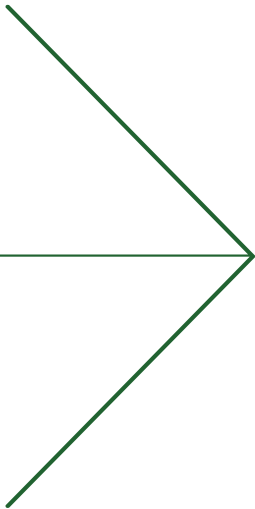


AGRO CREDIT



**WE
MAKE
FOOD**



ANNUAL
REPORT

2018



ANNUAL
REPORT
2018



About the report

This Annual Report of the Agrarian Credit Corporation Joint-Stock Company for 2018 (hereinafter referred to as the Report) contains the results for the reporting period from January 1, 2018 to December 31, 2018.

The report highlights the main results of operating and financial activities, the implementation of strategic goals and objectives, provides information on the corporate governance of the company, including the activities of the Board of Directors and the Board, reveals risk management issues, as well as aspects of social policy. Additionally marketing and quality management systems are covered.

Financial data is presented in the Report in accordance with the consolidated financial statements under IFRS.

This Report has been prepared in accordance with the requirements of the Listing Rules of Kazakhstan Stock Exchange JSC (Appendix 5.8) to the annual report of the listed company.

We will continue to work on the development of annual reporting and expand the application of GRI standards so that all interested parties receive the necessary and relevant information about our activities.

When creating the Annual Report, materials from the Committee on Statistics of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan were used.





Nurlan Mamyrov
“Agro Impex Alatau” LLP
in Almaty region



In 2018, 17 greenhouse complexes of total an area of 54 ha, total production capacity

28 614 tons per year



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1 COMPANY PORTRAIT



Address by the Chairman of the Board

**Sarybaev Narmukhan
Kalmakhanovich**

Chairman of the Board of Agrarian
Credit Corporation JSC

In the Message to the people of Kazakhstan for 2018, the Head of State paid special attention to the agro-industrial complex. It was instructed to fully realize the potential of the Agro-industrial complex (hereinafter - the AIC).

This year, the agrarian sector of Kazakhstan, like no other sector of the economy, was waiting for major changes and transformations. The year 2018 is marked by the obvious progress of Kazakhstan in the segment of export of its agricultural products.

The main focus of the Company's activities is the development of the agro-industrial complex of the republic through affordable credit programs. The support is carried out in priority areas of agricultural production, defined in the framework of the State Program for the Development of the AIC for 2017–2021, approved by the Decree of the President of the Republic of Kazakhstan dated February 14, 2017.



In 2018, we exceeded the volume of loans issued by 69% compared with last year, while increasing the share of funding of financial institutions from 39% to 51% of the total.

Implementing the industry program adopted in 2018 for the development of meat cattle breeding for 2018–2027 (hereinafter referred to as the Program), the Company became the operator of the “Sybaga” credit program for breeding large and small beef cattle. According to the results of 2018, the Company financed applications for the purchase of 30,748 heads of pedigree cattle for a total of 18,484 billion tenge, 14 feedlots for the purchase of 41,228 heads of cattle for a total of 8.4 billion tenge.

This year, for the first time, we launched the “Favorable Repayment” campaign, allowing those who have a delay to repay only the principal debt. As a result, 57 borrowers repaid the debt of 226 million tenge, and we have written off 19 million tenge of interest and fines. Next year we plan to continue this action.

Effective activity, development of new promising areas, achievement of key indicators, improvement of values and building a strong internal culture - this will be the year 2018 remembered for Agrarian Credit Corporation JSC and its team.

In conclusion, I want to express my sincere gratitude to our agricultural producers, partners, and employees of the Company for their joint work, for creative work for the benefit of the development of the agricultural sector of the country.



Agrarian Credit Corporation JSC today

Agrarian Credit Corporation JSC (hereinafter referred to as the Company) is a development institution through which agricultural producers are financed both through the branch network and through funding of financial institutions - credit partnerships, second-tier banks, leasing companies and microfinance organizations.

The Company's strength is 17 years of experience in financing the agricultural industry, the presence of a broad client base, infrastructure, closest to the places of agricultural production - 202 credit partnerships, 16 branches.

At the end of 2018, the Company's loan portfolio increased from 247.1 billion tenge to 372.3 billion tenge. The volume of lending through funding of credit partnerships (CT), microfinance organizations (MFIs), second-tier banks (STB) and leasing companies (LC) was 51%.

The volume of lending to end borrowers - subjects of the agro-industrial complex in 2018 amounted to 258.7 billion tenge.

According to the results of 12 months of 2018, 7,390 units of agricultural producers were financed by the Company's lending programs.

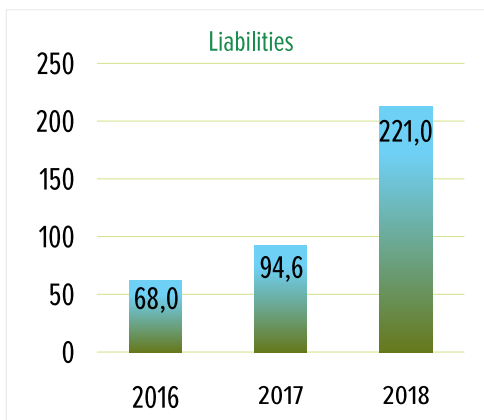
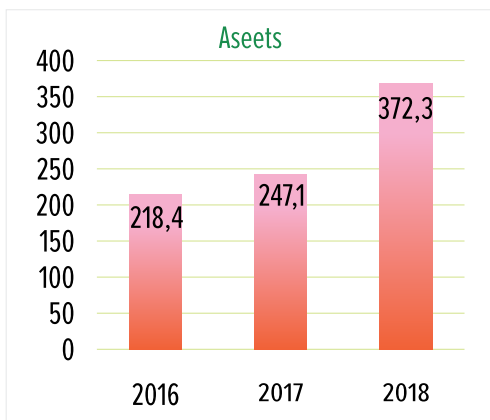
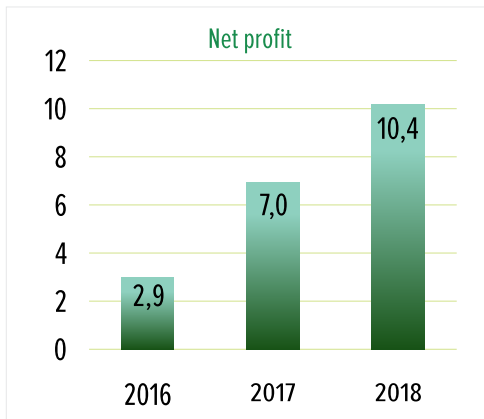
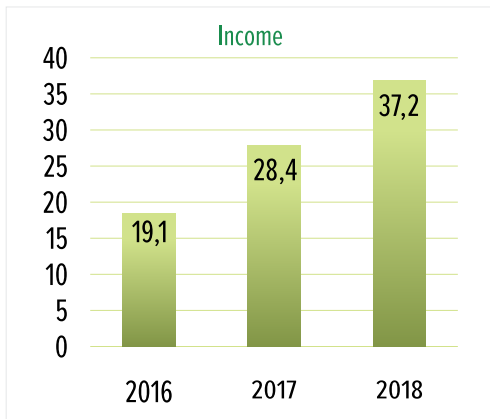
On July 3, 2018, the international rating agency S & P Global Ratings confirmed the long-term / short-term credit ratings of the Company at the level of "BB / B", as well as the national scale rating of "kzA". The outlook for the long-term rating is stable.

In 2018, for the first time, the Fitch Ratings international rating agency assigned the Company a long-term foreign and national currency issuer default rating (IDR) of "BB +" and national long-term rating of "AA" (kaz).



