment projects of the Company.

Furthermore, in the context of handling idle problematic projects, measures to restore projects are taken on an ongoing basis in cooperation with the Monitoring Department. In the framework of this work, a pool (list) of problematic projects with investment attractiveness has been formed, with presentations developed to attract potential investors.

GOAL 2.2 IMPROVING OPERATIONS

Task implementation

Improving the efficiency of key business processes and organizational structure

During 2021, internal regulations were updated and developed under the corporate risk management system:

- the Company's internal regulations on risk management (RMS) and internal control (ICS) were aligned with the Holding standard documents. Developed Risk Management Rules and a Methodology for Identifying Business Processes, Inherent Risks and Controls.

The methodology includes methods for identifying and assessing business processes, risks, conducting a self-assessment of the Company's SDs, where control procedures/activities are defined, developing a matrix of business processes, risks and controls.

The Company is actively developing a Matrix of Business Processes, Risks and Controls in order to meet the requirements of the Methodology.

Within the framework of the implementation of the Roadmap for the accession of FFSA to the Company, approved with the Holding's resolution No. 38/21 dated July 22, 2021 (hereinafter – the Roadmap), the organizational structure of the Company was reviewed upon accession.

For the purpose of continuity of the microcredit function and the quality of uninterrupted operations, 345 units were transferred under the accession of the FFSA to the Company with the staff number of 505 units (a decrease of 32%), including with the head office staffing of 110 employees, the relocation amounted to 45 employees (a 60% decrease), and with a staffing level in the branches of 395 employees, 300 units were transferred (reduced by 25%) of the total staff number of FFSA.

Taking into account the above-mentioned changes, following the merger of the FFSA into the Company, the number of staff of the Company reached 731 on December 14, 2021, including the head offices – 209, branches – 522.

Task implementation

Participating in the establishment of a mobile and compact Holding

Resolution No. 65/21 of the Sole Shareholder – the Management Board of the Holding dated 07.12.2021 reorganized the Company by its merging with FFSA. In accordance with the resolution of the Sole Shareholder No. 66/21 dated 13.12.2021, the Company is the legal successor of the entire property, rights and obligations of FFSA in accordance with the transfer deed.

Resolution No. 30/21 of the Sole Shareholder – Management Board of the Holding dated June 16, 2021 approved the Roadmap for the transfer of shares of Kazagrofinance JSC to the Holding in payment for the Company's shares.

On December 27, 2021, the President of the Republic of Kazakhstan signed the Law of the Republic of Kazakhstan «On Amendments to Certain Legislative Acts of the Republic of Kazakhstan on Industrial Policy» (hereinafter – the Law), the aforesaid Law amended Law No. 2444 dated August 31, 1995 «On Banks and Banking Activities in the Republic of Kazakhstan» and Law No. 202-V dated May 16, 2014 «On Permits and Notices» to expand the concept of «national management holding company in the agricultural sector», which came into effect. Further activities are implemented according to the Roadmap.

Task implementation

Key business process automation

The main Corporate Information System of the Company (since 2017) is the Lending Management System based on 1C Enterprise 8.3 platform (hereinafter – KIS 1C), which operates on the basis of the transactional day principle. At the end of 2021, 31 processes out of 37 planned core business processes were automated (83.8%).

The main automation tasks for 2021 were: upgrading the ERP 1C, implementing the BPM SimBase business

process management system, and integrating the accounting/banking systems of the Fund and the Company.

GOAL 2.3 IMPROVING THE QUALITY AND TRANSPARENCY OF CORPORATE GOVERNANCE

Task implementation

Enhancing the corporate governance rating

The annual audit plan of the Company's Internal Audit Service and the 2021 Budget do not provide for a diagnosis of corporate governance.

In 2022, a diagnostic of the level of corporate governance is planned to be conducted by an independent company.

Following diagnostics in 2019, the Company's level of corporate governance was 88.2.

Task implementation

HR development

In 2021, the Company implemented a comprehensive assessment of employee performance in 2020, following which salaries of positively assessed employees were revised within the framework of the approved grades and the Company's payroll, taking into account their compliance with the qualification requirements for the position.

The Company provides training for employees, participating in corporate events to celebrate public and professional holidays, and providing voluntary health insurance in case of employee health issues at the employer's expense for the purpose of human resource development and employee incentive, and for the development of the company spirit.

In 2021, 128 employees, including 116 employees of the Central Administration Office and 36 employees of the Branches attended training sessions within the framework of the Advanced Training Plan for 2021, approved by the Chairman of the Management Board on January 15, 2021.

Effective use of human resources is monitored to avoid emotional burnout among employees, and appropriate measures are taken in a timely manner. According to EY's 2021 Employee Engagement and Satisfaction Survey) the aggregate employee engagement and satisfaction score for the Company was 0.71 (or 71%), which equates to a positive area of above average employee engagement that does not require intervention.



4.3 FINANCIAL RESULTS

KEY BALANCE SHEET INDICATORS, KZT MLN

Assets	2021 r.*	2020 r.*
<i>Cash and cash equivalents</i>	102 853	75 643
<i>Loans issued to banks</i>	12 708	14 942
<i>Loans issued to customers</i>	665 016	449 227
<i>Finance lease receivables</i>	9 627	–
<i>Assets held for sale</i>	1 602	3 409
<i>Investment securities</i>	839	670
<i>Investment immovable property</i>	3 129	438
<i>Fixed assets</i>	1 426	315
<i>Intangible assets</i>	625	245
<i>Other assets</i>	8 660	2 650
Total assets	806 485	547 539

Liabilities	2021 r.*	2020 r.*
<i>Debt to the Shareholder</i>	94 260	164 128
<i>Debt to state and budgetary organizations</i>	166 814	44 770
<i>Debt securities issued</i>	196 654	164 197
<i>Other liabilities</i>	78 067	14 706
Total liabilities	535 796	387 801

Equity	2021 r.*	2020 r.*
<i>Share capital</i>	254 367	167 810
<i>Reserve capital</i>	11 238	5 340
<i>Accumulated losses</i>	5 085	13 412
Total equity	270 689	159 738
Book value of one ordinary share (in KZT)	1 066,85	948,65

*according to the Audited Financial Statements for 2021

KEY INDICATORS OF THE INCOME STATEMENT, KZT BLN

	2021 r.*	2020 r.*
Income, total including:	78,3	69,6
<i>interest income</i>	78,3	69,6
Expenses, total including:	67,4	46,9
<i>remuneration expenses</i>	40,1	32,2
<i>reserves expenses</i>	0,08	4,1
<i>operating expenses</i>	7,0	5,8
<i>other expenses</i>	20,3	4,9
CIT	2,2	4,1
Net income	8,7	18,6

*according to the Audited Financial Statements for 2021

The Company achieved positive financial results in the reporting year.

For 2021, the Company's assets increased by 47% compared to the previous year and equity by – 69%, due to an increase in share capital through the allotment of ordinary shares:

- pursuant to Shareholder's Management Board resolution No. 9 dated March 04, 2021;

- pursuant to resolution No. 65/21 of the Management Board of the Shareholder dated December 13, 2021 (reorganization of the Fund of Financial Support for Agriculture JSC through merger with the Company).

Net income of KZT 8.7 bln was generated, the decrease compared to the previous year is due to a change in the accounting for the initial recognition of the discount on loans issued and received.

In 2021, dividends of KZT 13.76 bln were paid for 2020.

The current liquidity ratio was 3.53, which indicates the Company's ability to repay its current liabilities on time.

The financial leverage ratio was 1.98 (the set ratio is 7).

FACTORS AFFECTING FINANCIAL RESULTS

01 HIGH LEVEL OF CAPITALIZATION	<ul style="list-style-type: none"> • The share of equity in the balance sheet structure is 34% of the Company's assets, which demonstrates the support of the Sole Shareholder and the profitable operations of the Company.
02 ACCEPTABLE LEVEL OF LIQUIDITY	<ul style="list-style-type: none"> • The Company maintains sufficient liquidity for the stable growth of the loan portfolio and the proper discharge of liabilities to lenders. As of January 1, 2021, the share of liquid assets was 13%.
03 EFFECTIVE FINANCIAL RISK MANAGEMENT	<ul style="list-style-type: none"> • The Company has an effective risk management system to identify, assess and mitigate credit and liquidity risks in a timely and reliable manner.
04 COMPLIANCE WITH PRUDENTIAL STANDARDS	<ul style="list-style-type: none"> • The Company complies with prudential norms and other mandatory standards and limits for subsidiaries of the national managing holding company in the agricultural sector, as approved with the resolution of the Management Board of the National Bank of the Republic of Kazakhstan. The Company continuously endeavours to prevent breaches of the regulations.

COMPANY PROCUREMENT

All procurement by the Company, as well as the subsequent conclusion of procurement contracts as of January 1, 2020, are performed only electronically via the web portal for procurement.

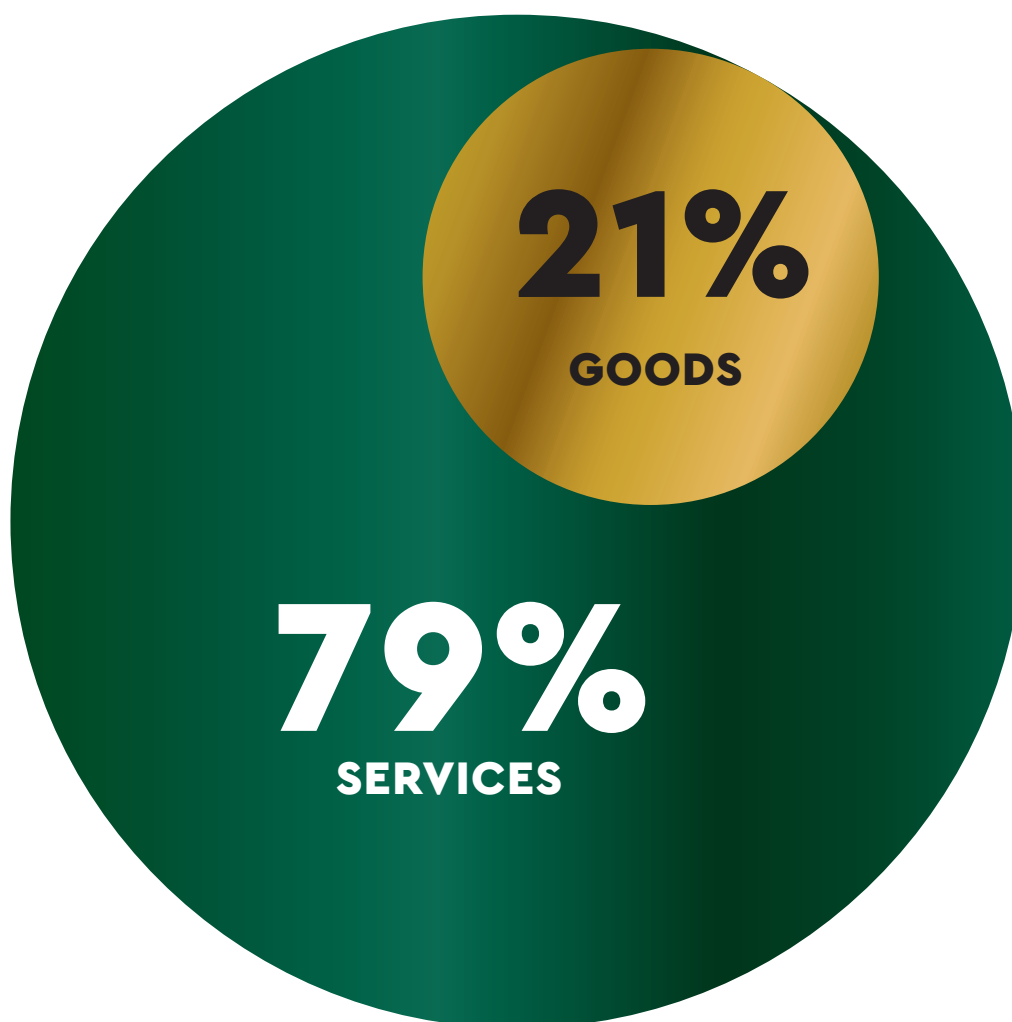
The Company adheres to the following principles for increasing the transparency of procurement procedures and avoiding direct contact with suppliers:

1. optimal and efficient use of funds used for procurement;
2. openness and transparency of the procurement process while respecting suppliers' rights and/or legitimate interests to commercial confidentiality (prior to tender results);
3. fair competition among potential suppliers, avoiding collusion between bidders;
4. responsibility of procurement participants;

5. prevention of corruption;
6. supporting domestic producers of goods as well as domestic suppliers of works and services to the extent that does not contradict international treaties ratified by the Republic of Kazakhstan;
7. purchase of innovative and high-tech goods, works and services;
8. providing potential suppliers with an equal opportunity to participate in the procurement procedure, except as required by the legislation;
9. observance of the intellectual property rights contained in the goods procured.

In 2021, 2,151 contracts were signed. The total share of local content in the Company's procurement of goods and services in 2021 was 83.5%.

VOLUME OF PROCUREMENT OF GOODS AND SERVICES IN 2021, %



4.4 OPERATOR AND AGENCY SERVICES



SUBSIDIZING

In terms of company financing, state support for agricultural entities is provided through subsidies under the following instruments:

1. Rules for subsidizing interest rates on loans to AIC entities and leasing for the purchase of farm animals, machinery and technological equipment, No. 436 dated October 26, 2018.
2. Rules for subsidizing the development of livestock breeding, improvement of productivity and quality of livestock products, approved with the Order No. 108 of the Minister of Agriculture dated March 15, 2019.
3. Rules for subsidizing part of the costs incurred by an AIC entity on investment, approved with the Order No. 317 of the Acting Minister of Agriculture dated July 23, 2018.

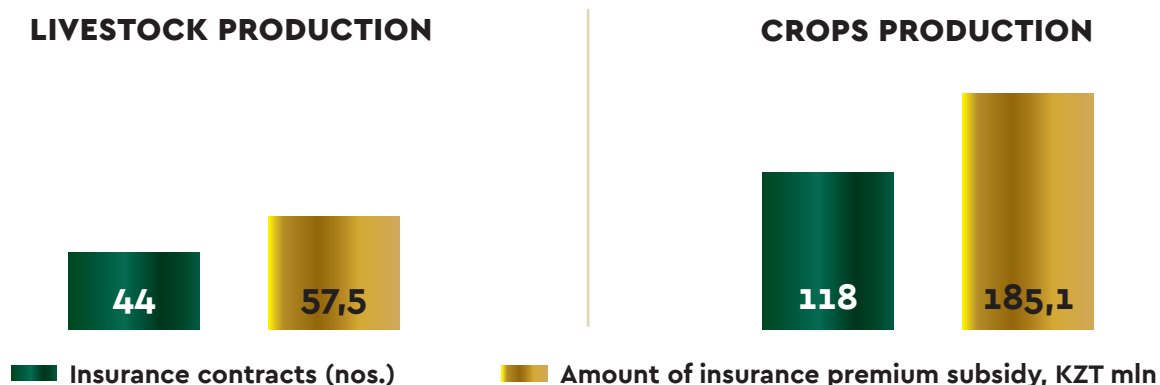
INSURANCE

Within the framework of the Fund's accession in 2021, the Company assumed the functions of the Fund as part of the implementation of a voluntary insurance system in the agricultural sector.

In 2021, new insurance products were approved – for small cattle, horses, poultry and, in crop production, for soil moisture deficiency insurance for winter crops and a pasture biomass deficiency index.

163 agricultural insurance agreements were signed during the reporting year, including 118 crop insurance agreements covering 150.6 thousand hectares, 37 agreements in livestock breeding with more than 6.6 thousand head coverages, and 8 agreements in poultry breeding with 2.6 million bird coverages. Insurance premium subsidies amounted to KZT 242.6 mln and insurance payouts amounted to KZT 825.3 mln. The contracts concluded in crop production include index-based soil moisture insurance for spring crops and index-based soil moisture deficit insurance for winter crops.