Sustainable development

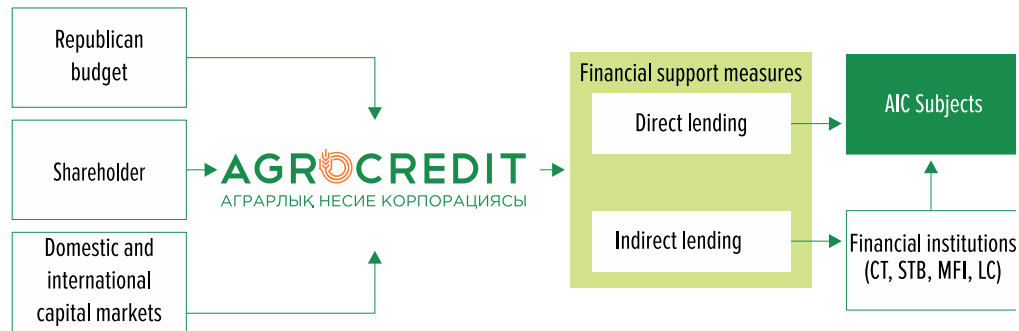
	2016 year	2017 year	2018 year
Income	19,1	28,4	37,2
Costs	15,3	20,0	23,8
CIT	0,8	1,4	3,0
Net profit	2,9	7,0	10,4
Equity	150,4	152,6	151,3
Authorized capital	158,6	158,6	158,6
Assets	218,4	247,1	373,3
Liabilities	68,0	94,6	221,0



Key indicators of the Company's Development Strategy (quantitative or qualitative)	Unit of measurement	Plan	Fact	Fulfillment, %
The volume of lending to the agro-industrial complex under the Company's financing programs	Billion tenge	182,5	258,7	142%
Number of users of services under the Company's financing programs	units	24 077	25 794	107%
The share of funding of financial institutions in the total amount of the Company's lending, no less than	%	55,0	51,0	93%
Number of investment projects, including those financed through STB and LK	units	29,0	62,0	293%
Coverage of consulting and other non-financial support for SHTP	%	0,5	0,5	100%
Share of financial institutions (STB, KT, MFO, LC) that received consulting and other types of non-financial support	%	35	35,0	100%
Financial leverage ratio	%	<3	1,5	100%
Maintaining the optimal level of formed reserves for the loan portfolio at the level of (not more than,%)	%	13,5	13,4	100%
Labor productivity of the main business process	Billion tenge	739,0	1 047,3	142%
Corporate Governance Rating of the Company	%	75,0	78,6	100%
Human Resource Index	%	0,83	0,9	108%



Business model and organizational structure



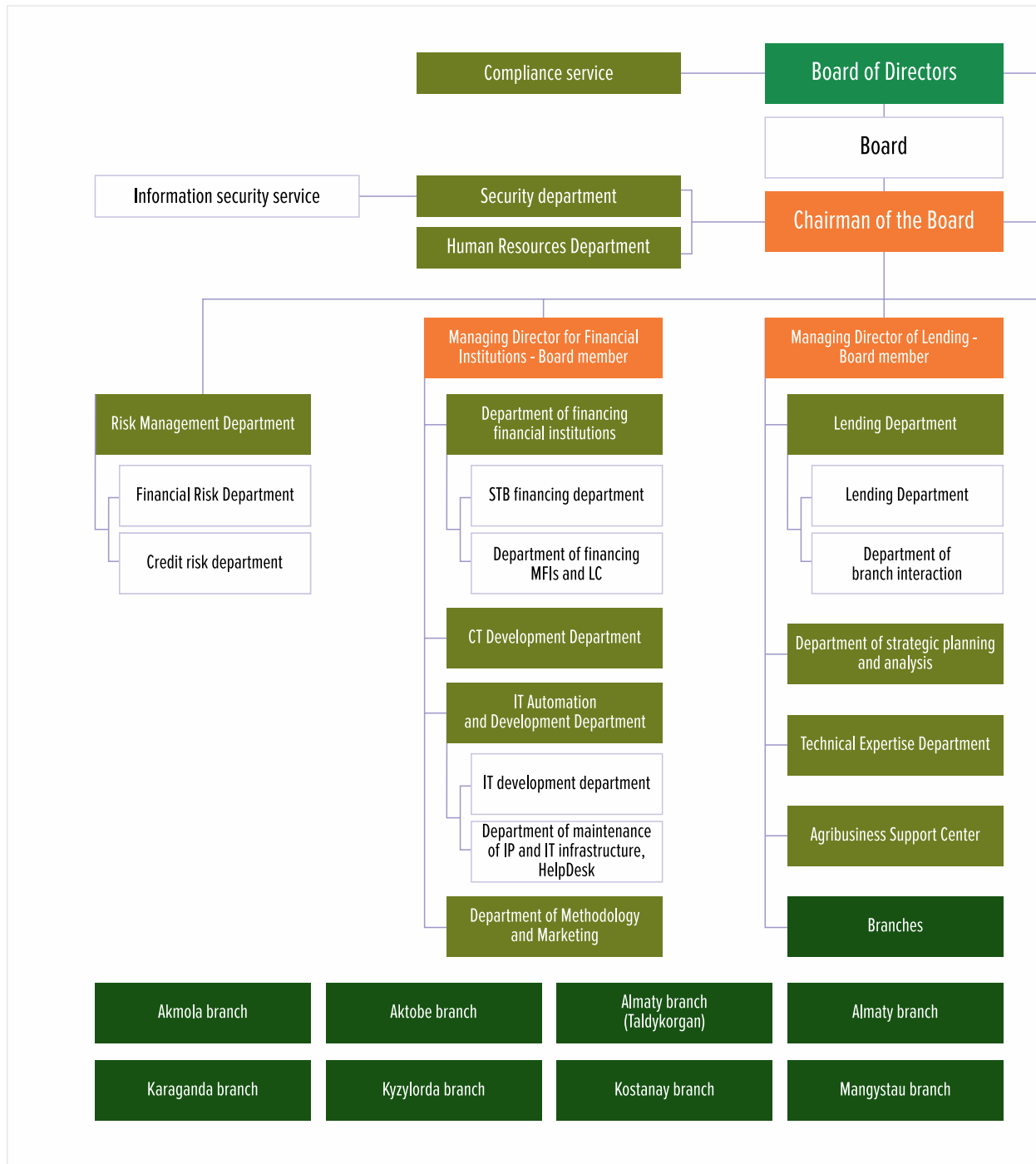
The organizational structure of the Company was approved by the decision of the Board of Directors of Agrarian Credit Corporation JSC dated October 31, 2018 No. 17.

The total number of staff on 01/01/2019 - 399 units. (CA - 165 units, branches - 234 units)