INFORMATION ON THE COMPANY'S INSURANCE PRODUCTS



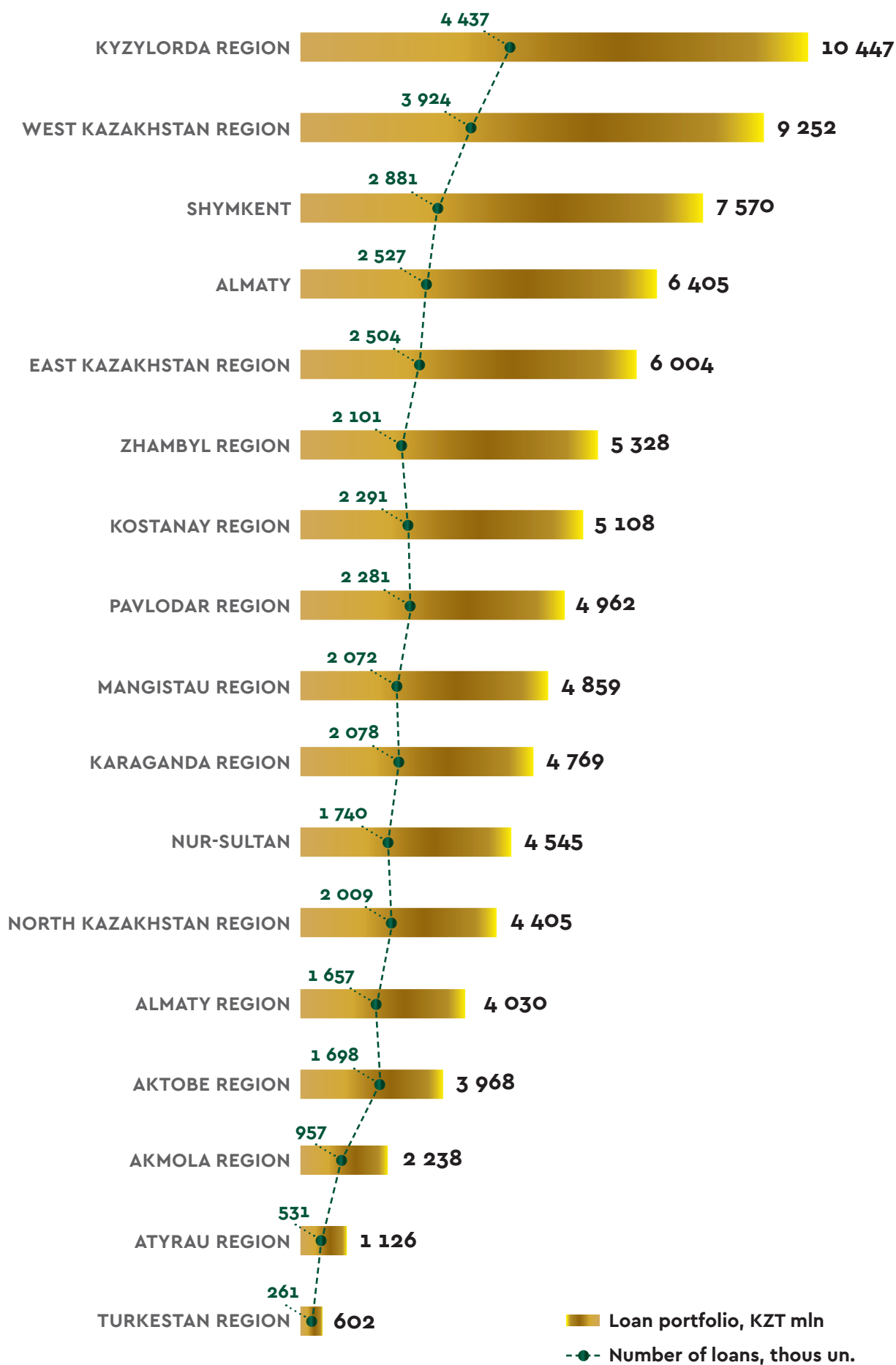
RURAL MORTGAGE

The Company assumed the functions of an adviser (agent) for the «With Diploma to the Village!» Program through the accession of the Fund in 2021.

In 2021 the Company, as an agent for budgetary loans to purchase housing for specialists in health care, education, social welfare, culture, sports and agriculture, who came to live and work in rural areas, concluded 4,383 loan agreements, under which it transferred funds in the amount of KZT 18,546 mln.

The loan portfolio under this program as of 01.01.2022 amounts to KZT 85.6 bln, with a 12.8% increase compared to the previous year. The number of active borrowers at the end of 2021 is 35,949 clients. Geographically, Kyzylorda and West Kazakhstan regions and Shymkent account for the largest share of the portfolio, while Turkestan and Atyrau regions account for the smallest share.

LOAN PORTFOLIO FOR RURAL MORTGAGES, KZT MLN



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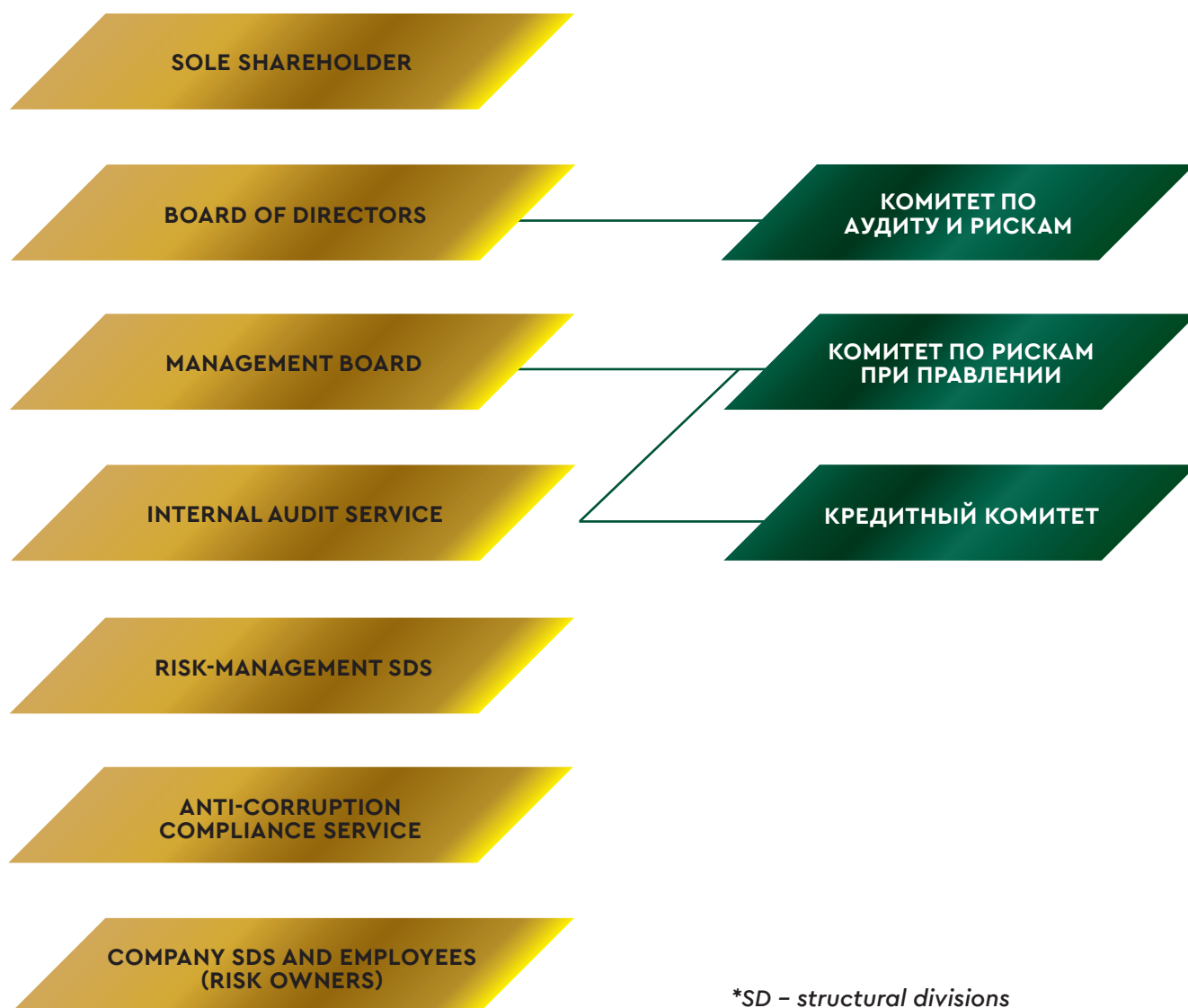


RISK AND INTERNAL CONTROL SYSTEM MANAGEMENT

The Company's risk management system is a continuous process that facilitates the timely identification, assessment, monitoring and control of risks, and provides the Management Board and the Board of Directors with up-to-date information on risks and risk minimization measures.

The main purpose of the risk management system is to find an optimal balance between profitability and risk levels, and to ensure the Company's sustainable development within the framework of implementing its strategic plans and achieving its set goals.

5.1 ORGANIZATIONAL STRUCTURE OF THE CORPORATE RISK MANAGEMENT SYSTEM (CRMS)



The functions of the participants in the risk management process are defined in Agrarian Credit Corporation's Risk Management Policy, which is publicly available on the Company's website.

Using a range of instruments, the Company identifies, measures, monitors and controls its risks in a timely manner.

RISK MANAGEMENT INSTRUMENTS

- maintaining a risk database;
- risk self-assessment by risk owners;
- monitoring Key Risk Indicators;

- building Risk Register and Risk Map;
- assessment of innovations and/or changes in processes, systems of the Company;
- reporting on risks;
- analysis of the results of audit reports on inspections of the Company's divisions and other sources/reports to identify operational risks entered in the Database.



01 INTERNATIONAL STANDARDS

The Company has implemented a risk management system in accordance with the international standards COSO ERM: 2017 and ISO 31000:2018. Risk management in the Company is a set of cultures, capabilities, practices and coordinated actions aimed at defining and achieving the strategic objectives of the organization in a risk-informed manner.

02 COMPANY'S RISKS

The Company's operations are exposed to 19 risks assessed in the Risk Register, grouped into categories and presented in the Risk Map.

- Red zone – 3 risks;
- Orange zone – 7 risks;
- Yellow zone – 6 risks;
- Green zone – 3 risks



03 COMPANY KEY RISK INDICATORS

Key Risk Indicators (KRIs) are developed for risks in the relevant and critical areas of the Company's Risk Map. A total of 12 KRIs are developed, with a periodic report on the current level of KRI indicators being prepared for further submission to the Company's authorized body.

04 RISK MINIMIZATION MEASURES

The Company developed a Risk Management Action Plan as part of the Risk Register to mitigate risks. The Action Plan 2021 included 93 time-bound actions for all risk groups. Risk owners report on the implementation of measures on a quarterly basis.



5.2 IDENTIFIED RISKS IN 2021

STRATEGIC RISKS



- Difficulties in attracting finance on acceptable terms
- Failure to meet lending plans
- Failure to achieve the Company's strategic goals

OPERATING RISKS



- HR management risks
- Business process risks
- Information security risks, including software and hardware failures
- None/poor process automation
- Risks of inaccurate and untimely reporting
- Administrative and organizational risks
- External risks

FINANCIAL RISKS



- Liquidity risk
- Currency risk
- Interest risk

CREDIT RISKS



- Credit risk of counterparty banks
- Significant deterioration in the quality of the loan portfolio
- Risks of significant impairment/loss of collateral

LEGAL RISKS



- Compliance risks
- Risk of non-compliance with NBRK covenants and prudential regulations
- Legal risks

The Risk Register for 2021 includes 19 risks that the Company is exposed to in its operations.

Risk management procedures in 2021 developed and implemented measures to mitigate these and other risks, assigned risk owners, identified key indicators, and prepared and provided risk reporting to the Management Board and the Board of Directors of the Company.

The Company's Internal Audit Service assesses the Risk Management System performance.

5.3 IMPROVING THE RISK MANAGEMENT SYSTEM IN 2021

ADVANCES IN THE RISK MANAGEMENT SYSTEM



The audited financial statements for the half year and the first 10 months of the year were completed without any additional provisions. There are no comments on the RMS;



The outlook on the Company's rating was upgraded from «negative» (16.03.20) to «stable» (15.11.21);



The 2021 tax audit has been completed with full confirmation of the amounts on the provisions formed, no penalties and no additional payments have been made;



All risk documents were aligned with the model IRs of Baiterek NMH JSC, Risk Register and Risk Map and action plans for critical risks were developed in a new typical form



The audit of internal controls was completed with a score of 72%, which is considered an «Appropriate» level of performance and maturity;



Audit of risk management system completed with a score of 79%, which is considered a «Mature» level of performance and maturity

RISK ANALYSIS

CREDIT RISK MANAGEMENT

Due to the nature of the agricultural sector, the Company is exposed to credit risk, which is the risk of loss resulting from failure to repay loans issued.

For effective credit risk management, the Company approved business processes that consider the separation of lending and risk management functions, and established collegial bodies and divisions involved in the assessment and management of credit risks.

CREDIT RISK MANAGEMENT IN THE COMPANY

- primary credit risk analysis by structural divisions and analysis by the risk management division
- setting limits on counterparties depending on the terms of product programmes and borrower/branch rating
- diversifying the loan portfolio to avoid excessive risk concentration
- monitoring the loan portfolio to identify deterioration at an early stage
- establishing an adequate level of provisions (provisions for possible losses)

OPERATING RISK MANAGEMENT

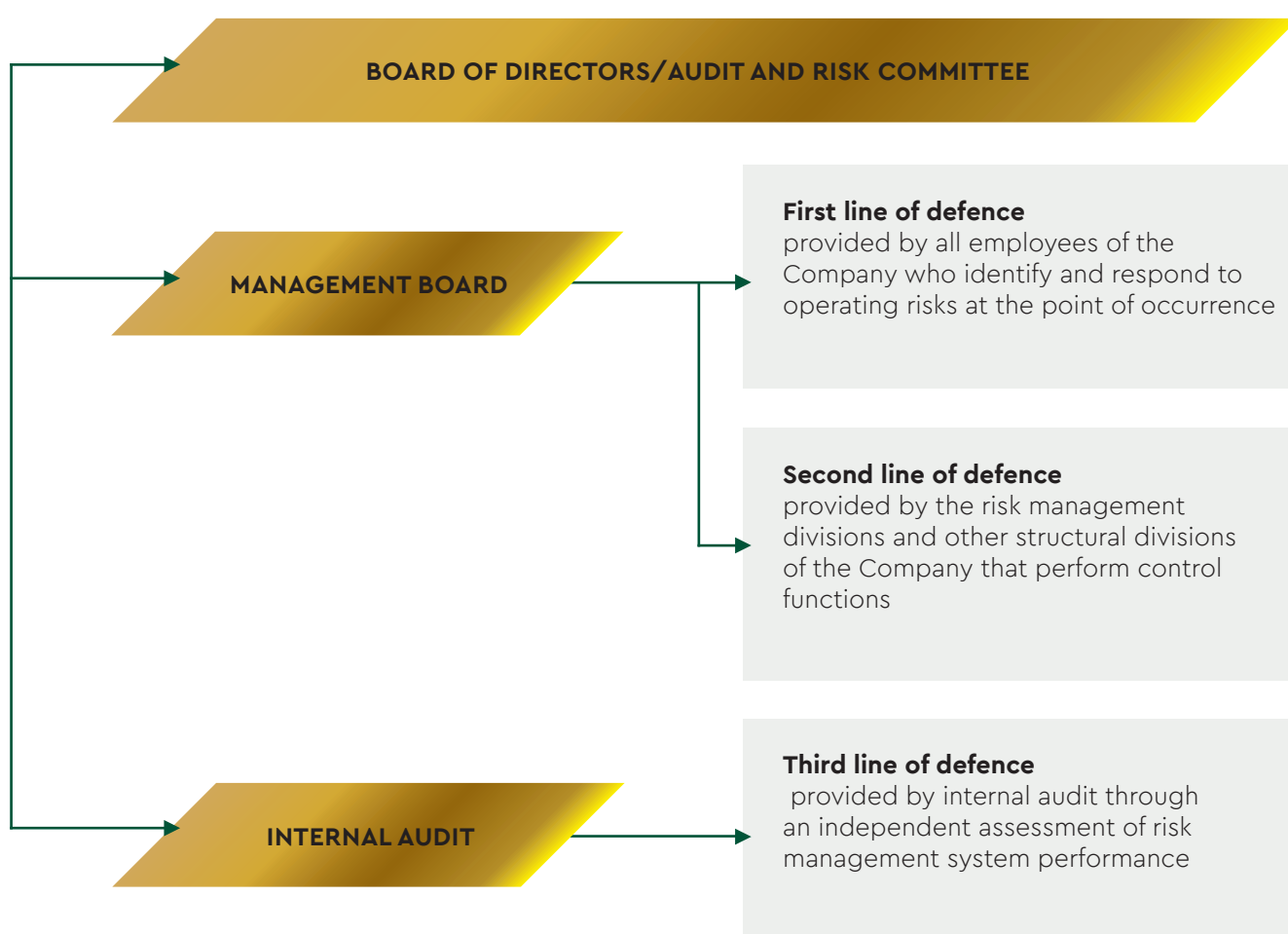
In its operations, the Company is exposed to operating risks. Operational risk refers to the risk of loss due to human error, business process risk, information systems and equipment risk, as well as due to external events. Operational risk management involves implementing a set of measures to reduce the likelihood of events or circumstances leading to operational losses occurring and to reduce the size of potential operational risks.

The Company maintains a risk database based on the data provided by risk coordinators on realized risk events for operational risk identification and assessment.

The risk database is designed primarily to respond quickly to and prevent risk events from occurring. The Company's Risk Management Department monitors the Database for recorded risk events on a daily basis.