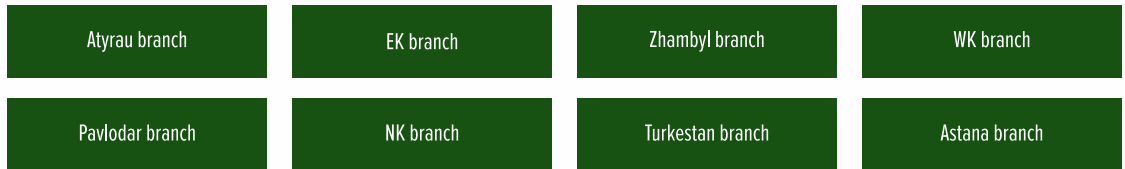
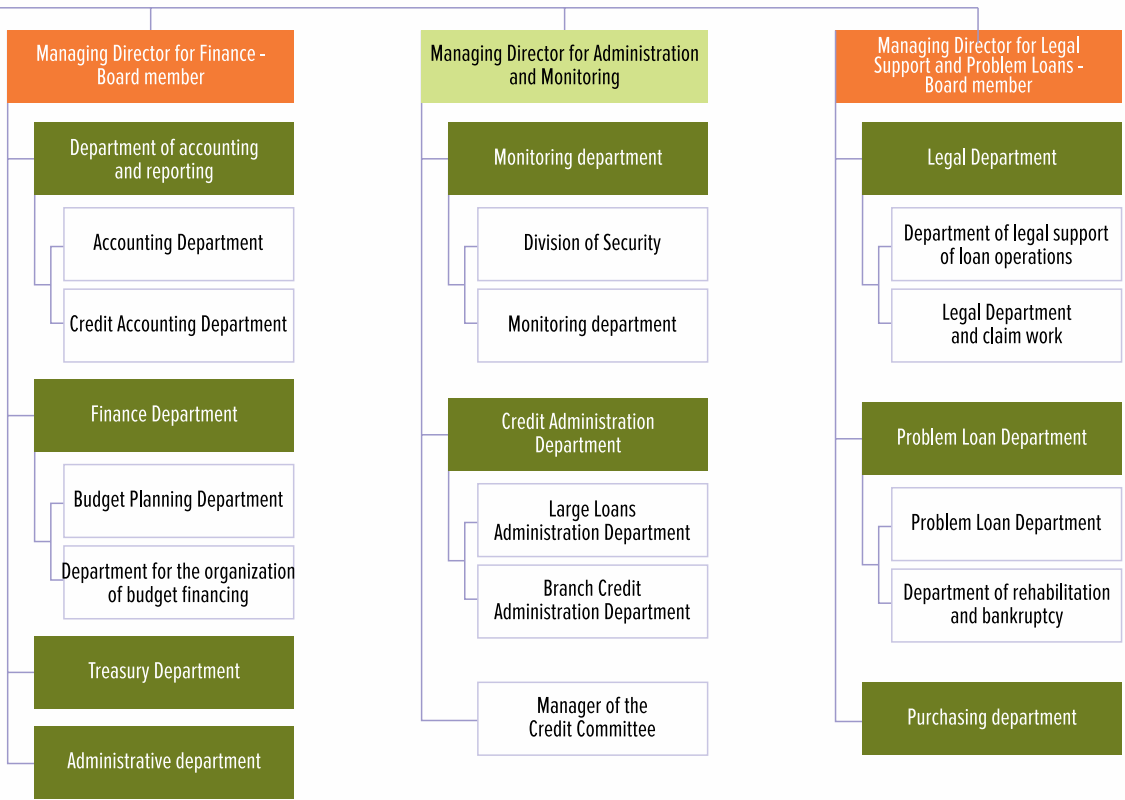
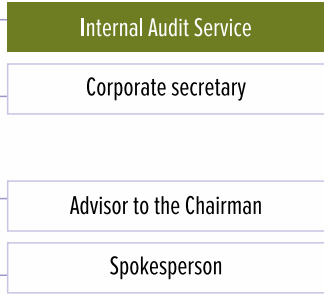
The organizational structure of the Company is approved by a decision of the Board of Directors. In order to improve the organizational structure of the Company and improve management efficiency, in 2018 the optimization of structural units in the areas of the Company's activities continued:

- the Company established a branch in the city of Nur-Sultan, the Financial Institutions Financing Department with structural subdivisions of the STB Financing Division, the MFI and LC Financing Division, the Agribusiness Support Center, the Analysis and Summary Reporting Division was converted to the Strategic Planning and Analysis Division and removed from the Finance Department The Strategy Division was reorganized into the Budget Finance Division and the structure of the Financial Department, the Department of Lending and Corporate Development business was reorganized into the Department of Lending with structural subdivisions, the Department for Interaction with Branches, the Department for Lending, the Administrative Department was reorganized into the Department of Human Resources Management with the introduction into separate structural units of the Administrative and Economic Department, the Procurement Division, introduced into a separate structural unit. Marketing and PR merged with the Methodology Department and transformed into the Methodology and Marketing Department, in the Department of Automation and IT development has created an IT development department, an IP and IT infrastructure support department, HelpDesk, and a risk management department withdrawn from the jurisdiction of the Board of Directors under the Management Board of the Company, the Compliance Service has been transferred to the Board of Directors jurisdiction.





The organizational structure Agrarian Credit Corporation JSC



Investor Communications

In the framework of increasing the investment attractiveness, the Company strives to maintain a constant direct dialogue with investors, basing its work on the basic principles of the Corporate Governance Code, by providing additional information, explanations and official comments on the current state of affairs, information necessary for conducting financial analysis of activities, adopting balanced investment making. In 2018, meetings were held with the following potential investors:

- Asian Development Bank;
- The World Bank;
- Islamic Corporation for the Development of the Private Sector (ICD);
- European Investment Bank;
- Halyk Finance, BCC Invest and other investment banks

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As part of working with Islamic instruments in 2018, the Company's Charter added a type of activity regarding financing using Islamic financial instruments.

Active work was carried out with Roseximbank JSC, where the current account was opened, as well as a certificate of the Company's registration with the tax authorities of the Russian Federation was received.

In addition, repeated meetings were held with representatives of the United Nations Development Program in the Republic of Kazakhstan (hereinafter referred to as UNDP), who implemented the project "Support Readiness of the Republic of Kazakhstan (hereinafter referred to as the Project) for interaction with the Green Climate Fund" (hereinafter referred to as the CCF).

The GCF is a global fund created to support countries' efforts to reduce greenhouse gas emissions and adapt to climate change.

The main objective of the Project is to provide support to the Government of the Republic of Kazakhstan for attracting GCF resources to Kazakhstan and for creating in Kazakhstan procedures, rules and a monitoring system for projects funded by the GCF.



In 2018, the Company, in order to improve corporate governance, attracted Expert Rating Agency Kazakhstan RA LLP, which provided services for diagnosing the level of corporate governance and assigning a corporate governance rating.

According to the results of the events, the Company was assigned the rating of CGS 6 "Developed Corporate Governance Practice" - "The Company complies with the requirements of Kazakhstan legislation in the field of corporate governance, follows certain recommendations of international best corporate governance practices. The company is characterized by acceptable risks of loss of owners associated with the quality of management. «

Information for investors, including press releases, is posted on the Russian and English versions of the Company's corporate website on the Internet <http://www.kazagro.kz/web/acc/about>.



For 2018, "Agrarian Credit Corporation" JSC funded
for the purchase of 30 748 heads of breeding cattle for the total amount

18 484 billion tenge





Farid Abitayev

“Astana Business” LLP
in the East Kazakhstan region

2 STRATEGIC REPORT

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Address by the Chairman of the Board of Directors

Dzhugashev Asylkhan Bolatovich

Chairman of the Board of Directors of
Agrarian Credit Corporation JSC

At the end of 2017, a new Company's Development Strategy for 2017–2026 was adopted.

The new development strategy, along with the improvement of the Company's operating activities, set a goal to broadly develop partnerships with financial institutions and increase the share of indirect financing. The main goal is to reduce the share of direct financing of projects, and even more - to phase out this practice.

In this direction, we have achieved significant results: in 2018, the share of funding of financial institutions was 51% of the total lending. We plan to continue working to reduce the share of direct financing of projects, at least to keep the level of last year.

The society in every possible way contributes to the sustainable development

of the country's agro-industrial complex through an accessible and effective system of financing by involving private financial institutions and enhancing the competence of the subjects of the agro-industrial complex.

The company's performance in 2018 was confirmed by the ratings of international agencies - significant events had a positive effect on the company's credit ratings. The international rating agency Fitch Ratings assigned the Company a long-term issuer default rating (IDR) in foreign and national currencies at the level of «BB +» and the national long-term rating of «AA (kaz)».

In turn, the Board of Directors, possessing knowledge in the field of management, strategic and financial planning and experience in the field of agriculture, contributes to the overall development of the Company through effective management tools. It should be noted that half of the members of the Board of Directors are formed by independent members, which makes it possible to make objective and balanced decisions in order to improve the structure, processes and transparency of the Company's activities.

I am sure that Agrarian Credit Corporation JSC will keep its development dynamics and will continue to adhere to a given strategic course, to be a reliable conductor of state support for the agricultural sector.



Industry Overview

According to the Statistics Committee of the Republic of Kazakhstan, gross output of agricultural products (services) in January-December 2018 amounted to 4,388.6 billion tenge, including gross production of plant growing - 2,331.8 billion tenge, gross production of animal husbandry - 2 044.9 billion tenge, services in the field of agriculture - 11.8 billion tenge.

In the framework of the Head of State's Address "New development opportunities in the conditions of the fourth industrial revolution", the agro-industrial complex was tasked to increase productivity and export of processed agricultural products by 2.5 times.

The Ministry of Agriculture of the Republic of Kazakhstan in 2018 carried out work on the adjustment of the current State program for the development of the agro-industrial complex of the Republic of Kazakhstan for 2017-2021 with the involvement of representatives of agribusiness, non-governmental organizations.

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On the basis of key indicators and program activities in accordance with the standards of project management, long-term sectoral programs have been developed with a implementation period of 10 or more years in the main areas of the agro-industrial complex.

These are programs for the development of meat and dairy cattle breeding, poultry farming, irrigated land.

The basis of the Program for the development of beef cattle breeding will be small farms in the form of family farms, and will be built in the form of anchor cooperation consisting of farms for raising cattle, industrial feedlots and modern meat processing complexes. It is planned to create more than 80 thousand family farms occupied with cattle, sheep and horse breeding, expanding the area of used pastures from 58 million hectares to 100 million hectares, increasing the number of cattle to 15 million heads, sheep to 30 million heads.

Separate support conditions will be offered to the project participants: priority allocation of land, concessional lending to farms for the purchase of livestock, the purchase of machinery and equipment, and the creation of pasture infrastructure.

The program of dairy farming will also be built on the principle of anchor



cooperation consisting of family farms for the production of milk, industrial dairy farms and modern dairies. By 2027, it is planned to increase the number of family farms from 380 to 930, large ITF from 108 to 170, and milk plants from 163 to 174. Separate support measures will also be offered for the project participants. As a result, the task is to increase the volume of milk production by 2027 by 1 million tons.

The Poultry Development Program provides for the construction of new ones, the reconstruction and modernization of existing enterprises, as well as increasing the productivity of meat and egg poultry.

In plant cultivation a list of basic measures is defined - the availability of high-quality seeds, technical equipment, precision farming, the use of fertilizers and plant protection products, diversification, the introduction of irrigated land into circulation.

In general, the State Program provides for the implementation of 10 tasks. These are food security, availability of financing, optimal taxation, increased efficiency in the use of land and water resources, accessibility of sales markets and export development, agricultural science, technology transfer and the development of the competences of agribusiness entities, technical equipment and production intensification, quality of public services and digitalization, development rural areas.

In general, by the end of 2018, the volume of gross agricultural output increased by 3.5%, food products - by 1.6%. The inflow of investments in fixed assets in agriculture increased by 14.2%, in food production - by 27.3%.

In crop production in the framework of diversification in 2018, the gross yield of oil seeds amounted to 2.7 million tons. At the same time, for the production of flax, Kazakhstan took the first place in the world for the first time, bringing its volume to 930 thousand tons. Of the harvested grain crops in the amount of 20.3 million tons (with a yield of 13.5 q / ha), 11.7 million tons of grain were sent for export, including flour, which is 33% more than in 2017. This is a record export for the years of independence of Kazakhstan.

Great results have been achieved in animal husbandry. Since the second half of 2018, the implementation of the animal husbandry program began. Its basis is small and medium enterprises. A special preferential credit product "Sybaga" was launched. For 6 months, received loans and entered the program more than 600 family meat farms. As a result, in 2018, according to statistics, exports of all meat amounted to 18.7 thousand tons, including beef



4.7 thousand tons, exceeding the level of 2017 more than 3 times.

As part of the development of dairy farming in 2018, 25 dairy farms were introduced. Of these, 7 industrial and 18 family with a total capacity of more than 6.0 thousand heads. As a result, the volume of milk production in organized farms in 2018 alone amounted to 1.5 million tons, which is 7.6% more than in 2017.

More than 5.6 billion chicken eggs were produced in the poultry industry, which is almost 10% more than in 2017. For the first time, 671 million eggs were exported, which is almost 2 times more than in 2017. 191 thousand tons of poultry meat was produced, which is 6.3% more than in 2017.

One of the key objectives of the state program is to ensure the availability of markets and export development.

The total exports of agricultural products in 2018 increased by 24.5%, including exports of processed products increased by 3.5%.

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The availability of funding for the subjects of the agro-industrial complex will be decided through 8 specific activities. This is the recovery of interest rate subsidies; improvement of investment subsidies; introduction of agrarian receipts; increasing the efficiency of subsidies; funding of financial institutions through KazAgro NMH JSC; improvement of agricultural insurance; development of a system of credit partnerships; development of guarantee institutions.



Analysis of the competitive environment and consumers of the Company's services

Fluctuation in the tenge rate, the opening of the AIFC and the liquidation of banks, the inconstancy of the priorities of state support in the agricultural sector - the year 2018 in the economy was intense.

Among other events that took place in the country's economy last year, the adoption of the President's plan "Five Social Initiatives" and the strategic development plan "Kazakhstan-2025", the introduction of the new tax code of Kazakhstan, the completion of the merger of KKB and Halyk Bank, the revocation of licenses of three banks, the launch of the International Financial Center.

Despite the fact that the country's economy is out of the crisis, its growth is below pre-crisis levels, and the quality of growth remains weak. The main weaknesses of the Kazakh economy are its sluggish diversification, the instability of the course direction, dependence on oil and the unimportant quality of institutions. Analysts at Fitch Ratings forecast GDP growth in 2019, up to 3.8%. As internal factors that can push growth, Fitch Ratings cites the adopted state programs, including the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021. But from a macroeconomic point of view, Fitch Ratings reports three structural weaknesses characteristic of Kazakhstan: "the first is the institutional aspect, the second is the lack of structural transformation, which has led to an exclusive dependence on raw materials, the third is the possibilities for diversifying the economy".

Experts characterize the outgoing year by the continuing decline in the role of the banking system in the development of the economy of Kazakhstan. The loan portfolio of the banking sector at the end of October of the current year amounted to 23% of GDP, decreasing consistently from 26% in 2017 and from 33% in 2016. According to Halyk Finance experts, this situation develops as a result of the persistence of structural problems in the economy, the dominance of the commodity sector with the weak SME segment, accumulated internal problems of the banking system, and a significant predominance of the state in the economy - 68%, taking into account the UAPF.



According to the National Bank of Kazakhstan, in January-December 2018, the portfolio of loans to support the agricultural sector amounted to 112.04 billion tenge, while their share is 0.8% of all loans (13,460.4 billion tenge).

According to the information of "National Managing Holding "KazAgro" JSC in 2018, the subsidiary credit organizations of the agro-industrial complex were financed in the amount of 385.2 billion tenge, including:

- Agrarian Credit Corporation JSC - 258.7 billion tenge;
- KazAgroFinance JSC - 72.7 billion tenge;
- JSC Fund for Financial Support of Agriculture - 53.8 billion tenge.

Access to financial resources is an essential component of the sustainable development of the agro-industrial complex. Nowadays, practically all subjects of agricultural production need cheap financing of various forms. Lending to agriculture in Kazakhstan in comparison with 2017 decreased in May 2018 by 13%.

The amount of overdue debt in the agricultural industry reached 100.5 billion tenge, which is 14.4% more than a year earlier, and now amounts to 15.9% of the portfolio against 12.1% a year ago.

Currently, the main problems of a significant part of the Company's customers hindering their full funding are high risks associated with low efficiency of agricultural activity, insufficient quality of the offered collateral, small-scale agricultural production, affecting the size of assets and production volumes.

The Company's competitors in providing services to the subjects of the agro-industrial complex are second-tier banks (hereinafter - STB), leasing companies, microfinance (microcredit) organizations (hereinafter - MFOs, MCOs), development institutions and social-entrepreneurial corporations.

Compared to other market participants, the key competitive advantages of the Company are the lower cost of lending to agricultural producers and longer financing periods due to the possibility of raising public funds to support the agro-industrial complex.

A significant difference of the Company from the STB is the concentration of credit resources in the agro-industrial complex, which determines the high impact of industry risks on the credit activities of the holding's subsidiaries.