The main functions of risk coordinators are to liaise with the Risk Management Department, to facilitate full and timely collection and reporting of information on operational risk events, to assist in managing operational risk and to monitor compliance with operational risk management procedures and key risk indicators. The Company conducts regular training for Risk Coordinators to ensure that employees are aware of the requirements of operational risk management procedures.

In organizing the risk management system, the Company is guided by the «three lines of defence» principle, which provides for the allocation of responsibility in the operational risk management:



The operational risk management is regulated by the Company's internal documents and is implemented at all levels of the corporate risk management system. Participants in the operational risk management are responsible for identifying and recording potential risks and for taking measures to mitigate their level and avoid adverse consequences from their occurrence.

INFORMATION SECURITY RISK MANAGEMENT

The Company has an Information Security Service (hereinafter – ISS), which is part of the Security Department and reports directly to the Director of the Department. ISS activities are regulated by the Information Security Policy approved, as amended, with the resolution of the Board of Directors of the Company No. 7 dated 22.05.2020.

ISS is constantly taking measures to prevent confidential information leaks, to improve the Company's IS security systems, and to comply with information security requirements, in accordance with the resolutions of the Management Board of the National Bank of the Republic of Kazakhstan and the recommendations of the Financial Market Regulatory and Development Agency of the Republic of Kazakhstan. Employees of the Company are personally responsible for protecting confidential information and must comply with the above requirements.

Activities under the Information Security Incident Reduction Plan are implemented annually to reduce the level of information security risks. There is a confidential information leakage prevention system to promptly identify and prevent such incidents.

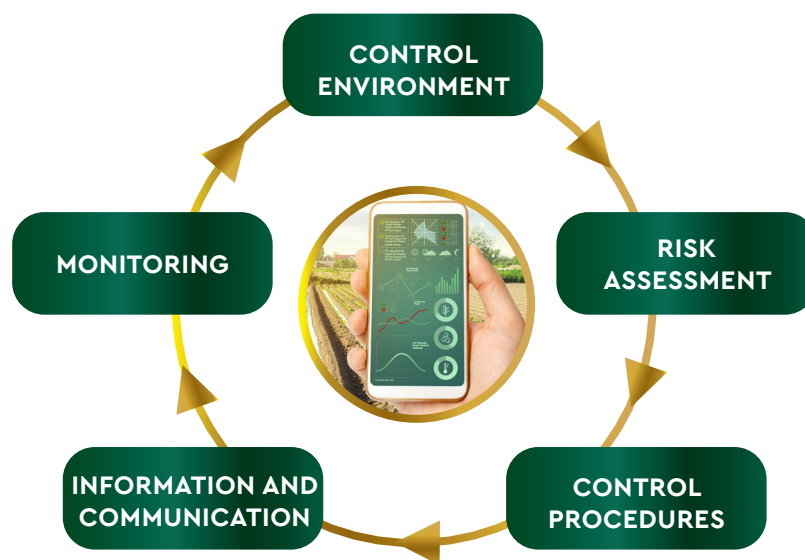
Moreover, the Company conducts annual training for employees on information security, followed by a knowledge test on the Information Security Policy, in order to raise awareness of information security.

Information systems are also monitored on a continuous basis to prevent unauthorized access to the Company's information systems.

Applications for access to the Company's information system are subject to multiple levels of approval and scrutiny to confirm the need for and validity of access.

INTERNAL CONTROL SYSTEM

Internal control is defined as the process performed by the Board of Directors, the Management Board, structural divisions and employees of the Company to provide reasonable guarantee that the goals of the Company are achieved. The Company's internal control system is built according to the COSO Internal Control - Integrated Model and consists of the following interrelated components:



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

The Company's internal control system (hereinafter – ICS) is based on the following principles:

ICS KEY PRINCIPLES

- *involvement in the internal control process of all structural divisions and employees of the Company, organising internal control as a day-to-day activity at all management levels;*
- *covering all areas of operations and business processes with internal control and regulating internal control procedures for all areas and business processes of the Company;*
- *exercising internal control on an ongoing basis (continuity).*

The internal control system is an important element of the system, as it includes a comprehensive description by the structural divisions of the process flow, lists, deliverables, control points, forms of completion, participants and their responsibilities, etc.

Business process owners review annually the internal regulations for updates, improvement of internal controls, elimination of conflicts of interest (if any), identification of inconsistencies, insufficient regulation/formalization of business processes and an action plan to update the internal regulations is approved.

The Company has compliance controls for the purpose of managing internal control, which are aimed at compliance with Kazakhstan legislation, the Charter, the Corporate Governance Code and internal regulations.

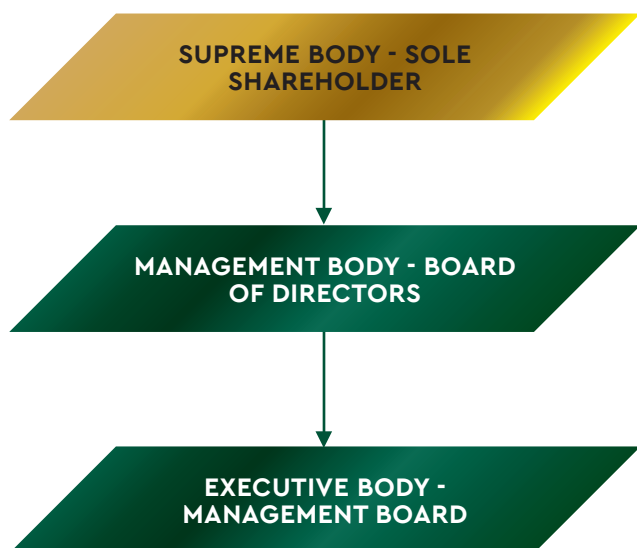
06

CORPORATE GOVERNANCE



6.1 CORPORATE GOVERNANCE SYSTEM

According to the Company's Charter, its governing bodies include:



The body responsible for control over the financial and economic activities of the Company, assessment in the area of internal control, risk management, execution of documents in the area of corporate governance and consultation for the purpose of improving the Company's activities is the Internal Audit Service

The body responsible for internal credit policy is the Credit Committee;

Other bodies established in accordance with the legislation of the Republic of Kazakhstan.

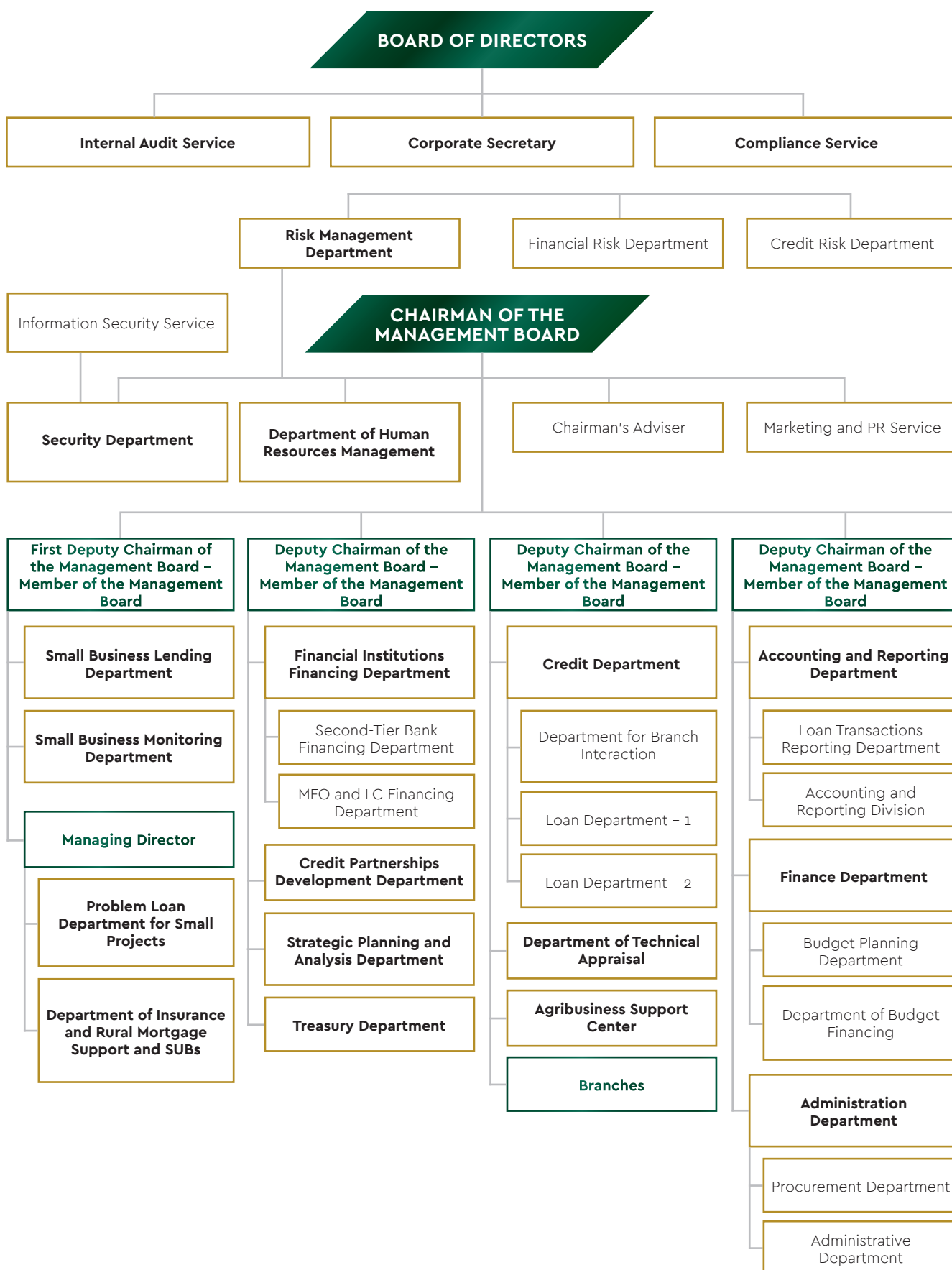


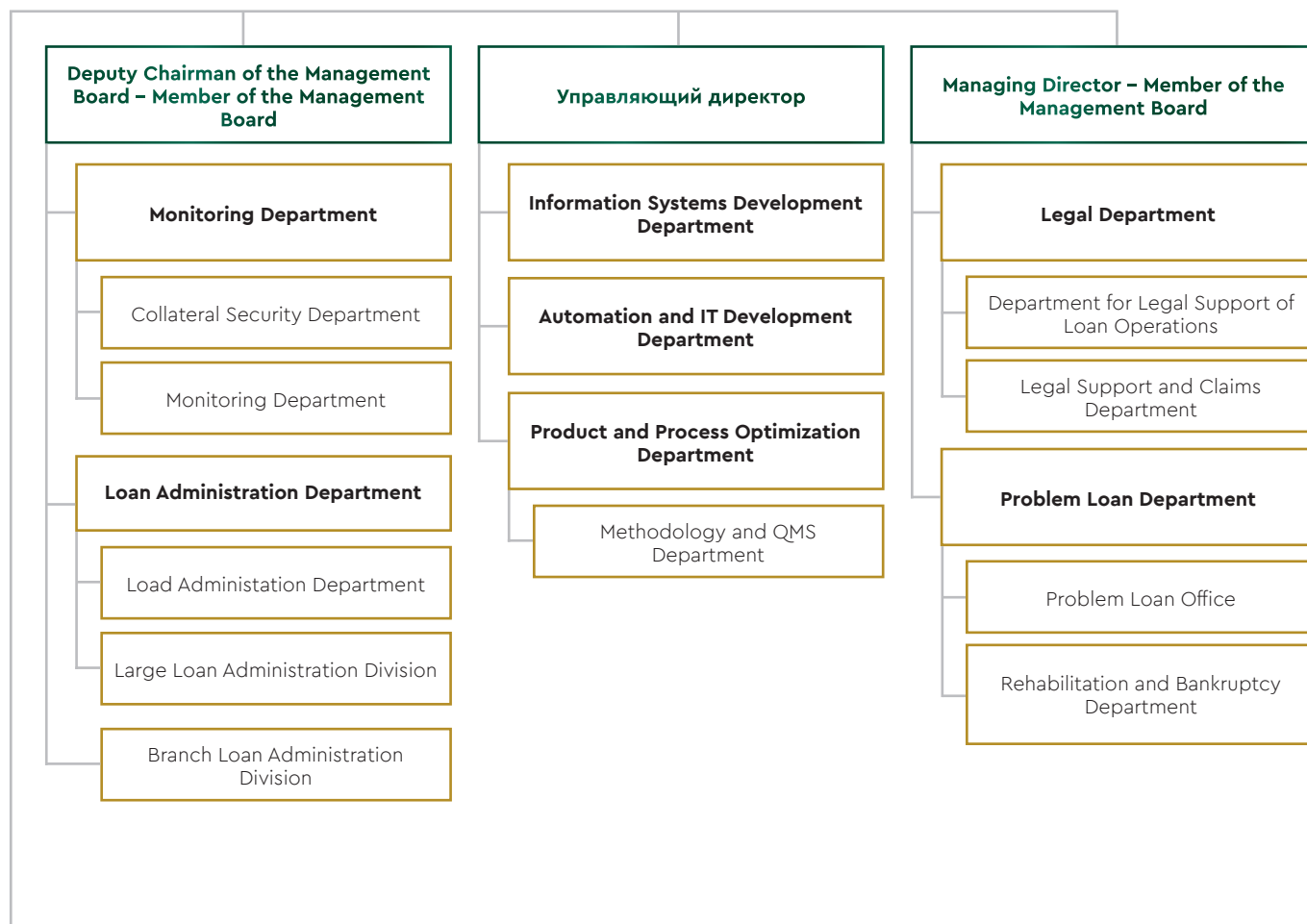
The Company considers corporate governance as a means of improving performance, enhancing its reputation and reducing the cost of capital. Corporate governance is built on the principles of fairness, honesty, responsibility, transparency, expertise and competence.

An effective corporate governance structure implies respect for the rights and interests of all stakeholders and contributes to successful operations, including increasing the value of the Company and maintaining financial stability and profitability.

6.2 ORGANIZATIONAL STRUCTURE

Within the framework of the implementation of the Roadmap for the accession of the Fund to the Company, approved with the Holding's resolution No. 38/21 dated July 22, 2021, the organizational structure of the Company was reviewed upon accession





For the purpose of continuity of the microcredit function and the quality of uninterrupted operations, 345 units were transferred under the accession of the Fund to the Company with the staff number of 505 units (a decrease of 32%), including with the head office staffing of 110 employees, the relocation amounted to 45 employees (a 60% decrease), and with a staffing level in the branches of 395 employees, 300 units were transferred (reduced by 25%) of the total staff number of the Fund.

According to the organizational structure of the central office of the Company, approved with the resolution of the Management Board of the Company No. 59 dated December 09, 2021, the Small Business Lending Department (5 full-time positions), the Small Business Monitoring Department (5 full-time positions), the Problem Loan Handling Department for Small Projects (5 full-time positions), and the Insurance and Rural Mortgage Support and SC Department (5 full-time positions) were established for the smooth running of the micro-lending operations taken over upon accession of the Fund. The relevant structural divisions of the Company were complemented with the staffing of displaced specialists from the Fund's back office to support the migration of the current regulatory practices and historical data of the Fund.

The organizational structures of the Company's branches changed in a similar way. Following the accession of the Fund to the Company, small business lending and monitoring divisions, departments or sectors for handling problem

loans were established, and the number of staff in the branches was extended to the administration department, the legal department, an accountant position, and the branch management staff.

Taking into account the above-mentioned changes, following the merger of the Fund into the Company, the number of staff of the Company reached 731 on December 14, 2021, including the head offices – 209, branches – 522.

6.3 COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES



In 2021, the Company complied with the principles and provisions of the Corporate Governance Code that meet the requirements of the legislation of the Republic of Kazakhstan.

The Compliance Report with the principles and provisions of the Company's Corporate Governance Code for 2021 was approved by the Board of Directors on June 29, 2022 (minutes No. 11) and supports the Company's compliance with the 6 basic principles of the Company's Corporate Governance Code:

- 1. principle of protection of the rights and interests of the Sole Shareholder** – the Company protects and respects the rights and legitimate interests of the Sole Shareholder and contributes to the effective operation of the Company, including the achievement of strategic goals of the Company and the preservation of the financial stability of the Company.
- 2. principle of effective management by the Board of Directors and the Company** – the activities of the Board of Directors follow the principles of utmost observance and realization of interests of the Sole Shareholder and the Company, prudence, efficiency, commitment, good faith, honesty, accuracy and responsibility within the limits of their competence. The Management Board supervises the day-to-

day operations of the Company to achieve the objectives and implement the Company's Development Strategy. The basic principles of the Management Board are legality, honesty, integrity, prudence and regularity.

- 3. independence of the Company** – the Company operates independently.
- 4. transparency and integrity principles of information disclosure about the Company's activities** – the Company provides timely disclosure to the Sole Shareholder and Stakeholders of reliable information about the Company, including its financial position, economic indicators, results of its activities, ownership and management structure, to enable the Sole Shareholder to make informed decisions, as well as to bring information about the Company's activities to the stakeholders.
- 5. legality and ethics principles** – the Company acts in strict compliance with the legislation of the Republic of Kazakhstan, generally accepted principles of business ethics, the Charter, the provisions of this Code and its contractual obligations.
- 6. principle of accountability to stakeholders** – the Company acknowledges and respects the rights of all stakeholders and seeks to cooperate with such persons for the purpose of its development and financial sustainability. Stakeholders should be able to obtain compensation for the violation of their rights in cases provided for in the legislation of the Republic of Kazakhstan. Where a stakeholder is involved in the corporate governance process, the latter should have access to material, sufficient and reliable information on a timely and regular basis. Stakeholders should be free to report breaches of law or internal regulations by the Management Board to the Board of Directors and their rights should not be prejudiced in the event of such a report.

6.4 SOLE SHAREHOLDER



The sole shareholder of the Company is Baiterek National Management Holding JSC.

The mission of the Holding is to promote sustainable economic development of the Republic of Kazakhstan towards the goals of the Strategy 2050.

The Holding is a key operator in the implementation of state programs for the development of the country's economy.

Interaction with the Sole Shareholder follows the Company's Charter, which sets out the responsibilities, competence of the Sole Shareholder and the procedure for providing information on activities affecting its interests, as well as interaction with the Corporate Governance Code.

The most significant functions of the Sole Shareholder include approval of the Corporate Governance Code, determination of the composition and term of office of the Board of Directors of the Company, approval of the external auditor, and annual financial statements.

In 2021, the Board of Directors initiated the following items within the competence of the Sole Shareholder of the Company:

1. Approval of the Annual Financial Statements for 2020 and the order of distribution of net income for 2020.
2. Identification of an audit company to audit the financial statements for 2021.
3. Approval of the Company's public annual report for 2020.
4. Approval of the Charter of Agrarian Credit Corporation JSC in a new version.
5. Approval of the new version of the Regulations on the Board of Directors of Agrarian Credit Corporation JSC.
6. Regulations on Dividend Policy of Agrarian Credit Corporation JSC in a new version.

6.5 COMPANY'S DIVIDEND POLICY

The Company's policy regarding the goals, principles, amount, form, timing and order of payment of dividends is defined in the Regulations on Dividend Policy approved with the resolution of the Sole Shareholder – Management Board of Baiterek NMH JSC dated 10.11.2021.

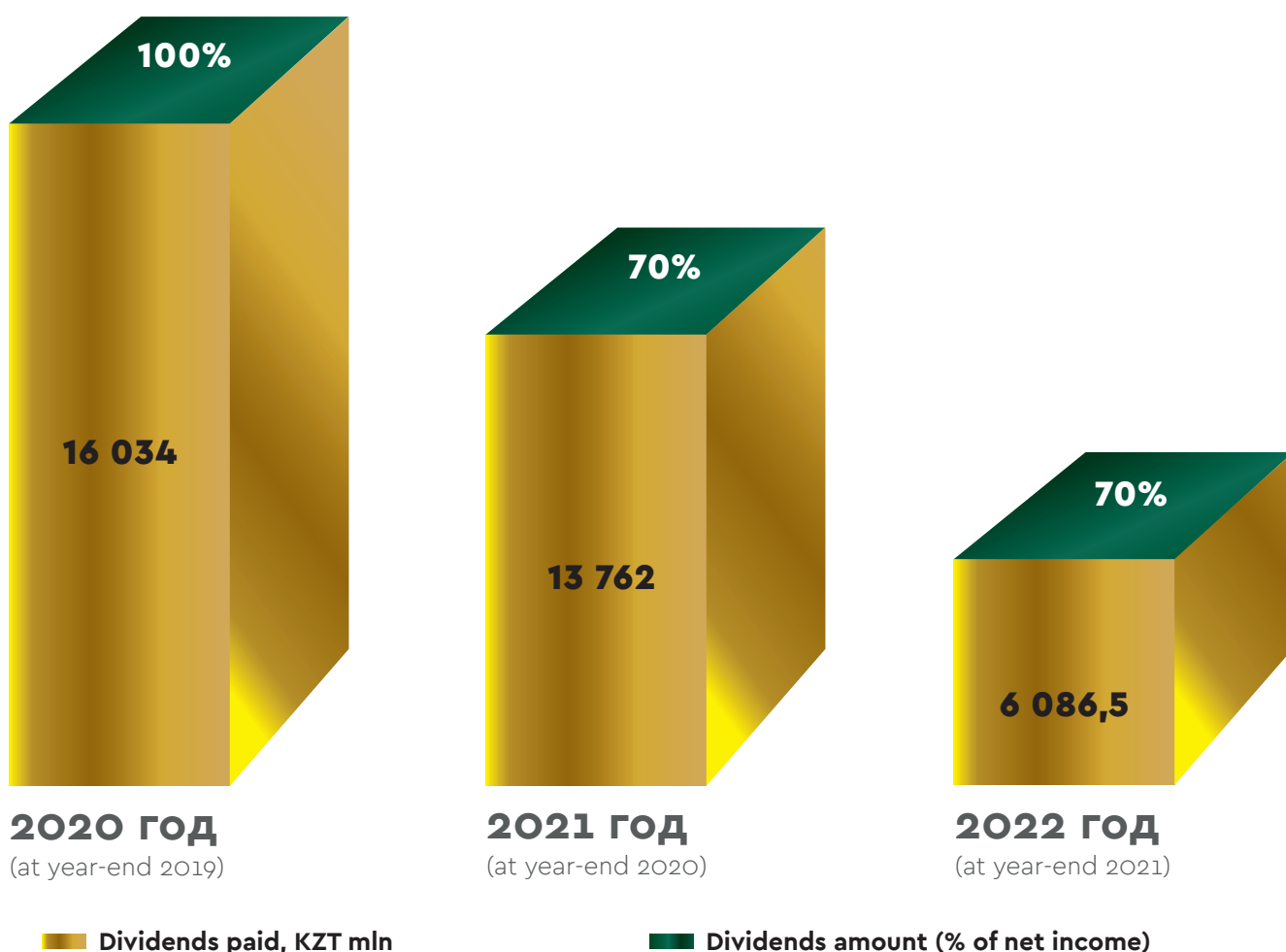
Dividends are paid subject to the distribution and reinvestment of the Company's net profit on the basis of its approved Development Strategy and the proposals received by the Company's Board of Directors in their financial and economic review proceedings.

The Company's dividend policy is based on the following principles:

1. the principle of the need for the Holding to make payments and expenses on behalf of the Sole Shareholder of the Holding and/or the Government of the Republic of Kazakhstan;
2. the principle of the need to ensure financing of the activities of the Holding, including financing of new types of activities and investment projects implemented at the expense of the Holding;
3. the principle of the need for the Company to finance development costs, including its investment activities.

Information on the amount of dividends paid to the Sole Shareholder for 2019–2021 in accordance with the resolutions of the Sole Shareholder of the Company:

INFORMATION ON PAID DIVIDENDS FOR THE LAST 3 YEARS



6.6 SHARE CAPITAL STRUCTURE

The authorized capital of the Company as of December 31, 2021 amounts to KZT 254,366,870 thous

01	NAME OF THE HOLDER	Baiterek National Management Holding JSC
02	ORDINARY SHARES, PCS.	259 589 065
03	ORDINARY SHARES, PROPORTION IN %	100
04	PREFERRED SHARES	—
05	TOTAL SHARES, INCLUDING:	<ul style="list-style-type: none">• authorized, pcs. – 262 094 440• placed, pcs. – 259 589 065
06	TOTAL SHARES, PROPORTION IN %	100

6.7 BOARD OF DIRECTORS

The Board of Directors of the Company is the management body responsible for the general management of the Company and control of the Executive Body of the Company, except for the issues referred by the Law of the Republic of Kazakhstan «On Joint-Stock Companies» and/or the Charter of the Company to the exclusive competence of the Sole Shareholder of the Company, and the strategic management and control of the implementation of sustainable development, and focuses on the following issues:

1. Defining the Company's Development Strategy (areas and outcomes);
2. Setting and monitoring Key Performance Indicators in the Development Plan;
3. Establishing and supervising the effective functioning of risk management, internal control and corporate governance systems;
4. Approving and monitoring the effective implementation of key strategic projects within the competence of the Board of Directors;
5. Electing, remunerating, succession planning and supervising the activities of the Management Board.

The Board of Directors of the Company operates in accordance with the Law of the Republic of Kazakhstan «On Joint-Stock Companies», other regulatory legal acts of the Republic of Kazakhstan, the Company's Charter, the Company's Corporate Governance Code, resolutions of the Sole Shareholder and other Company documents, to implement the tasks set in the area of agricultural financing with minimum legal, financial and reputational risks in the interests of the Sole Shareholder represented by Baiterek NMH JSC.

The composition of the Board of Directors is balanced in terms of the qualifications of its members, their experience, knowledge and business acumen, and benefits from the confidence of the Sole Shareholder.

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

The Board of Directors as of December 31, 2021 has 6 members, including 3 members (50%) who are Independent Directors, thereby contributing to the independence of decision-making and the fair treatment of all stakeholders and in accordance with the interests of the Company.

The primary criterion for the election of Independent Directors is that they have sufficient expertise and autonomy to make objective decisions, free from the influence of any parties. Independent Directors actively share their experience and knowledge for applying global best practice standards in the Company. Independent Directors chair Committees under the Board of Directors and draw on international management experience. Independent Directors are actively involved in discussions of issues where conflicts of interest may occur (preparation of financial and non-financial statements, conclusion of related-party transactions, nomination of candidates to the executive body, determination of remuneration for members of the executive body). At the end of 2021, the Company's Independent Directors were fully compliant with the independence criteria.



KANYSH IZBASTIN

- Member of the Board of Directors (representative of the Sole Shareholder)
- Position: First Deputy Chairman of the Management Board of Baiterek NMH JSC
- Election date: May 26, 2021
- Company shares, shares of the company's suppliers and competitors: none



AIGUL JUANYSHBAYEVA

- Member of the Board of Directors (representative of the Sole Shareholder)
- Position: Managing Director of Baiterek NMH JSC
- Election date: August 25, 2021
- Company shares, shares of the company's suppliers and competitors: none



MICHAEL WEINSTEIN

- Independent Director, member of the Board of Directors
- Chairman of the Audit and Risk Committee
- Current employment and membership of the Boards of Directors of other organizations
 - 2019-present Chairman of the HR Committee at Oschadbank (Ukraine)
 - 2019 – present Independent Director of EIC «KazakhExport» JSC
 - Election date: August 25, 2021
- Election date: August 25, 2021
- Company shares, shares of the company's suppliers and competitors: none

DINKELAKER JORG
ANDREAS

- Independent Director, member of the Board of Directors
- Chairman of the Nominations, Remuneration and Social Issues Committee
- Current employment and membership of the Boards of Directors of other organizations: none
- Election date: August 25, 2021
- Company shares, shares of the company's suppliers and competitors: none



KIM KEVIN GWANGIL

- Independent Director, member of the Board of Directors
- Chairman of the Strategic Planning and Corporate Development Committee
- Current employment and membership of the Boards of Directors of other organizations:
 - Non-Executive Independent Director, International Green Technology and Investments Center (IGTIC), Chairman of the Nomination and Remuneration Committee
- Election date: August 25, 2021
- Company shares, shares of the company's suppliers and competitors: none



AIBOLAT ABENOV

- Member of the Board of Directors
- Position: Chairman of the Management Board
- Election date: May 26, 2021
- Company shares, shares of the company's suppliers and competitors: none



APPOINTMENT AND SELECTION

In accordance with clause 27(8) of the Charter of Agrarian Credit Corporation JSC, determining the number of members, term of office of the Board of Directors, election of its members and early termination of their powers, as well as determining the amount and terms of remuneration and compensation of expenses to members of the Board of Directors for the performance of their duties falls within the exclusive competence of the Sole Shareholder.

In accordance with the Regulations on the Board of Directors of Agrarian Credit Corporation JSC, the selection of candidates for the Board of Directors is performed by the Sole Shareholder.

There were the following changes in the composition of the Board of Directors of the Company in 2021.

ELECTED

- **S. Omarov**, Chairman of the Board of Directors, resolution of the Sole Shareholder No. 27/21 dated 26.05.2021;
- **K. Izbastin**, member of the Board of Directors, representative of the Sole Shareholder, resolution of the Sole Shareholder No. 27/21

dated 26.05.2021;

- **A. Nurgozhin**, member of the Board of Directors, representative of the Sole Shareholder, resolution of the Sole Shareholder No. 27/21 dated 26.05.2021;
- **A. Abenov**, Chairman of the Management Board of the Company, resolutions of the Sole Shareholder No. 18/21 dated 09.04.2021, No. 27/21 dated 26.05.2021;
- **Dinkelaker Jorg Andreas**, Independent Director, resolutions of the Sole Shareholder No. 27/21 dated 26.05.2021, No. 43/21 dated 25.08.2021;
- **Weinstein Michael**, Independent Director, resolutions of the Sole Shareholder No. 27/21 dated 26.05.2021, No. 43/21 dated 25.08.2021;
- **Kim Kevin Gwangil**, Independent Director, resolutions of the Sole Shareholder No. 27/21 dated 26.05.2021, No. 43/21 dated 25.08.2021;
- **A. Juanyshbayeva**, member of the Board of Directors, representative of the Sole Shareholder, resolution of the Sole Shareholder No. 43/21 dated 25.08.2021.

POWERS TERMINATED:

- **Ye. Taszhurekov**, Chairman of the Board of Directors, representative of the Sole Shareholder, from 16.03.2021 at his own initiative on the basis of a written notice;
- **A. Juvashev**, member of the Board of Directors, representative of the Sole Shareholder, from 16.03.2021 at his own initiative on the basis of a written notice;
- **A. Nurgozhin**, Independent Director, from 15.03.2021 on his own initiative on the basis of a written notice;
- **D. Yenkebayev**, Independent Director, resolution of the Sole Shareholder No. 27/21 dated 26.05.2021;
- **K. Zholdybekov**, Independent Director, resolution of the Sole Shareholder No. 27/21 dated 26.05.2021;
- **B. Kultayev**, Chairman of the Management Board of the Company, resolution of the Sole Shareholder No.18/21 dated 09.04.2021;
- **S. Omarov**, Chairman of the Board of Directors, on his own initiative dated 10.07.2021
- **A. Nurgozhin**, member of the Board of Directors, representative of the Sole Shareholder, resolution of the Sole Shareholder No. 43/21 dated 25.08.2021.



COMMITTEES UNDER THE BOARD OF DIRECTORS

STRATEGIC PLANNING AND CORPORATE DEVELOPMENT COMMITTEE

The Committee was established to enhance the preparation of recommendations to the Board of Directors on the development of priority lines of business (development), strategic goals (development strategy), issues of corporate development, including issues on the development of measures that contribute to the Company's efficiency in the medium and long term, its cost-effective operations and sustainable development.

- **Kim Kevin Gwangil** – Chairman of the Committee

- **Weinstein Michael** – Member of the Committee
- **Dinkelaker Jorg Andreas** – Member of the Committee

AUDIT AND RISK COMMITTEE

The Committee was established to improve the efficiency and quality of the Company's Board of Directors by preparing recommendations to the Board of Directors on establishing an effective system of control over the Company's financial and business operations (including the completeness and accuracy of financial statements), on monitoring the reliability and efficiency of internal controls and risk management, on monitoring the independence of external and internal audit and the Compliance Service for adherence to legislation of the Republic of Kazakhstan, internal documents, and to prepare recommendations to the Company's Board of Directors on the elaboration of priority activities (development) and the functioning of an appropriate risk management system in the Company, improvement and strengthening of the risk management system.