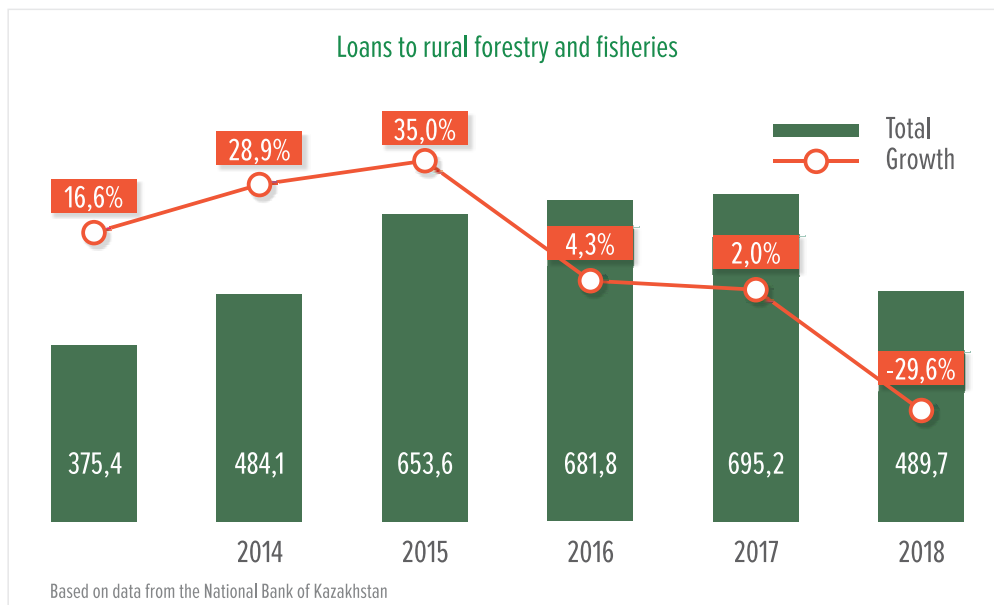
Lending market analysis

In recent years, the dynamics of changes in the share of loans to agriculture in relation to the total loan portfolio of banks shows a negative trend.

In general, by the end of May, the share of the agro-industrial complex of the loan portfolio of the Middle East Bank of Kazakhstan amounted to only 5%. For comparison, in May 2017 this figure reached 5.8%.

At the end of December 2018, the volume of loans to STB agriculture, forestry and fisheries decreased to 489.7 billion tenge, which is 29.6% less than in the same period of 2017. This is the first decline in recent years. In 2017, the amount of loans granted to agriculture amounted to 695.2 billion tenge.

Accordingly, the share of loans from the agricultural sector from loans to the economy as a whole decreased year-on-year from 5.5% to 3.7%.



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More than 95% of loans are issued to legal entities represented by large and medium agricultural producers (hereinafter referred to as agricultural producers), and only 4% of loans are granted to peasant (farmer) farms.

The average lending rate of STB is 15-22%, strict requirements for the collateral base are impossible for most agribusiness entities.

Short-term loans prevail in the structure of the STB loan portfolio, which indicates a low level of confidence in the industry from the banking sector.



In the third quarter of 2018, the National Bank revoked the licenses of three banks - Qazaq banki, Bank of Astana and Eximbank.

The revocation decisions were made due to the failure of banks to comply with prudential standards and other regulatory requirements. All three banks were members of the mandatory deposit insurance system.

According to representatives of the People's Bank, on the one hand, the bankruptcy of the listed banks was probably the inevitable consequence of weak risk management and corporate governance in these financial institutions. However, the fact that the regulator has taken such tough measures suggests that the sector has begun to recover and clean up stressful assets.

During the execution of the Development Strategy during 2018, the problem arose of not achieving the planned efficiency indicator for the share of funding of financial institutions in the total lending to the Corporation, with a plan of 55%, was actually executed by 93%, or the share was only 51%.

The deviation of 4% was affected by the unstable situation in the banking sector due to the default of 3 STBs, and the merger of two STBs.

The company provides loans to agricultural producers through credit partnerships (hereinafter - KT) with an interest rate of remuneration of an average of up to 8-9% per annum for final borrowers. Combinations of agricultural producers are credited with an interest rate of 6% per annum, non-agricultural business in rural areas from 6% per annum. The Company finances measures to support the subjects of the agro-industrial sector, including spring field and harvesting of 3-4% per annum, at the expense of the National Fund, investment projects are credited at a remuneration rate of 8% per annum.

Requirements for the mortgage base of borrowers are more benign than in the STB and take into account the peculiarities of the liquidity of the existing property of the agricultural producers.

In order to stimulate the expansion of the availability of credit resources and increase the flow of investment in the agro-industrial sector, the state program for the development of the agro-industrial sector for 2013-2020 provides for new tools to support agribusiness entities: subsidizing interest rates on loans and leasing of agricultural equipment, subsidizing partial reimbursement of expenses investments aimed at the creation of new or expansion of existing production facilities in the priority sectors of the agro-industrial complex, insurance subsidies and hectares ranting of loans of subjects of agrarian and



industrial complex before financial institutions. It also provides for a one-time financial recovery of the AIC entities, as well as funding by the group of companies of the BVU Holding, MKO and KT for the subsequent financing of the AIC entities.

New tools to support agribusiness entities provide the Company with an opportunity to increase financing for agribusiness from extrabudgetary sources.

SWOT ANALYSIS

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Availability of state financing of the Company. ● The presence of a legislative base in the field of state support for lending to agricultural production. ● A license to conduct banking operations in national and foreign currency. ● Assignment of credit ratings with Stable outlook from international rating agencies Standard & Poor's and Moody's. ● Concessional lending terms and availability of credit resources. ● Formed client base of subjects of the agro-industrial complex, accumulated experience. ● Availability of regional networks. ● A certificate of quality management system in accordance with the requirements of international standard ISO 9001: 2008. ● Application of the Corporate Governance Code. 	<ul style="list-style-type: none"> ● Owing to the global economic crisis, the budget possibilities for financing the agricultural sector have been significantly reduced. ● The national banking system is experiencing difficulties and cannot serve as a full-fledged source of resources for the development of the country's agro-industrial complex. ● The possibilities of domestic investors in international comparison are very limited in their scope and volumes of provision of investment capital for the country's agro-industrial complex. ● The limited amount of lending rates associated with budget financing. ● Underdeveloped infrastructure (automated banking system at the implementation stage). ● The Company's credit risks associated with the homogeneity of the loan portfolio, all 100% of the funds are directed to lending to the agricultural sector. ● Low profitability of financial assets does not allow to form the necessary level of provisions



Возможности	Угрозы
<ul style="list-style-type: none"> ● Ability to use the best practices and best practices of developed countries in lending to agribusiness. ● Ability to attract loans and investments from various sources, including external ones, for the development of the agro-industrial complex. ● Implementation of an automated information system with software (opera-day, credit module). ● Attracting an international audit company, which is included in the list determined by the World Bank, for quality audit of the Corporation's financial and business activities, which will increase the opportunities for the Corporation to participate in foreign and domestic markets. ● Conduct financial and accounting reporting in accordance with International Financial Reporting Standards. ● Strengthening the competitiveness of the Corporation by enhancing management and human resources. 	<ul style="list-style-type: none"> ● Dependence on natural and climatic conditions; ● Market instability of agricultural products, which is associated with world prices, determined depending on the export opportunities of the main supplying countries and the needs of consuming countries, such as cotton, wheat, and oilseeds. ● Low liquidity of collateral in rural areas determined by: <ul style="list-style-type: none"> – low demand for property held by borrowers; – lack of land market; – a high degree of depreciation of fixed assets of agriculture. ● A limited number of modern facilities for processing agricultural products. ● Lack of working capital and high depreciation of equipment in the agricultural processing industry; ● Increase in interest rates on borrowed funds due to problems in the international financial market and an increase in the inflation load. ● Adverse change in exchange rates; ● The not fully formed insurance market of production and property risks in agricultural production. ● The risk of losses due to an increase in the size of provisions for problem loans