- **Weinstein Michael** – Chairman of the Committee
- **Kim Kevin Gwangil** – Member of the Committee
- **Dinkelaker Jorg Andreas** – Member of the Committee

NOMINATIONS, REMUNERATION AND SOCIAL ISSUES COMMITTEE

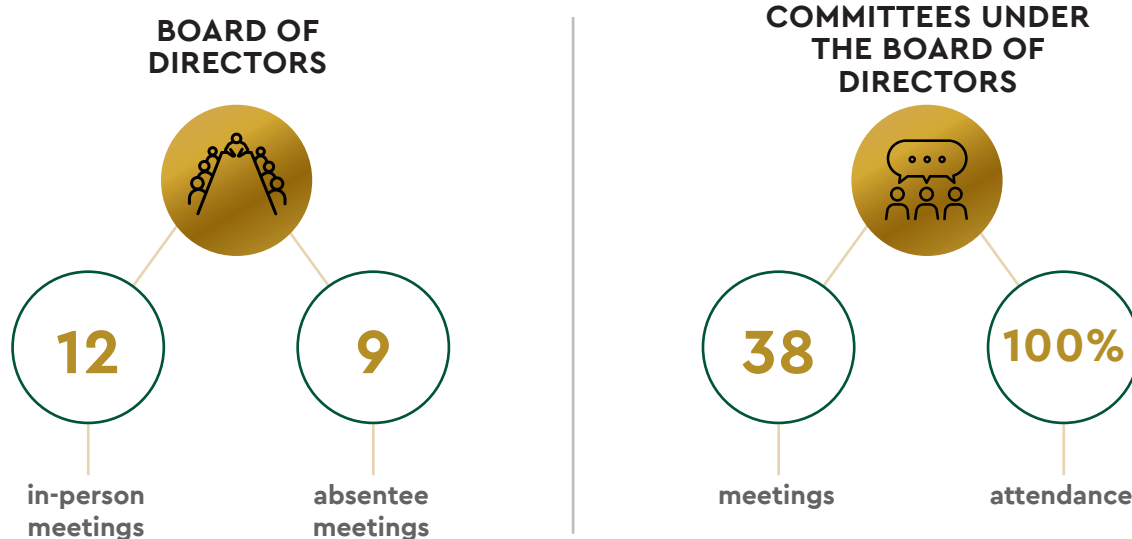
The Committee was established to improve the effectiveness and quality of performance of the Board of Directors, through in-depth review and monitoring of issues related to the competence of the Board of Directors in personnel policy, appointments and remuneration system, as well as performance assessment in general and individually of members of the Board of Directors of the Company, members of the Company's Management Board, succession planning for the Chairman and members of the Company's Management Board and performance assessment of the Corporate Secretary.

- **Dinkelaker Jorg Andreas** – Chairman of the Committee
- **Weinstein Michael** – Member of the Committee
- **Kim Kevin Gwangil** – Member of the Committee

ACTIVITIES OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

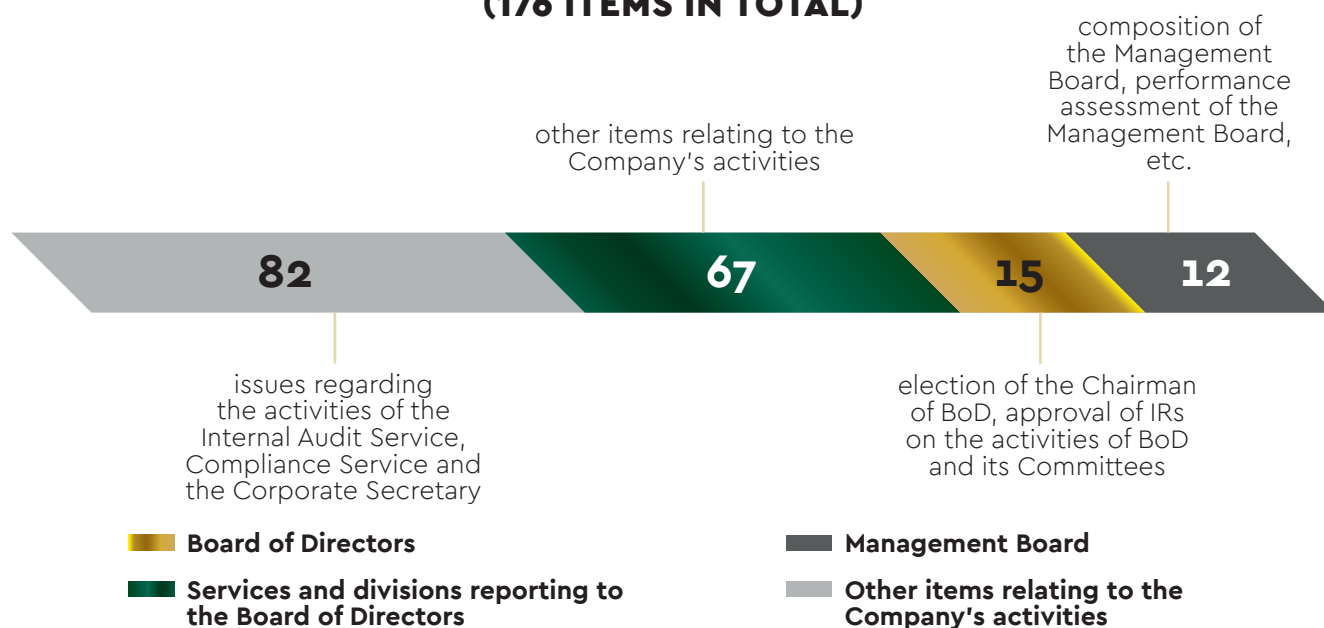
The activity of the Board of Directors is based on the principles of proficiency, prudence and diligence, honesty and objectivity, and the principle of protecting the rights of the Sole Shareholder.

NUMBER OF HELD MEETINGS OF THE BOARD OF DIRECTORS AND ITS COMMITTEES



Attendance at 5 meetings out of 21 was incomplete, due to one member of the Board of Directors being on leave. A quorum was present.

BOD ITEMS CONSIDERED (176 ITEMS IN TOTAL)



PERFORMANCE ASSESSMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Company, Committees and members of the Board of Directors are assessed on an annual basis.

In 2021, the performance of the Company's Board of Directors, Committees and members of the Board of Directors was assessed internally by means of an anonymous questionnaire survey. The relevant results of the questionnaire were derived from the performance of the Board of Directors and the performance of members of the Board of

Directors.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS

Remuneration of members of the Board of Directors of the Company is determined in accordance with the internal regulations and the expected positive effect on the Company of a person's membership of the Board of Directors should be taken into account. Remuneration is paid to Independent Directors based on the resolution of the Company's Sole Shareholder, unless otherwise provided for by law, Company regulations and the companies they work for. The Chairman of the Company's Management Board does not receive remuneration for his membership in the Board of Directors. The amount of the fixed annual remuneration is determined by the Sole Shareholder.

No remuneration will be paid if damage to the Company is established to have been caused by a resolution of the Board of Directors, for which, among other things, an Independent Director has voted.

In 2021, the remuneration of Independent Directors amounted to KZT 47.1 mln, including social security contributions, social tax and CSHI contributions, as well as travel expenses, translation and postal services.

6.8 MANAGEMENT BOARD

In accordance with the Charter of Agrarian Credit Corporation JSC, the Management Board is the executive body responsible for the day-to-day management of the Company and acts solely in the interests of the Company and Baiterek NMH JSC.

The Management Board has the right to make decisions on any issues of the Company's activity which are not referred by the regulatory legal acts of the Republic of Kazakhstan and the Charter of the Company to the competence of other bodies, including the issues referred by the legislation and the Charter of the Company to its competence.

The Management Board is headed by the Chairman of the Management Board.

As of December 31, 2021, the Management Board has 6 members.



AIBOLAT ABENOV

- Chairman of the Management Board
- Election date: 09.04.2021



AIZHAN KENZHEBAYEVA

- Deputy Chairman of the Management Board, member of the Management Board
- Election date: 28.08.2019
- Responsible for funding of financial institutions and credit partnerships, treasury operations, strategic and corporate development



ARMAN ALIYEV

- Deputy Chairman of the Management Board, member of the Management Board
- Election date: 28.08.2019
- Responsible for accounting and reporting, administration and business operations



KANAT ZHAUYMBAYEV

- Deputy Chairman of the Management Board, member of the Management Board
- Election date: 10.04.2020
- Responsible for project monitoring and loan administration



ASSYLKHAN JUVASHEV

- Deputy Chairman of the Management Board, member of the Management Board
- Election date: 14.09.2021
- Responsible for lending



KANAT ZHANCHURIN

- Managing Director, member of the Management Board
- Election date: 10.04.2020
- Responsible for handling problem loans and legal support

There were the following changes in the composition of the Management Board of the Company in 2021:

ELECTED:

- **A. Abenov**, Chairman of the Management Board of the Company, resolutions of the Sole Shareholder No. 18/21 dated 09.04.2021, No. 27/21 dated 26.05.2021;
- **A. Juvashev**, Deputy Chairman of the Management Board, resolution of the Board of Directors of the Company No.14 dated 14.09.2021.

POWERS TERMINATED:

- **B. Kultayev**, Chairman of the Management Board of the Company, resolution of the Sole Shareholder No.18/21 dated 09.04.2021;
- **D. Baikuatov**, Managing Director, member of the Management Board, resolution of the Board of Directors of the Company No.16 dated 27.10.2021.

The purpose of the Management Board is the effective implementation of the Company's Development Strategy and Development Plan.

The main objectives of the Management Board are:

1. high-quality and timely execution of resolutions of the Sole Shareholder and the Board of Directors of the Company;
2. providing for the compliance of the Company's current activities with the goals and objectives of the Company's Development Strategy and Development Plan;
3. effective management of the Company's assets, liabilities and capital;
4. maintaining effective risk management and internal control systems within the scope of its competence.

The activities of the Management Board are based on the following principles:

1. Transparency and openness;
2. Responsibility and accountability;
3. Objective distribution of responsibilities;
4. Appropriate acceptance and approval of operations;
5. Comprehensiveness and consistency;
6. Continuous development and improvement;
7. Flexibility;
8. Timeliness in identifying and responding to any significant deficiencies and control weaknesses;
9. Priority areas of activities of the Management Board;
10. Feasibility;
11. Competence of employees;
12. Documented procedures;
13. Reliability and completeness of information.

In 2021, 63 meetings of the Management Board were held, of which 33 were held in person and 30 in absentia. The Management Board considered a total of 453 items in 2021, with 107 initiated by the Company's Board of Directors, with resolutions and instructions issued.

MAIN BLOCKS OF ISSUES ADDRESSED

1. On amendments to the Charter of the Company;
2. Transactions executed on behalf of the Company in the manner prescribed by law and current Charter;
3. Approval of the organizational structure, payroll of the Company, taking into account the staff size approved by the Board of Directors;
4. Approval of documents adopted for the purpose of managing the Company's operations in accordance with the list of documents governing the internal operations of Agrarian Credit Corporation, JSC subject to approval by the Board of Directors;
5. Increase in the Company's liabilities by an amount ranging 2 to 10 per cent of the Company's equity;
6. Placement of temporarily available funds, on approval of resolutions on acquisition or disposal of securities in accordance with internal regulations of the Company, unless the legislation and current Charter refer such resolutions to the competence of another body of the Company;
7. Other aspects of the Company's activities not falling within the exclusive competence of the Sole Shareholder and the Board of Directors.

REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD

Regulations on the terms of remuneration, bonuses and social security of the Chairman and members of the Management Board of the Company are approved by the Board of Directors of the Company.

Remuneration is differentiated on an individual basis, taking into account the workload and position.

The remuneration system for the Chairman and members of the Management Board includes annual performance-based remuneration. Remuneration based on annual performance is paid out once a year, depending on the results of the Chairman and members of the Management Board achieving strategic key performance indicators and the results of the assessment of their performance by the Board of Directors.

In accordance with the Regulations on Remuneration, Bonuses and Social Security for the Chairman and members of the Management Board of Agrarian Credit Corporation, JSC, the basic principles of remuneration for members of the Management Board are as follows:

1. Definition of key performance indicators and target values;
2. Approval of key performance indicators;
3. Calculation and approval of the outcome of the key performance indicators achieved.

According to the audited financial statements of the Company for the year ended December 31, 2021 the total amount of remuneration to members of the Management Board for 2021 is KZT 182.4 mln. Remuneration to members of the Management Board includes salary, social security contributions, social tax, CSHI and voluntary medical insurance contributions.



6.9 COMMITTEES OF THE COMPANY



CREDIT COMMITTEES

The main objectives of the Committee are: effective implementation of the Company's credit policy, balancing the risk and profitability of the loan portfolio in compliance with and adherence to the legislation and internal documents of the Company.

The Committee's main task is to maintain a prudent lending policy and monitor the loan portfolio on the basis of a comprehensive, objective and qualified review of lending issues, taking into account the interests of the Company.

The Committee is authorized to decide on any issues related to the Company's lending activities within the Register of authorization limits approved by the Management Board of the Company, with the exception of issues within the competence of the Company's superior bodies.

For the purpose of lending process modernization, the Company established the following collegial bodies/officials with individual authority, implementing the internal lending policy:

1. Expanded Credit Committee (ECC);
2. Small Credit Committee (SCC);
3. Branch Credit Committee (BCC);
4. Officials with individual powers.

The Credit Committee has the following organizational structure:

1. Chairman of the Credit Committee;
2. Members of the Credit Committee;
3. Secretary of the Credit Committee (without the

right to vote when making a decision).

The collegial bodies that implement internal lending policy make decisions in accordance with the limits of authority.

Credit committees work on an ongoing basis.

RISK COMMITTEE

The Committee is a permanent collegial, advisory and consultative body under the Management Board of the Company, coordinating/organizing the functioning of the risk management system. The Committee operates within the powers granted to it by the Management Board. All resolutions adopted by the Committee are of a consultative nature for the Management Board.

The Committee is established to develop and make recommendations to the Management Board on the following issues:

1. in-depth elaboration on the functioning, management and maintenance of an effective risk management system;
2. development of processes to identify, assess, control and monitor risks;
3. building an integrated risk management process, introducing and developing a risk management culture («risk culture»).

The Committee is established by the resolution of the Management Board. The composition of the Committee is determined in the number of 9 (nine) people. The personal composition of the Committee is approved with the order of the Chairman of the Management Board of the Company.».

The Committee is chaired by a Member of the Management Board of the Company and includes:

1. Chairman of the Committee;
2. Deputy Chairman of the Committee;
3. Members of the Committee.

There was one meeting of the Committee in the reporting period.

BUDGET COMMISSION

The Budget Commission is a permanent body of the Company, responsible for coordinating the implementation of the budget planning at the Company, established by the order of the Chairman of the Management Board of the Company.

The main goals of the Budget Commission of the

Company are supporting the budget planning during the elaboration/adjustment of the Development Plan of the Company, as well as monitoring the execution of the Development Plan of the Company.

The main tasks of the Budget Commission are as follows:

1. propose on drafting/adjusting the revenue and expenditure parts of the Company's Development Plan;
2. introduce/present the necessary indicators, taking into account the goals, objectives, key performance indicators outlined in the Company's Development Strategy and other documents, for application at a certain planning stage;
3. review the results of the development/adjustment of the Company's Development Plan, before presenting them to the Management Board of the Company;
4. elaborate proposals for the implementation of the Company's Development Plan for the reporting period;
5. review the monitoring results of the Company's Development Plan for the reporting period before presenting them to the Management Board of the Company.

The Budget Commission of the Company is established by the order of the Chairman of the Management Board of the Company.

The Budget Commission has the following composition:

1. Chairman of the Commission;
2. Deputy Chairman of the Commission;
3. Members of the commission.

In 2021, there were 4 meetings of the Budget Commission.

INFORMATION ON MAJOR TRANSACTIONS

In 2021, the Company did not conclude major transactions.

SUBSIDIARIES AND AFFILIATES

The Company has no subsidiaries or affiliates.

COMPLIANCE CONTROL

Agrarian Credit Corporation JSC values its reputation as a reliable and transparent institution

for the development of the agricultural sector and recognizes that its customers expect honest, fair and impartial performance of its tasks and implementation of government policies.

For this purpose, the Company established the Anti-Corruption Compliance Service, monitoring the Company's compliance with the legislation of the Republic of Kazakhstan, anti-corruption standards, internal and external rules, procedures, fundamental moral and ethical principles of business conduct and corporate governance system.

Several internal regulations governing the Company's activities were developed in the framework of implementing the requirements of the anti-corruption legislation of the Republic of Kazakhstan, namely:

- Anti-corruption policy;
- Violation Notification Policy;
- Compliance policy;
- Anti-corruption standards;
- Compliance risk management procedure.

Key compliance functions: preventing and combating money laundering and the financing of terrorism, detecting and preventing corruption; effective management of conflicts of interest; control over compliance with business ethics by the Company's employees.

The Company approved the Rules of Corporate Conflicts and Conflicts of Interest in order to define procedures for the prevention and management of corporate conflicts and conflicts of interest, to ensure timely identification of causes and prevention and resolution of conflicts of interest, and to coordinate the actions of all bodies of the Company.

6.10 ANTI-CORRUPTION



As a socially responsible company, the Company is committed to building transparency and zero tolerance for corruption. The Company systematically pursues anti-corruption efforts, which include a range of different measures.

The Company declares the inevitability of punishment for employees, regardless of their position, for corruption offences committed in connection with the performance of their job duties.

In 2021, the Company implemented the following anti-corruption measures:

1. Developed and approved Anti-Corruption Action Plan for 2021–2022;
2. Developed and implemented measures to identify, assess and control conflicts of interest in the Company;
3. Developed and approved Compliance Risk Mitigation Plan for 2021–2022;
4. Executives completed training and obtained ISO 37001 Anti-Corruption Management System Manager/Internal Auditor certificates;
5. The Company initiated ISO 37001 International Certification for Anti-Corruption Management System. The purpose of the certification audit is to provide an independent assessment of the management system and to confirm the conformity of the management system with the international standard ISO 37001:2016 in one of the leading international conformity assessment bodies;
6. Anti-corruption monitoring is performed on a quarterly basis;
7. Completed internal analysis of corruption risks;
8. The quality of responses to complaints received from service users and others is analyzed (on an ongoing basis).

6.11 INTERNAL AUDIT



The Internal Audit Service (hereinafter – IAS) was established in the Company to monitor the Company's financial and business operations, provide the Board of Directors with independent reasonable assurance and advice aimed at improving the Company's operations and the efficiency of the Company's management, including risk management, internal control and corporate governance systems in the Company.

The IAS mission is to provide the services essential in assisting the Board of Directors and the Management Board in fulfilling their responsibilities in achieving the Company's strategic goals.

The planning and priority of internal audit engagements are risk-based. In accordance with the Annual Audit Plan, IAS completed 5 audits in 2021. All audit engagements were performed in accordance with International Standards for the Professional Practice of Internal Auditing, and the Company's Internal Audit Regulations. Following the audit by the IAS, appropriate recommendations were made to improve internal controls, risk management and corporate governance, and corrective/preventive action plans were developed by the audited entities to address the findings.

The IAS follows up on the implementation of recommendations from internal audits, external audits and external regulatory bodies on a quarterly basis.

The consolidated results of internal audits and information on the implementation of recommendations are reflected in quarterly and annual reports, reviewed and approved by the Company's Board of Directors. Reports are preliminarily reviewed by the Audit and Risk Committee under the Board of Directors.

The performance of IAS and its employees is assessed by the Company's Board of Directors on the basis of approved key performance indicators. Performance assessment of IAS for 2021 under the Internal Audit Assurance and Quality Improvement Program was 3.85 (96.2%) out of 4 (100%).

6.12 EXTERNAL AUDIT

The Company engages an independent external auditor to review and validate the financial statements and to assess the risk management and internal control system, for an objective opinion to stakeholders on the reliability of the financial statements and their compliance with International Financial Reporting Standards on a competitive basis.

The appointment of an auditing company to audit the financial statements in accordance with the established procedure is the exclusive competence of the Sole Shareholder of the Company.

KPMG Audit LLP audited the Company's Financial Statements for 2021.

Former employees of auditing companies that audited the financial statements of the Company were not employed by the Company.

07

SUSTAINABLE DEVELOPMENT

Agribusiness is defined by the Food and Agriculture Organization of the United Nations (FAO) as «collective farm-to-fork entrepreneurial activity». It covers the whole production chain from farmer to consumer, therefore creating an extensive stakeholder structure.

Hence, when considering direct economic indicators such as profit margins, diversification of production and productivity growth within the sustainability report, it is essential to assess also what indirect impact the Company's activities have on the social and economic development of regions in general, with regard to food and environmental security and impact on the local population and natural resources (land, water, biological resources, etc.)



7.1 STAKEHOLDERS AND ASPECTS

The Company recognises the importance of its economic, environmental and social impacts and seeks to implement its development strategy and/or plan effectively, to ensure consistency between its economic, environmental and social goals for sustainable development in the long term, while balancing the interests of its stakeholders. A responsible, considered and sustainable approach to stakeholder engagement will contribute to the sustainable development of the Company.

THERE ARE THREE PILLARS OF SUSTAINABLE DEVELOPMENT IN THE COMPANY:

01 ECONOMIC

- financial sustainability, shareholder and investor interests, improved process efficiency, increased investment in the creation and development of better technology, and increased productivity.

02 ENVIRONMENT

- reduced impact on biological and physical natural systems, efficient use of limited resources, application of environmentally friendly, energy- and material-saving technologies, creation of environmentally acceptable products, waste reduction, recycling and disposal.

03 SOCIAL

- enforcing the principles of social responsibility, including occupational safety and health, fair remuneration and respect for employees' rights, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, environmental and educational campaigns.

7.2 INTERACTION WITH STAKEHOLDERS

For the purpose of determining the list of stakeholders, the extent of their influence and spheres of influence on the Company's interests, a Stakeholder Map was developed and approved by the Company's Management Board on November 8, 2021 (minutes No. 53).

Forms of interaction. The main forms of stakeholder engagement are: joint projects, memoranda of cooperation, joint working groups, reporting on company activities, meetings, workshops, publications, interviews, etc.

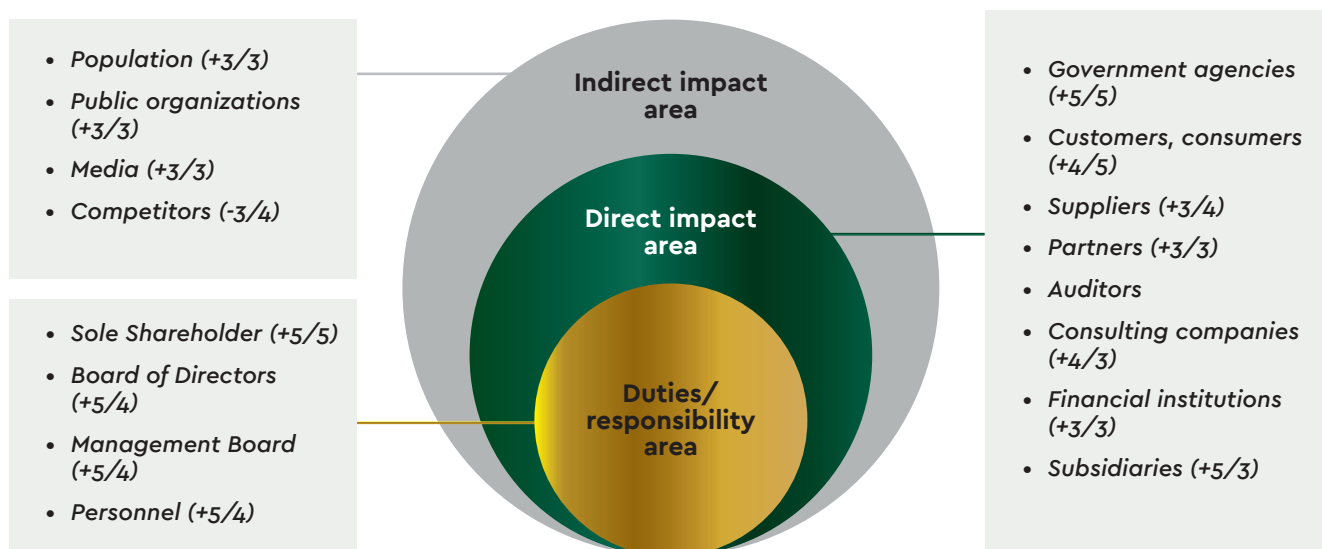
Areas of interaction. Main areas of stakeholder engagement: strategic planning, financial activities, project management, delivery of goods, works and services, lawmaking, operational activities, interaction with the media.

The importance of impact is assessed on two x/y scales, where:

- $x = -5: +5$, with step 1 (or smaller) describes the level of support/oppression by the Company's stakeholder (-5 being extreme opposition, +5 being the highest level of support);
- $y = 0: 5$ with step 1 (or smaller) describes the level of stakeholder influence over the Company.

	STRATEGIC DEVELOPMENT	<ul style="list-style-type: none"> determining long-term priorities, strategic areas of the Company's development through the adoption of state and industry development programs, drafting and approval of the Company's strategic documents
	OPERATING ACTIVITIES	<ul style="list-style-type: none"> continuous daily activities to manage regular, standard processes in the Company
	REGULATORY FRAMEWORK	<ul style="list-style-type: none"> adopting regulations directly or indirectly governing certain aspects of the Company's activities
	PROJECT AND/OR BUSINESS PROCESS MANAGEMENT QUALITY	<ul style="list-style-type: none"> extent of competence and efficiency of the Company's staff and Management Board in the provision of project and/or business process management services
	REPUTATION	<ul style="list-style-type: none"> quantitative indicators of the Company's operating efficiency public opinion about the qualities, strengths and weaknesses

STAKEHOLDER MAP AND THE EXTENT OF IMPACT ON THE COMPANY'S INTERESTS



• **(x/y, x=-5÷+5 - strength of stakeholder support/opposition** (this value is indicated by the first number in brackets)

• **y=-5÷+5 - strength of influence of the stakeholder** (this value is indicated by the second number in brackets)

7.3 SCOPE OF IMPACT ON THE COMPANY'S INTERESTS

Stakeholders	Strategic development	Operating activities	Regulatory framework	Project and/or business process management quality	Operating outcome	Reputation
Area of authority/responsibility						
Sole Shareholder	Low level of impact *		Low level of impact *			Low level of impact *
Board of Directors	Low level of impact *		Low level of impact *		Low level of impact *	Low level of impact *
Management Board	Low level of impact *	Low level of impact *	Low level of impact *	Low level of impact *	Low level of impact *	Low level of impact *
Personnel		Low level of impact *		Low level of impact *	Low level of impact *	Low level of impact *
Area of direct impact						
Government agencies	Low level of impact *		Low level of impact *		High level of impact *	High level of impact *
Customers, consumers		High level of impact *		High level of impact *	Low level of impact *	Low level of impact *
Suppliers		Low level of impact *			Low level of impact *	High level of impact *
Investors	Low level of impact *			High level of impact *	High level of impact *	High level of impact *
Partners		High level of impact *		High level of impact *	Low level of impact *	Low level of impact *
Auditors	Low level of impact *			Low level of impact *		High level of impact *
Consulting companies	Low level of impact *			Low level of impact *		High level of impact *
Financial Institutions		High level of impact *		High level of impact *	High level of impact *	High level of impact *
Subsidiaries	Low level of impact *	Low level of impact *		Low level of impact *	Low level of impact *	Low level of impact *
Area of indirect impact						
Population					Low level of impact *	Low level of impact *
Public organizations	High level of impact *		High level of impact *			High level of impact *
Mass media						Low level of impact *
Competitors	High level of impact *	Low level of impact *	Low level of impact *	Low level of impact *	Low level of impact *	Low level of impact *

■ High level of impact ■ Low level of impact

✱ High level of interest

Stakeholder **engagement methods** include, but are not limited to, the following forms:

ENGAGEMENT LEVEL	ENGAGEMENT METHODS
Consultations: bilateral interaction; stakeholders responding to questions	Questionnaires; focus groups; stakeholder meetings; public meetings; workshops; feedback through communication tools; advisory boards
Negotiations	Collective negotiations based on social partnership principles
Involvement: Bilateral or multi-stakeholder engagement; building expertise from all sides, stakeholders and organizations acting independently	Multi-stakeholder forums; consultation panels; consensus building process; shared decision-making process; focus groups; feedback schemes
Cooperation: Bilateral or multilateral cooperation; joint expertise-building, decision-making and action	Joint projects; joint ventures; partnerships; joint stakeholder initiatives
Authorization: Stakeholders (if applicable) participate in governance	Integrating stakeholder engagement into governance, strategy and operations

EFFECTIVE STAKEHOLDER ENGAGEMENT WILL:

- *pool resources (knowledge, personnel, money and technology) to solve problems and achieve goals;*
- *assess the external environment, including market developments, and identify new strategic opportunities;*
- *improve business processes;*
- *adhere to openness and transparency in operations.*

(the strategy of interaction with each stakeholder, as well as the instruments of impact are determined by the Company's structural divisions independently depending on the specifics of activities).

KEY ASPECTS AND RISKS IN THE FIELD OF SUSTAINABLE DEVELOPMENT FOR THE COMPANY

(Based on interviews with shareholder representatives, customers, media representatives and employees).

The Company's mission is to contribute to the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by building an affordable and efficient system of financing through the involvement of private financial institutions and improving the competencies of AIC entities.

Against this background, the Company identified its internal and external stakeholders to assess the relevance of various aspects of its activities – economics, environment and social.

For the purpose of building a management system in the area of sustainable development, the resolution of the Company's Board of Directors No.12 dated July 29, 2021 approved ACC Sustainable Development Policy.

7.4 ECONOMICS



The Company plays a key role in the implementation of the 2017–2021 State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan, the Program for the Development of Productive Employment and Mass Entrepreneurship 2017–2021, the National Development Plan of the Republic of Kazakhstan 2025, the State Program for the Development of the Agro-Industrial Complex 2017–2021, the National AIC Development Project of the Republic of Kazakhstan 2021–2025, and therefore the economic impact indicators are assessed as significant

CONTRIBUTION OF THE COMPANY TO THE IMPLEMENTATION OF THE ECONOMIC ASPECT

PROMOTING INCREASED EFFICIENCY IN AGRICULTURE

The Company's Investment Program aims to finance high-tech investment projects in the agricultural sector. As at 01.01.2022, the **investment portfolio** of the Company consists of **407 projects** estimated at **KZT 351 bln.**

Efficiency on the Company's investment projects in the reporting period amounted to KZT 4,854.6 thous, which is 125.8% higher than the planned indicator.

INCREASING AIC FINANCIAL INCLUSION

The major effort is made at the small business level.

In 2021, the Company financed 8,532 agricultural producers to the total amount of KZT 253.9 bln, including through direct lending of 1,458 agricultural producers to the amount of KZT 99.7 bln., through financial institutions - 7,074 agricultural producers amounting to KZT 154.2 bln, including: through CSs - 4,730 agricultural producers amounting to KZT 110.0 bln, STBs - 116 borrowers amounting to KZT 31.8 bln, MFOs (including RICs) - 2,228 agricultural producers amounting to KZT 12.4 bln.

However, the Company continued to provide such important support to the rural population in the form of microcredit. It is worth noting that the vast majority of borrowers - more than 70% of the total - are start-ups. That is where the Company has a mission to nurture a new generation of young entrepreneurs in the rural areas, including young people and women.

RURAL MORTGAGE

The Company acts as an authorized agent for the agribusiness sector within the framework of the «With Diploma to the Village!» program.

In 2021, the Company, as an agent for the provision of budgetary loans for the purchase of housing for healthcare, education, social welfare, culture, sports and agribusiness professionals who come to work and live in rural areas. 179 assignment agreements and 4,377 housing purchase agreements were concluded in the reporting period, amounting to KZT 18,546 mln.

INCREASING THE AFFORDABILITY OF THE COMPANY'S SERVICES THROUGH THE INTRODUCTION OF NEW TECHNOLOGIES AND THE DEVELOPMENT OF SERVICE CHANNELS AND INFRASTRUCTURE, ANTI-CORRUPTION MEASURES

The Company operates an electronic procurement framework. In 2021, 2,151 contracts were signed. The total share of local content in the Company's procurement of goods and services in 2021 was 83.5%.

VOLUME OF PROCUREMENT OF GOODS AND SERVICES IN 2021, %



The Company has a direct hotline, a manager's blog on the corporate website, the possibility of direct appeal in case of violation of the rights of potential borrowers, and systematic training in anti-corruption seminars aimed at preventing corrupt and other illegal actions and providing feedback to the consumers of services.

7.5 ENVIRONMENT

In accordance with the Company's Vision, it should become **a key institution for the AIC development, with an effective operating model, contributing to the industrialization, intensification and diversification of the agro-industrial complex by developing a sustainable and affordable financing system.**

As the financial operator of the most important strategic agricultural development projects, the Company must ensure the efficient use of state and attracted resources, including natural resources, which are involved in the process of expansion and diversification of the agricultural sector: land reclamation, phytosanitary, changing the structure of sown areas, increasing the concentration of farm animals, etc.

Therefore, along with economic indicators, there is a need to emphasise the promotion of green technologies, digitalisation and the AIC transition to resource-saving programs.

Whereas the company's internal activities are not linked to the environmental aspect, its impact is to be assessed precisely through the prism of the financial intermediary.

CONTRIBUTION OF THE COMPANY TO THE IMPLEMENTATION OF THE ENVIRONMENTAL ASPECT

In 2021, in line with the principles of sustainable development, the Company adopted a Sustainable Development Policy, developed in accordance with the terms of the UN Global Compact and the UN Principles for Responsible Investment. In accordance with the Policy, projects financed by the Company should comply with environmental legislation, including the Environmental Code of the Republic of Kazakhstan.

The Company examines design and estimate documentation, subject to mandatory state environmental expertise and mandatory approval by an authorized body for environmental protection in accordance with the legislation of the Republic of Kazakhstan, when financing investment projects of AIC entities.

The Company intends to observe and integrate environmental, social and governance sustainability factors (ESG factors) into the business decision-making processes for financing AIC entities, as well as in ongoing operations.

As part of its sustainability initiatives, the Company plans to:

- contribute to the achievement of the Sustainable Development Goals;
- develop responsible financing;
- promote responsible procurement;
- develop a unified personnel policy;

- increase transparency in activities.

The Company plans to initiate, in the forthcoming future, the IR development regulating the lending process and the requirements for financed projects to comply with the principles of sustainable development.

Acting as a development finance institution within the framework of its established mission to promote AIC sustainable development, the Company has started to integrate the principles of sustainable development into its activities, including the approval of IRs, which include approaches to financing green projects.