Comparative analysis of the advantages of competitors

Name	Types of activity	Main competitive advantages
Agrarian Credit Corporation JSC	<ol style="list-style-type: none"> 1. Lending to credit partnerships; 2. Lending to rural consumer cooperatives; 3. Lending to non-agricultural entrepreneurial activities in rural areas; 4. Crediting of enterprises for the processing of agricultural and food production. 5. Lending to agricultural producers for the development of animal husbandry ("Sybaga"). 6. Crediting of investment projects. 7. Lending of activities to support the subjects of the agro-industrial complex (for spring field and harvesting). 8. Commercial lending projects in the field of agriculture. 	<ol style="list-style-type: none"> 1. Low interest rate for the final borrower no more than 10% per annum (at the expense of budget funds). 2. Sparing conditions when accepting agricultural producers' property as collateral. 3. The presence of the existing extensive network of CT for the provision of financial services in rural areas. 4. Convenience in servicing the participants of the CT at the place of their activity 5. Expansion of financial services provided by the Corporation with bringing them to villages and settlements. 6. Providing conditions for concessional lending to the SEC to address the problem of protecting their interests in marketing their products in order to increase their profitability. 7. Providing borrowers with a grace period for the repayment of interest and principal. 8. Dynamic growth of assets of the Corporation. 9. The presence of an established client base in the agricultural sector of the republic. 10. Implementation of a quality management system in accordance with the requirements of international standard MS ISO 9001-2008.
RBO	Banking services	<ol style="list-style-type: none"> 1. A wide range of banking services; 2. High level of service.



Pavel Lushchak
LLP «Naydorovskoe»
in the Karaganda region





In 2018, 6685 borrowers were funded through funding total financial institutions

132 272,3 million tenge

History of the company. Mission and vision

Agrarian Credit Corporation JSC was established according to the Resolution of the Government of the Republic of Kazakhstan dated January 25, 2001 No. 137 "On issues of lending to the agricultural sector". The pilot project involved two phases. The first is the creation of a specialized institute of Agrarian Credit Corporation JSC with one hundred percent state participation.

At the second stage, it was planned to create a network of regional financial institutions - rural credit partnerships (hereinafter - CT). The main goal of the Company was to build a CT system, including by entering into their authorized capital with a share of no more than 35%, as well as ensuring access of agricultural producers (hereinafter referred to agricultural producers) to preferential credit resources from the republican budget. The pilot project was successfully implemented, a unique credit system for agricultural producers through CT was created, which ensured the availability of credit resources to small and medium-sized agricultural producers - participants of the CT system. Since 2006, the Company's activities have been expanded with the adoption of the Law of the Republic of Kazakhstan "On state regulation of the development of the agro-industrial complex and rural territories" of July 8, 2005 No. 66 III LRK.

At present, the Company is a large financial organization operating in the field of agro-industrial complex development, implementing credit programs in priority areas of agricultural production development, defined as part of the State program for the development of agro-industrial complex of the Republic of Kazakhstan for 2017–2021, approved by the Decree of the President of the Republic of Kazakhstan dated February 14 2017 year №42.

Mission

The mission of the Company is to promote the sustainable development of the agro-industrial complex of the Republic of Kazakhstan through the formation of an affordable and effective financing system through the involvement of private financial institutions and increasing the competence of agribusiness entities.

Vision

By 2026, the Company is a key institute for the development of the agro-industrial complex with an effective business model that promotes industrialization, intensification and diversification of the agro-industrial



complex through the development of a sustainable and affordable financing system and increasing the competence of agribusiness entities and private financial institutions.

The Company, as the operator of state programs for the development of the agro-industrial complex, will implement programs by providing financing for agribusiness entities from government sources, internal and external capital markets. As an institution of development, the Company will focus on providing support in improving the economic efficiency of agribusiness entities and their financial literacy to include agribusiness entities in the financing system and the value chain of agribusiness. In order to increase the coverage of agribusiness entities with financing, the Company will contribute to the development of the institutional capacities of financial institutions through the provision of consulting and other non-financial support.

Activities

To implement its statutory goals, the Company carries out the following activities:

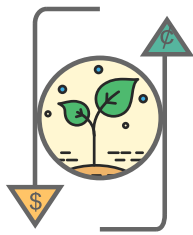
1. The implementation of bank loan operations on the basis of the appropriate license.
2. Participation in the implementation of programs to support the agricultural sector through lending.
3. Attracting domestic and foreign investment.
4. Participation in the development and implementation of investment projects in the agro-industrial complex.
5. Implementation of leasing activities.
6. Implementation of the holding activity.
7. Funding of financial institutions.



Product line in 2018



The program "Agrotehnika" - crediting of CT and LC for the subsequent financing of agribusiness entities for the purchase of new, domestic production, trailed and mounted tillage, forage equipment, equipment for processing and drying of agricultural crops, equipment for animal husbandry.



The program "Agrobusiness" - lending to agricultural producers for the replenishment of working capital, the acquisition of fixed assets and refinancing of loan debt, including through CT, STB, MFO, LC.



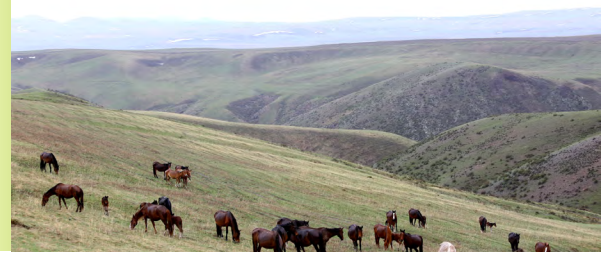
The program "Agroexport" - loans to projects with export potential, including through the second-tier banks, CT and LC.



The program "Agrocommerce" - lending to agricultural producers for the replenishment of working capital, including through CT, IFI and STB.

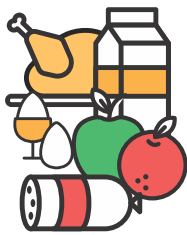


The "Agrokhalal" program - is a new instrument of Islamic financing through LC and CT for the sale of goods by installments, the sale of goods by installments with the condition of subsequent sale to a third party and the provision of a LC / CT guarantee to MEPI to finance them using Islamic financial instruments.





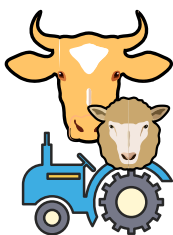
The program “Kendala” - crediting agricultural producers and agribusiness entities to carry out spring field and harvesting works directly by the Company, also through CT, MFO, RIC and BWI.



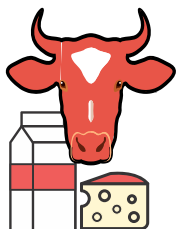
Program “Isker” - crediting of CT / MFO for the subsequent financing of final borrowers of CT / MFO for the production and processing of agricultural products; agricultural cooperatives for the organization of service and procurement services for meat, dairy and fruit and vegetable products, for the development of non-agricultural business in rural areas.



The program of lending to investment areas at the expense of funds borrowed from the National Fund of the Republic of Kazakhstan - financing priority investment areas for the acquisition of fixed assets, replenishment of working capital and refinancing of loan debt to subsidiaries of “KazAgro NMH” JSC.