In the framework of Sustainable Development Policy implementation, the Management Board approved the Action Plan for Sustainable Development of the Company for 2021–2022 dated 08.11.2021 (minutes No. 53), which provides for ESG factors (a set of principles of ecological efficiency and environmental protection, social and good corporate governance based on standards recognized by the international community). ESG factors contribute to the consistency of economic, environmental and social goals of the Company for sustainable development in the long term, which are included in the Company's Development Strategy for 2020–2023 as planned initiatives of the Company (approved by the Company's Board of Directors on 25.02.2022, minutes No. 4).

In 2021, the company financed 19 investment projects involving the introduction of advanced, innovative resource-saving, moisture-saving technologies.

7.6 SOCIAL

















THE ESSENTIAL INDICATORS OF THIS ASPECT INCLUDE:

- violations of legislation and regulatory requirements;
- an indicator of the minimum notice period in relation to material changes in the company's operations;
- availability of skills development and lifelong learning programs designed to support the employability of workers and end-of-career support;
- identify suppliers that use forced and/or child labor and train security personnel on policies and procedures regarding the human rights aspects of the activities.

CONTRIBUTION OF THE COMPANY TO THE IMPLEMENTATION OF THE SOCIAL ASPECT

- **IN 2021, THE NUMBER OF BORROWERS OF THE COMPANY INCREASED TO 75,468.**
- **IN 2021, 48,742 PEOPLE WERE EMPLOYED THROUGH PROGRAM FUNDING AND MORE THAN 8,196 NEW JOBS WERE CREATED.**

PROMOTING PRODUCTIVE EMPLOYMENT IN THE REGIONS

Region	employed	jobs created
 <i>Akmola</i>	7 094	763
 <i>Aktobe</i>	1 385	296
 <i>Almaty</i>	1 801	1 446
 <i>Atyrau</i>	282	137
 <i>East Kazakhstan</i>	2 124	590
 <i>Zhambyl</i>	1 115	297
 <i>West Kazakhstan</i>	560	140
 <i>Karaganda</i>	2 444	291
 <i>Kostanay</i>	15 504	318
 <i>Kyzylorda</i>	706	458
 <i>Mangistau</i>	357	56
 <i>Pavlodar</i>	3 922	607
 <i>North Kazakhstan</i>	8 443	183
 <i>Turkestan</i>	3 005	2 614
TOTAL	48 742	8 196

CREATING EQUAL WORKING CONDITIONS AND CAREER OPPORTUNITIES WITHIN THE HOLDING

One of the fundamental values of the Company, as defined in the Company's Code of Business Conduct approved by the Board of Directors on June 30, 2021 (minutes No. 11), is the team, human resources. The level of expertise and safety of the Company's team has a direct impact on the Company's performance.

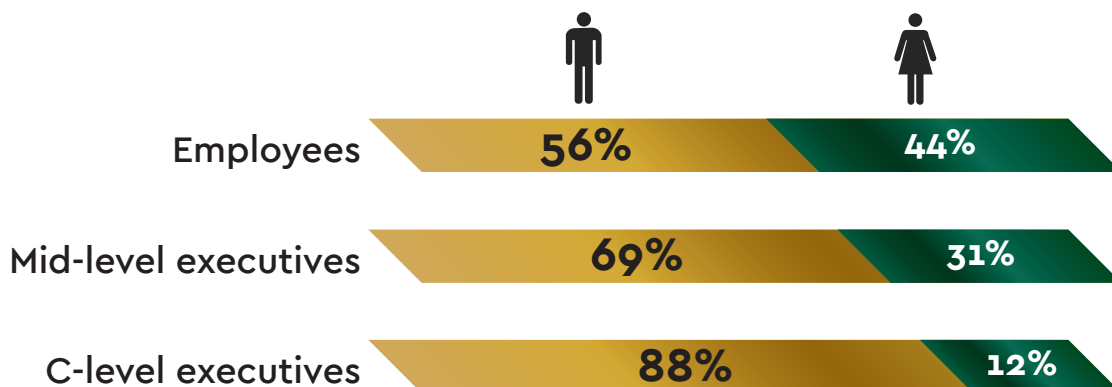
The Company had 755 employees at the end of 2021, men – 57%, women – 43%.

According to the data of 2021, the average age of the Company's employees is 37 years.

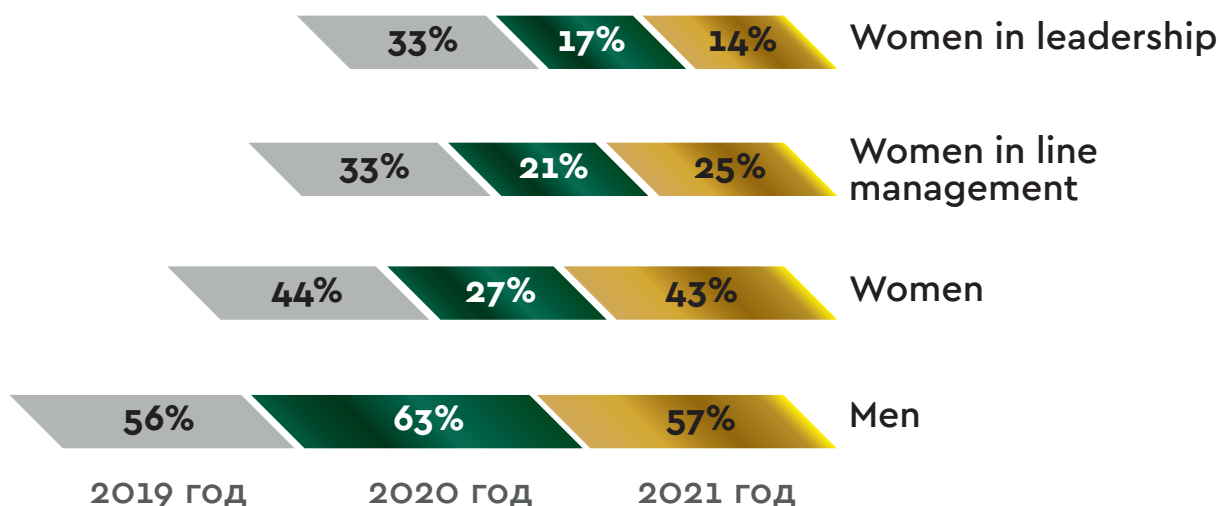
STAFF STRUCTURE BY GENDER GROUPS, %



PERSONNEL STRUCTURE AT THE END OF 2021, %

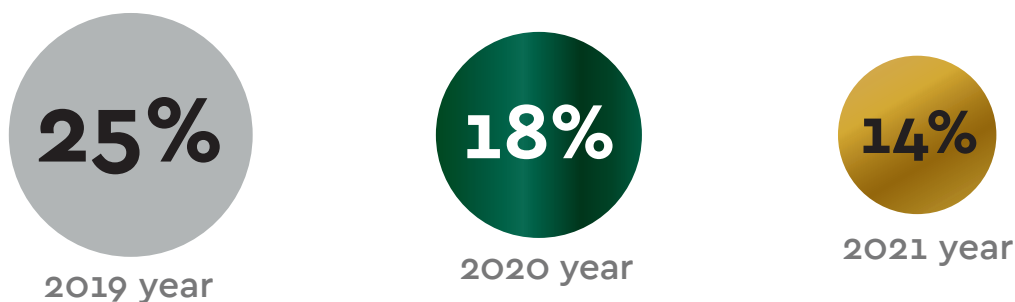


GENDER STATISTICS, %



In 2021, the voluntary personnel turnover rate was 14%, which is 4% lower than in 2020 and 11% lower than in 2019.

PERSONNEL TURNOVER RATE OVER THE LAST 3 YEARS, %



The implemented talent management incentive system provided the basis for the development of the company's corporate culture and talent pool. Thus, based on the results of the Company's employee assessment for 2020, employees were selected for the Talent Pool from the talents distributed in the Talent Map.

The Company's employees are entitled to social guarantees such as voluntary medical insurance, compulsory insurance against accidents at work, payment of social benefits for temporary incapacity for work, recuperation benefits for annual paid leave, and maternity leave pay.

To provide medical services to the Company's employees, a Voluntary Sickness Insurance Contract was concluded with Petroleum Insurance Company JSC.



7.7 SPONSORSHIP AND CHARITY



Charity and sponsorship assistance is provided at the expense of and within the limits of the funds provided for in the Annual Budget for the relevant financial year.

Charity and sponsorship objectives are as follows:

1. Strengthen the Company's reputation as a socially responsible organization;
2. Provide targeted (direct) support to those most in need (children, people with disabilities, the elderly);
3. Build an image of prominence and loyalty to the Company on the part of its potential customers and partners.

The Company, with its policy of being a socially responsible organization, may support various projects in the fields of culture, sports, education, health, environmental protection, contributing to the improvement of the social environment and the development of civil society, enabling the Company to achieve its goals in the field of charity and sponsorship.

In 2021 the Company supported the Annual Jańa Dala/GreenDay 2021 Kazakhstan Field Day which serves as an effective platform to demonstrate best practices in AIC, share experience and develop business contacts between local and foreign agricultural producers.

Jańa Dala/GreenDay 2021 included seminars, roundtables and workshops where participants discussed current agricultural problems and solutions.

The event was attended by more than 150 companies from different regions of Kazakhstan, as well as from neighbouring and far-abroad countries, more than 5,000 AIC specialists, and over 500 units of various agricultural equipment.

OCCUPATIONAL HEALTH AND SAFETY

One of the Company's priorities is the health and safety of its employees.

The Company's operations are classified as financial activities and therefore occupational accidents are virtually eliminated. There were no accidents or occupational diseases or fatalities in the reporting period.

In connection with quarantine measures to avoid the spread of the COVID-19 coronavirus infection, the Company took measures to protect the health of employees. Thus, during the reporting year, 80% of the Company's employees were transferred to remote work.

The Company complies with the legislation of the Republic of Kazakhstan in the field of occupational and fire safety. There is 1 full-time Fire Safety and Occupational Safety Manager in the HSE Department responsible for monitoring the compliance of the Company's employees with the HSE and Fire Safety Instruction for the employees of Agrarian Credit Corporation JSC approved with the resolution of the Management Board No. 63 dated 29.12.2021.

CODE OF BUSINESS CONDUCT

The Code of Business Conduct of the Company was developed in accordance with the current legislation of the Republic of Kazakhstan, subject to internationally accepted standards of business conduct and corporate governance, based on the Charter, model documents of the Holding, including the Corporate Governance Code and other internal documents of Agrarian Credit Corporation JSC. The Code reflects the Company's vision and commitment to the principles of business conduct and corporate values.

THE FUNDAMENTAL VALUES OF THE COMPANY:

1. **Responsibility:** for intentions and actions;
2. **Professionalism:** high readiness to perform tasks of professional activity;
3. **Team:** cooperation to achieve better results from joint activities;
4. **Honesty:** honesty within the Company and to its partners;
5. **Social responsibility:** responsibility for the impact of the Company's activities on stakeholders in the social field.

In the performance of its activities, the Company:

1. complies with the legislation of the Republic of Kazakhstan, resolutions of the Sole Shareholder, as well as other documents related to the activities of the Company;
2. provides for the respect and observance of human and civil rights, honor and dignity regardless of origin, social, official or property status, sex, race, nationality, language, attitude towards religion, beliefs, place of residence or any other circumstances;
3. strives to keep all of its relationships with Stakeholders mutually beneficial;
4. creates equal conditions for the professional development of employees pursuing self-education and professional development in accordance with employee training and professional development programs;
5. provides remuneration to the Company's employees depending on the level of qualification, complexity and quality of work performed, and the results of meeting key performance indicators;
6. takes all measures to ensure the health and safety of employees in accordance with the law, and creates a safe working environment for employees;
7. protects confidential information to the extent permitted by the legislation of the Republic of Kazakhstan and internal documents of the Company;
8. creates an environment for an open and trusted dialogue between officers and employees of the Company;
9. evaluates and encourages employees' initiative ideas and suggestions, the

implementation of which has a positive effect on the Company;

10. prevents the granting of any privileges and benefits to individual officials and employees other than on a lawful basis, with a commitment to equal opportunities for all;
11. is responsible for making decisions free from conflicts of interest at any stage of the process, from the officer to any employee making decisions.

08

KEY GOALS AND OBJECTIVES FOR 2022



01

Transfer of shares of KazAgroFinance JSC in favor of Agrarian Credit Corporation JSC



02

Increase in the volume of financing to AIC entities by 30% compared to 2021



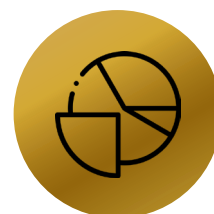
03

Volume of investments in fixed assets in AIC – KZT 117 bln



04

Share of funding from financial institutions in the Company's total lending, at least 63.7%



05

Share of the loan and investment portfolio of total assets – 89.8%



06

Key business process automation



09

FINANCIAL STATEMENTS FOR 2021



«КПМГ Аудит» жауапкершілігі шектеулі
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9.1 INDEPENDENT AUDITOR REPORT

TO THE SHAREHOLDER AND THE BOARD OF DIRECTORS OF AGRARIAN CREDIT CORPORATION JSC

QUALIFIED OPINION

We have audited the Financial Statements of Agrarian Credit Corporation JSC (hereinafter – the Company), comprising the Statement of Financial Position as of December 31, 2021, the Profit or Loss, Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the circumstances described in the Basis for Qualified Opinion section of our opinion, the Financial Statements present accurately, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

BASIS FOR THE QUALIFIED OPINION

As of December 31, 2021, December 31, 2020 and January 1, 2020, the Statement of Financial Position on loans granted to legal entities classified as stage 3 of credit risk with a gross book value of KZT 304,221,793 thousand, KZT 220,768,369 thousand and KZT 188,459,438 thousand, respectively, The Company recognized allowances for expected credit losses in the amount of KZT 62,564,653 thousand, KZT 55,853,932 thousand and KZT 48,443,214 thousand, respectively. IFRS 9 Financial Instruments requires entities to use reasonable and supportable information as a basis for assumptions and expectations in estimating expected credit losses. We do not agree with certain assumptions used in estimating expected cash flows from the disposal of collateral for credit-impaired loans to legal entities and believe that the provision for expected credit losses is significantly understated. The impact of this deviation from IFRS on provisions for expected credit losses and other related items in the Statement of Financial Position, Statements of Profit or Loss and Other Comprehensive Income, Changes in Equity as at and for the years ended 31 December 2021 and December 31, 2020 has not been quantified.

We performed the audit in accordance with the International Auditing Standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including international standards on independence) of International Ethics Standards Board for Accountants (IESBA Code) and ethical requirements applicable to our audit of financial statements in the Republic of Kazakhstan, and we have fulfilled other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

KEY AUDIT MATTERS

Key audit matters are the matters that, according to our professional judgment, were the most significant for our audit of financial statements for the current period. These matters were considered in the context of our audit of financial statements as a whole and in forming our opinion on these Statements. Also, we do not express a separate opinion on these matters.

We have identified the following matters, in addition to those set out in the Basis for Qualified Opinion section, as the key audit matters that need to be disclosed in our report.

EXPECTED CREDIT LOSSES (ECL) ON LOANS ISSUED TO CUSTOMERS

KEY AUDIT MATTER	AUDIT PROCEDURES IN RELATION TO THE KEY AUDIT MATTER
<p>Loans to customers represent a significant portion of total assets and are presented net of allowance for expected credit losses (ECL), which is calculated on a regular basis and is sensitive to the assumptions used.</p> <p>The Company applies ECL valuation model, which requires management to use professional judgment and assumptions related to the following key areas:</p> <ul style="list-style-type: none"> • timely identifying a significant increase in credit risk and default events relating to loans to customers; • assessing the probability of default (PD) and the loss given default (LGD); • assessing adjustments to account for various scenarios and forecast information; • forecasting expected cash flows for loans to individuals who are credit-impaired. <p>Due to the significant volume of loans to customers and the uncertainty in estimating expected credit losses on them, this area is seen as a key audit matter.</p>	<p>We have analyzed key aspects of the Company's methodology and policies related to the assessment of ECL for compliance with the requirements of IFRS 9, including by involving our experts in the field of financial risk management in the analysis.</p> <p>Our audit procedures included the following to review the professional judgement and assumptions made by the management in relation to the valuation of the provision for ECL:</p> <ul style="list-style-type: none"> • We tested the design and operational effectiveness of controls in relation to the classification of loans to customers by credit risk stage. • With regard to a sample of loans to customers for which potential changes in the valuation of ECL may have a significant impact on the Financial Statements, we tested whether the Company has performed a proper staging analysis of the financial and non-financial information and the assumptions and professional judgements used by the Company. • For loans to clients classified as credit risk stages 1 and 2, ECL of which are assessed on a collective basis, we tested the design and implementation of appropriate models and verified the inputs to the PD and LGO calculations with supporting documentation on a sample basis. • We have also analyzed the overall adequacy of the adjustment to account for different scenarios and forecast information by comparing it with our own assessment, reflecting the current and future economic situation and the operating environment of the respective borrower categories. • For a sample of loans to individuals classified as Stage 3 credit risk, we critically assessed the assumptions used by the Company to forecast future cash flows, including the expected proceeds from the sale of collateral and the expected timing of their disposal, based on our understanding and publicly available market information. <p>We also assessed whether the disclosures in the Financial Statements appropriately reflect the Company's exposure to credit risk.</p>

LOANS RECEIVED AND DEBT SECURITIES ISSUED AT BELOW-MARKET RATES.