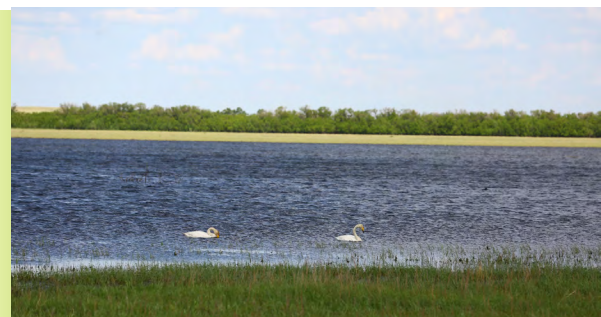
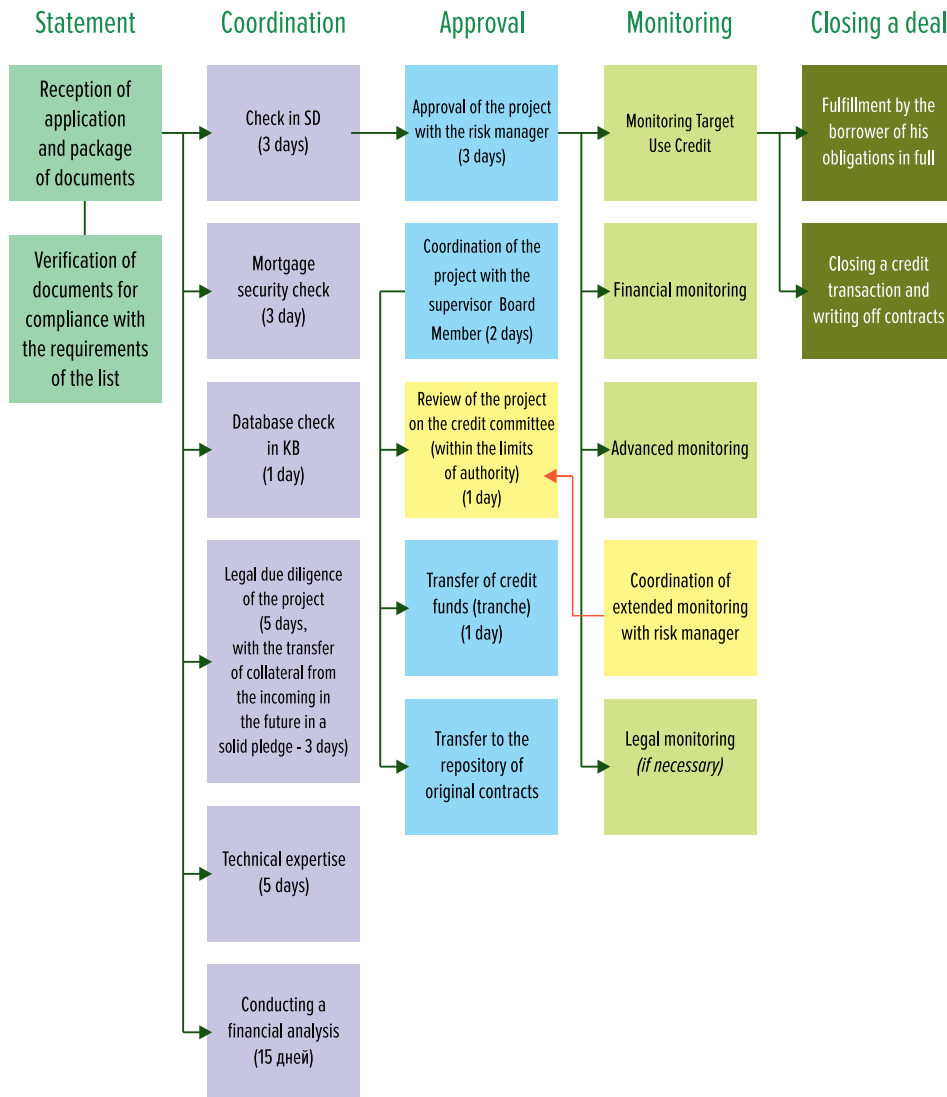
The “Sybaga” program - lending to CT / MFO / RIC for the subsequent financing of final borrowers of CT / MFI for the purchase of breeding stock of cattle / MDC, the purchase of agricultural equipment and / or mounted / trailed machinery / equipment, trailed / self-propelled feeder, machine for cattle; replenishment of working capital.



The program “Yrys” - lending to CT / MFI / RIC, STB and LC of the subsequent financing of end borrowers for the purchase of breeding stock of cattle of dairy productivity, as well as the replenishment of working capital and the purchase of agricultural equipment.



The business process of lending to agribusiness entities



Customer focus

Agrarian Credit Corporation JSC values the time of its customers and cares about their convenience when using the Company's services.

The Company's strength is 17 years of experience in financing the agricultural industry, a wide client base, infrastructure closest to agricultural production — 202 credit partnerships in all regional centers of Kazakhstan, 16 branches in all regional centers, as well as in the cities of Nur-Sultan , Almaty, Semey.

In February 2018, the Company conducted a survey of borrowers to assess satisfaction with the services of the Company. The study was conducted by anonymous customer surveys throughout Kazakhstan. The survey involved 327 customers. At the end of the questionnaire, respondents were asked to give their recommendations for improving the quality of the Company's services.

Customers wishes:

- speed up the time for consideration of the application;
- reduce the list of documents;
- simplify the crediting procedure.

The measures taken by the Company in 2018:

- reduction of the list of documents for obtaining a loan: for legal entities: there were 27 documents, it was 13; for individuals: there were 16 documents, it became 9. Currently it includes 6 types of documents: on the legal status of the enterprise, on its financial status, business plan, documents on acquired property, documents on collateral and documents filled in by the Company ;
- reduction of the time for consideration of applications for crediting through a credit partnership to 14 days;
- simplified the package of documents for financing the fattening sites for the purchase of cattle, meat processing complexes and the purchase of breeding bulls, in the framework of cooperation with the Meat Union of Kazakhstan
- For the first time, the Front-Office project was launched in the Karaganda branch of the Company in December 2018. The specificity of the working space is designed to reduce the distance between Agrarian Credit Corporation JSC and the company, and will increase the efficiency and convenience of receiving services.





Arsmame Harki
"Green Vill" LLP
in Zhambyl region



In 2018, 86 investment projects were funded for a total the amount

54,8 billion tenge



The status of the implementation of the goals and objectives of the Strategy of the company in 2018

The Development Strategy defines three areas of the Company's activities:

1. Increasing the coverage of agribusiness entities with financial services;
2. Improving the institutional maturity of financial institutions and subjects of the agro-industrial complex;
3. Improving performance.

To increase the coverage of subjects of the agro-industrial complex with financial services, 4 KDIs were envisaged:

- Crediting volume - 142%
- Number of service users - 107%;
- The share of funding for financial institutions - 93%;
- The number of investment projects - 214%.

Performance efficiency in this area averaged 139%.

40

In 2018, the Company financed 7,390 borrowers for a total of 258,688.5 million tenge under 7 specialized lending programs:

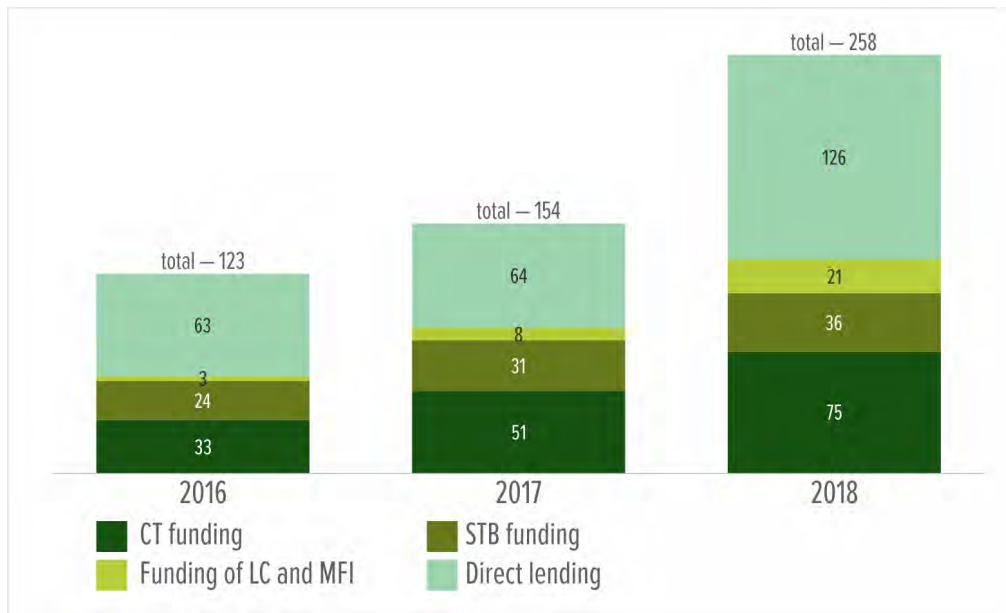
- on the development of cattle breeding «Sybaga» cattle, small cattle;
- on timely conduct of spring field and harvesting "Ken dala";
- on the development of mass entrepreneurship «Isken»;
- on the development of projects with export potential of Agroexport;
- on the purchase of agricultural machinery and equipment «Agrotekhnika»;
- to credit investment areas at the expense of the NF RK;
- on the universal loan product "Agrobusiness", providing for crediting the purchase of fixed assets, construction and installation works, including modernization / reconstruction, replenishment of working capital.