KEY AUDIT MATTER	AUDIT PROCEDURES IN RELATION TO THE KEY AUDIT MATTER
<p>In 2021 the Company received funding from the Government through borrowings amounting to KZT 105,026,196 thousand with interest rate of 0.01% per annum and through issuance of unsecured coupon bonds with total nominal value of KZT 5,000,000 thousand with a coupon rate of 7.10% per annum.</p> <p>On initial recognition, the loans received and debt securities issued were recognized at fair value, measured by applying the appropriate market interest rates to discount the future contractual cash flows.</p> <p>The difference of KZT 27,704,178 thousand between the fair value and the nominal value of loans received and debt securities issued was recognized as a government grant, which is subsequently recognized in profit or loss when the conditions specified in the relevant financing are met.</p> <p>In 2021 the Company also significantly modified loans previously received from the parent company in the amount of KZT 58,451,625 thousand and received additional tranche of the loan in the amount of KZT 11,548,375 thousand with an interest rate of 1.02% per annum. On initial recognition, these loans were recognized at fair value, measured by applying the appropriate market interest rates to discount the future contractual cash flows. The difference of KZT 44,813,600 thousand between the fair value and the carrying amount of the modified loans, nominal value of the loan received was recognized directly in equity as an effect of the transaction with the parent company acting as a shareholder.</p> <p>Estimating the fair value of loans received and debt securities issued requires the management to exercise significant judgement. Accounting judgement is also required in determining how to present and classify the difference between the nominal and fair values of loans received and debt securities issued.</p>	<p>Our audit procedures included reviewing the management's judgement in assessing whether the difference between the fair value and the nominal value of debt securities issued and loans received represented a government grant or whether this difference should be recognized in equity.</p> <p>We compared the assumptions used by the management in determining market rates to calculate the fair value of loans received and debt securities issued with available market information.</p> <p>We assessed the rationality of the methods applied in calculating income from the use of government subsidies.</p> <p>We also assessed whether government subsidies are adequately disclosed in the financial statements.</p>

IMPORTANT INFORMATION

It is highlighted in Note 5 to the Financial Statements that the comparative figures as at December 31, 2020, January 1, 2020 and for the year ended December 31, 2020 have been restated. Our opinion has not been modified in relation to this circumstance.

OTHER INFORMATION ON COMPARATIVE INDICATORS

The Financial Statements of the Company as at December 31, 2020 and December 31, 2019 (on the basis of which the Statement of Financial Position as at January 1, 2020 was prepared) and for the years then ended, except for the adjustments described in Note 5 to the Financial Statements, were audited by other auditors whose reports dated February 25, 2021 and April 10, 2020 contained unmodified opinions on those Statements.

Our audit of the Financial Statements as at December 31, 2021 and for the year then ended included the adjustments described in Note 5, applied to the restatement of comparative indicators as at December 31, 2020 and for the year then ended, and the Statement of Financial Position as at January 1, 2020. We have not been engaged to audit, review or perform any procedures with respect to the Financial Statements of the Company for the years ended December 31, 2020 and December 31, 2019, except for the procedures with respect to adjustments described in Note 5 to the Financial Statements. Accordingly, we do not express an opinion or any other form of assurance on those Financial Statements as a whole. However, in our opinion, such adjustments are appropriate and have been properly applied.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information contained in the Annual Report 2021, but does not include the Financial Statements and our auditor's opinion thereon. The Annual Report for 2021 is expected to be available to us after the date of this auditor's opinion.

Our opinion on the financial statements does not cover the other information and we will not provide any form of assurance conclusion on that information.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether there are material inconsistencies between the other information and the financial statements or our knowledge obtained during the audit, and does not contain or other information that may otherwise be material misstatements.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing information related to going concern, as appropriate, and for reporting on the going concern basis, unless management intends to liquidate the Company, cease its activities or when it has no other viable alternative than liquidation or termination of activities.

Those responsible for corporate governance are responsible for overseeing the preparation of the Company's financial statements.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of those financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. In addition, we carry out the following:

- identify and assess the risks of material misstatement in the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained prior to the date of our audit report. However, future events or conditions may cause the Company to lose its ability to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and have informed them of all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, any actions taken to deal with threats or hazards.

From the matters communicated to those responsible for corporate governance, we identify those matters that have been the most significant in the audit of the Financial Statements in the current period and are therefore the key audit matters. We describe these matters in our audit report unless the public disclosure of these matters is prohibited by law or regulation or, in extremely rare circumstances, we conclude that a matter should not be reported as it might reasonably be expected that the adverse consequences of reporting the matter would exceed the public interest benefits of reporting it.

Head of the assignment resulting in the issuance of this Independent Auditor Report:

A.A. Urdabayeva

Certified Auditor of the Republic of Kazakhstan

Auditor's Qualification Certificate No. MF-000096 dated August 27, 2012

KPMG Audit LLP

State Audit License No. 000021, issued by the Ministry of Finance of the Republic of Kazakhstan on December 6, 2006

S.A. Dementiev

General Director of KPMG Audit LLP, acting on the basis of the Charter

May 18, 2022

9.2 STATEMENT OF FINANCIAL POSITION AS OF 31.12.2022

KZT thous

	Note	December 31, 2021	December 31, 2020 (adjusted)	January 1, 2020 (adjusted)
Активы				
Cash and cash equivalents	7	102,853,173	75,643,105	48,578,130
Loans issued to banks	8	12,708,512	14,941,678	45,063,483
Loans issued to customers	9	665,016,227	449,226,953	361,783,687
Finance lease receivables	10	9,626,642	—	
Assets held for sale		1,601,806	3,409,307	1,880,310
Investment securities		839,325	670,250	604,896
Investment immovable property	11	3,128,638	438,163	447,821
Fixed assets		1,425,804	314,557	367,500
Intangible assets		624,683	245,064	254,653
Short-term corporate income tax assets		1,785,126	—	—
Deferred corporate income tax assets		—	362,905	2,370,077
Other assets	12	6,875,042	2,286,977	3,950,687
Total assets		806,484,978	547,538,959	465,301,244
Liabilities				
Debt to the Shareholder	13	94,260,422	164,128,030	155,214,588
Funds of credit institutions		—	—	9,876,118
Debt securities issued	14	196,654,238	164,197,490	86,340,978
Debt to state and budgetary organizations	15	166,814,395	44,770,133	36,435,103
Short-term estimated liabilities		1,205,120	447,545	135,976
Current corporate income tax liabilities		—	49,345	135,976
Deferred corporate income tax liabilities	17	6,614,451	—	—
Government subsidies	18	40,515,010	12,471,564	21,251,923
Other liabilities	16	29,731,901	1,737,203	2,260,291
Total liabilities		535,795,537	387,801,310	311,888,000
Equity				
Share capital	19	254,366,870	167,809,534	167,809,534
Reserve capital	19	11,237,766	5,339,751	5,339,751
Retained earnings/ (accumulated losses)		5,084,805	(13,411,636)	(19,736,041)
Total equity		270,689,441	159,737,649	153,413,244
Total liabilities and equity		806,484,978	547,538,959	465,301,244
Book value of one ordinary share (in KZT)				
		1,066.85	948.65	910.98

9.3 STATEMENT OF PROFIT OR LOSS

KZT thous

For the twelve months
ended December 31,

	Note	2021	2020 (adjusted)
Interest income calculated using the effective interest rate method			
Cash and cash equivalents		5,374,199	5,667,631
Loans issued to banks		3,925,001	6,529,589
Loans issued to customers		68,920,438	57,369,862
Investment securities		65,042	65,502
		78,284,680	69,632,584
Other interest income			
Finance lease receivables		45,684	—
		78,330,364	69,632,584
Interest expenses			
Debt to the Shareholder		(10,513,105)	(12,597,806)
Debt to the Government of the Republic of Kazakhstan		(5,717,712)	(5,293,600)
Debt to state and budgetary organizations		(5,183,328)	(3,588,080)
Funds of credit organizations		—	(59,203)
Debt securities issued		(18,619,070)	(10,596,697)
Other liabilities		(27,145)	(40,192)
		(40,060,360)	(32,175,578)
Net interest income		38,270,004	37,457,006
Credit loss expenses	20	(77,530)	(4,115,936)
Net interest income less credit loss expenses		38,192,474	33,341,070
Net income/(loss) from foreign exchange operations		9,089	(710)
Personnel costs	21	(4,373,762)	(3,594,708)
Other administrative expenses	21	(2,635,235)	(2,180,486)
Net loss on modification of financial assets valued at amortised cost		(62,913)	(2,430,216)
Other expenses	22	(20,232,159)	(2,434,065)
Non-interest expense		(27,294,980)	(10,640,185)
Profit before tax		10,897,494	(10,640,185)
Corporate income tax expenses	17	(2,202,454)	(4,097,000)
Profit for the year		8,695,040	18,603,885

9.4 CONSOLIDATED INCOME STATEMENT

KZT thous

For the twelve months
ended December 31,

	Note	2021	2020 (adjusted)
Profit for the year		8,695,040	18,603,885
Other comprehensive income for the year		—	—
Total comprehensive income per year		8,695,040	18,603,885



9.5 STATEMENT OF CHANGES IN EQUITY

	Note	Share capital
Submitted earlier as of December 31, 2019		167,809,534
Adjustment	5	—
Adjusted as of January 1, 2020		167,809,534
Total comprehensive income for the year, adjusted		—
Income from initial recognition of loans received from the Shareholder, at fair value, net of tax	13	—
Distribution to the Shareholder, net of tax		—
Declared dividends	19	—
As of December 31, 2020, adjusted		167,809,534
Submitted earlier as of December 31, 2020		167,809,534
Adjustment	5	—
Adjusted as of January 1, 2021		167,809,534
Total comprehensive income per year		—
Increase in share capital	19	6,186,092
Capital contributions (issue of shares) related to business acquisitions	6, 19	80,371,244
Income from initial recognition and modification of loans received from the Shareholder, at fair value, net of tax	13	—
Increase in reserve capital	19	—
Distribution to the Shareholder	14	—
Dividends paid	19	—
Other		—
As of December 31, 2021		254,366,870



KZT thous

Additional paid-in capital (adjusted)	Reserve capital	Provision for conditional distribution (adjusted)	Retained earnings/ (accumulated losses) (adjusted)	Total
58,624,854	5,339,751	(67,467,287)	4,530,893	168,837,745
(58,624,854)	—	67,467,287	(24,266,934)	(15,424,501)
—	5,339,751	—	(19,736,041)	153,413,244
—	—	—	18,603,885	18,603,885
—	—	—	5,435,127	5,435,127
—	—	—	(1,680,571)	(1,680,571)
—	—	—	(16,034,036)	(16,034,036)
—	5,339,751	—	(13,411,636)	159,737,649
70,446,355	5,339,751	(84,687,953)	8,156,906	167,064,593
(70,446,355)	—	84,687,953	(21,568,542)	(7,326,944)
—	5,339,751	—	(13,411,636)	159,737,649
—	—	—	8,695,040	8,695,040
—	—	—	—	6,186,092
—	—	—	311,872	80,683,116
—	—	—	33,375,744	33,375,744
—	5,898,015	—	(5,898,015)	—
—	—	—	(4,744,781)	(4,744,781)
—	—	—	(13,762,035)	(13,762,035)
—	—	—	518,616	518,616
—	11,237,766	—	5,084,805	270,689,441

9.6 CASH FLOW STATEMENT

KZT thous

For the twelve months
ended December 31,

	2021	2020
Cash flow from operating activities		
Interest received	5,374,199	5,667,631
Interest paid	3,925,001	6,529,589
Personnel costs paid	68,920,438	57,369,862
Other operating expenses paid	65,042	65,502
Cash flows from operating activities before changes in operating assets and liabilities	10,671,797	15,844,516
Net increase/(decrease) in operating assets		
Loans issued to banks	3,355,671	31,290,430
Loans issued to customers	(58,986,754)	(92,486,705)
Other assets	674,039	762,552
Net increase/(decrease) in operating liabilities		
Government subsidies	10,916,435	3,598,786
Other liabilities	(2,537,985)	(1,264,228)
Net cash used in operating activities before corporate income tax	(35,906,797)	(42,254,649)
Corporate income tax paid	(5,920,766)	(3,716,566)
Net cash use in operating activities	(41,827,563)	(45,971,215)
Cash flow from investing activities		
Purchase/acquisition of fixed assets	(33,726)	(95,521)
Acquisition of intangible assets	(59,572)	(22,585)
Proceeds from merger (Note 6)	46,644,824	—
Net cash inflow/(use) in investing activities	46,551,526	(118,106)
Cash flow from financing activities		
Proceeds from borrowings from the Government of the Republic of Kazakhstan	70,000,000	70,000,000
Repayment of loans from the Government of the Republic of Kazakhstan	(70,000,000)	(70,000,000)
Repayment of loans from credit institutions	—	(9,800,000)
Proceeds from loans from a Shareholder	18,591,199	33,523,182
Repayment of loans from a Shareholder	(52,182,190)	(20,533,889)
Debt securities issued	83,951,457	76,206,439
Repayment of debt securities issued	(38,988,349)	—
Proceeds from loans from state and budgetary organizations	35,029,196	12,856,780
Repayment of borrowed funds from state and budgetary organizations	(10,152,235)	(3,066,250)
Dividends paid	(13,762,035)	(16,034,036)
Net cash flow from financing activities	22,487,043	73,152,226
Effect of expected credit losses on cash and cash equivalents	(938)	2,070
Net change in cash and cash equivalents	27,210,068	27,064,975
Cash and cash equivalents at the beginning of the year	75,643,105	48,578,130
Cash and Cash Equivalent at end of year	102,853,173	75,643,105

ABBREVIATIONS



AIC – Agro-Industrial Complex

STB – second-tier banks

SUB – subsidiary joint-stock companies

KAF – KazAgroFinance JSC

Ctl – cattle

CP – credit partnership

PF – peasant farm

LC – leasing companies

LEA – local executive authorities

SC – small cattle

MCI – monthly calculation index

MFOs – microfinance organizations

Company – Agrarian Credit Corporation JSC

UNDP – United Nations Development Programme

RIC – Regional Investment Center

IAS – Internal Audit Service

ISS – Information Security Service

ACs – agricultural cooperatives

APs – agricultural producers

Fund – Fund of Financial Support for Agriculture JSC

FE – farm enterprise

ERP 1C – 1C Enterprise 8.3

CONTACTS

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ZHAMBYL REGION

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- **Tel.:** +7 701 006 12 18
- **E-mail:** info-trz@agrocredit.kz

WEST KAZAKHSTAN REGION

- **Address:** 27/2 Mukhit St., BCC bldng., 3-4 floor, Uralsk
- **Tel.:** +7 701 006 11 75
- **E-mail:** info-zko@agrocredit.kz

KARAGANDA REGION

- **Address:** 40 Shakhterov Ave., Miras Business Center, Karaganda
- **Tel.:** +7 701 006 12 38
- **E-mail:** info-krq@agrocredit.kz

KOSTANAY REGION

- **Address:** 39 Tauelsizdik St., 3-4 floor, Kostanay
- **Tel.:** +7 701 006 12 57
- **E-mail:** info-kst@agrocredit.kz

KYZYLORDA REGION

- **Address:** 123 Korkyt ata St., 3 floor, Kyzylorda
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- **E-mail:** info-kzlorda@agrocredit.kz

MANGISTAU REGION

- **Address:** 29 Microdistrict, bldng. 225, Sultan BC, 3 floor, Aktau
- **Tel.:** +7 701 006 13 18
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BRANCH IN NUR-SULTAN

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- **Tel.:** +7 701 006 16 37
- **E-mail:** info-ast@agrocredit.kz

PAVLODAR REGION

- **Address:** 16 Lugovaya St., House of Investors BC, Pavlodar
- **Tel.:** +7 701 006 16 02
- **E-mail:** info-pvl@agrocredit.kz

NORTH KAZAKHSTAN REGION

- **Address:** 31a Buketova str., Alem BC, 2 floor, Petropavlovsk
- **Tel.:** +7 701 006 15 87
- **E-mail:** info-sko@agrocredit.kz

SEPARATE PREMISES IN SEMEY

- **Address:** 40a Shakarim Ave. (3 floor), Izumrud BC, Semey
- **Tel.:** +7 701 006 11 69
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TURKESTAN REGION

- **Address:** 33B Bekzat Sattarkhanov St., Turkestan
- **Tel.:** +7 701 006 13 15
- **E-mail:** info-turkestan@agrocredit.kz

BRANCH IN SHYMKENT

- **Address:** 3/3 Kunaev Ave., 1-2 floor, Al-Farabi district, Shymkent
- **Tel.:** +7 701 006 13 08
- **E-mail:** info-shymkent@agrocredit.kz



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