In the share of funding of financial institutions in the total amount of lending to the Company, execution amounted to 93% (compared with the planned 55%, the share was 51%). The deviation of 4% was affected by the unstable situation in the banking sector due to the default of 3 STBs, and the merger of two STBs.

It is worth noting that, compared to 2017, in 2018, the volume of lending increased by 69%, or 258,688.4 million tenge, including financing agribusiness entities through funding of financial institutions by 39%, or 132,272.3 million



tenge. The growth in lending through KT was 47% - 75,345 million tenge, through leasing companies 1,128% - 16,172 million tenge. Decrease in lending by 1,562 million tenge, or 23% through the MFI / RIC. The funding of the second-tier banks remained at the same level as last year and amounted to 35,588 million tenge.



47

According to strategic direction 2, 2 KPIs were provided for execution, which were executed at 100%.

To increase the institutional maturity of financial institutions and subjects of the agro-industrial complex, training seminars were held:

- 900 agribusiness entities were trained: to clarify the norms of regulatory legal acts, including on tax, accounting and financial legislation, on subsidy mechanisms and on issues of digitization of the agro-industrial complex spheres.
- 360 employees-credit specialists of CT, STB, LC and MFIs (134 KT, 10 MFIs, 8 STBs and 3 LC) were trained in industry-specific analysis, risks, methods of crediting agro-industrial complex projects.

To improve the efficiency of the Company, 5 KPIs were envisaged, on average, the implementation of the efficiency in this area was 110%.



№	Key indicators of the Company's Development Strategy (quantitative or qualitative)	Unit of measurement	Fulfillment in 2018		
			Plan	Fact	Fulfillment, %
1	Financial leverage ratio		<3	1,5	100%
2	Maintaining the optimal level of formed reserves for the loan portfolio at the level of (not more than,%)	%	13,5	13,4	100%
3	Labor productivity of the main business process, mln. Tenge	mln. Tenge	739,0	1 047,3	142%
4	Corporate Governance Rating of the Corporation, not less	%	75,0	78,6	100%
5	Human Resource Index,%	%	0,83	0,9	108%

Summarizing the above, it should be recognized that, in general, the goals and objectives set for 2018 were achieved and fulfilled.



REVIEW OF RESULTS

3

The fact of issuance of credit resources for 2018

The fact of issuance of credit resources for 2018 (billion tenge)

No	Name	Sales channels	Quantity, units	Amount, mln. Tenge
1	The program "Ken Dala"	PC, CT, MFI, STB	1 985	60 000,0
2	The program "Agrobusiness"	CT	2 179	36 838,2
		PC, STB, LC, MFI	383	78 680,3
3	The program "Agroexport"	direct lending, STB	62	37 215,2
4	The program "Isker"	CT, MFI	2 350	16 279,1
5	The program "Agrotechnique"	CT, LC	58	833,3
6	Investment lending directions at the expense of the NF RK	direct lending	23	17 679,5
7	The program "Sybaga"	CT	350	11 162,9
TOTAL			7 390	258 688,4

43

No	Financing	Number of projects	Amount, thousand Tenge
1	Lending to the AIC in priority areas of projects from funds borrowed from the National Fund	24	17 679 482
2	Lending to agro-industrial complex in priority areas of projects at the expense of budget investments received in 2016	62	37 215 227

In 2018, 86 investment projects were financed for a total amount of KZT 54.8 billion.



№	Direction of investment projects	Number of projects, units	Lending volume million tenge
1	Intensive gardens	10	4 755,2
2	Oil processing	7	1 699,1
3	Commercial fish farming	3	207,6
4	Poultry farms	7	4 733,2
5	Feed mills	3	2 354,3
6	Meat production and processing	7	6 822,7
7	Fruit and vegetable storage	9	2 383,1
8	Greenhouse complexes	16	14 259,8
9	Dairy farms	13	9, 649
10	Irrigation systems	6	1 825, 5
11	Building agricultural equipment	3	823, 7
12	Breeding reproducer	2	5380, 1
TOTAL		86	54,8 billion tenge

Partnership with financial institutions

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In 2018, the Company financed 6,685 borrowers through funding of financial institutions for a total amount of KZT 132,272.3 million.

№	Sales channels	Quantity, units	Amount, mln. tenge	Share, %
1	CT	5 786	75 345,3	29
2	RBO	69	35 588,2	14
3	MFI / RIC	808	5 166,6	2
4	LC	22	16 172,2	6
TOTAL		6 685	132 272,3	100

The share of funding of financial institutions amounted to 51% of the total lending.

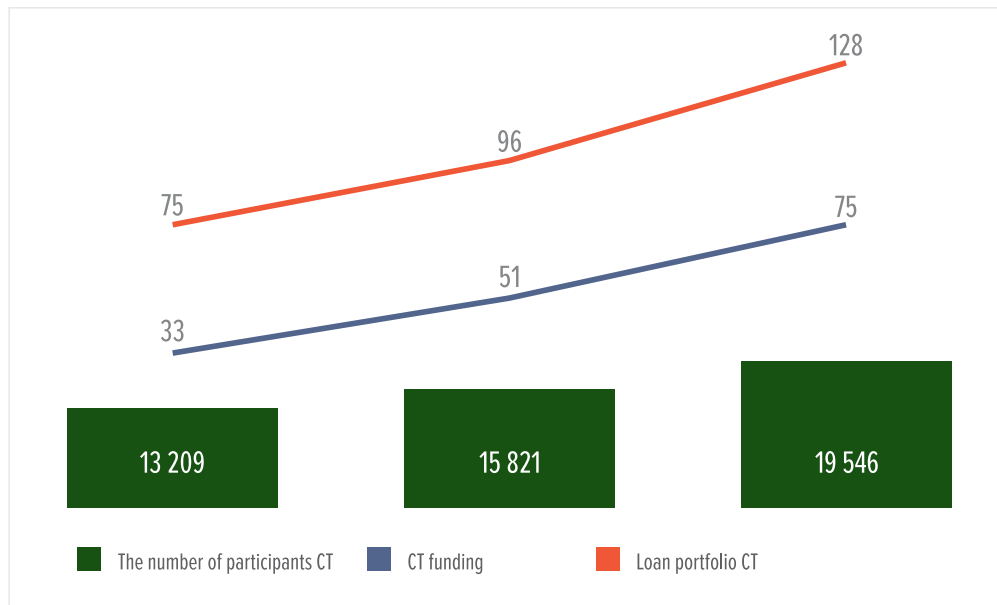
№	Sales channels	Quantity, units	Amount, mln. tenge	Share, %
1	Direct lending	705	126 416,0	49
2	Funding of financial institutions	6 685	132 272,3	51
TOTAL		7 390	258 688,3	100



Partnership with credit partnerships

For 2018, through the KT system, 75.4 billion tenge of credit resources were issued, the execution of the plan was 109.3% (the plan was 68.9 billion tenge).

Below is a diagram of the main indicators of the activities of credit unions.



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In order to improve the activities of credit partnerships in 2018, the following work was carried out:

- increase in the use of credit funds (for 2017, 51 billion tenge was issued, for 2018, 75.4 billion tenge);
- decrease in the share of overdue liabilities - NPL 90+ indicator for 2018. decreased by 1.4% and amounted to 2.6% in comparison with 2017, which was -4%;
- increased the amount of independent credit limit on KT with a rating of A, B, C, D.
- increase in the number of participants in CT compared with the previous year by 25%.
- new credit products for KT were introduced ("Sybaga" KPC / M PC, "Yrys").

In April 2018, the Company held a meeting with representatives of the Asian Development Bank (hereinafter - ADB) on issues of mutual cooperation in attracting technical support for the institutional development of credit partnerships, including through the creation of the Central Credit Partnership.

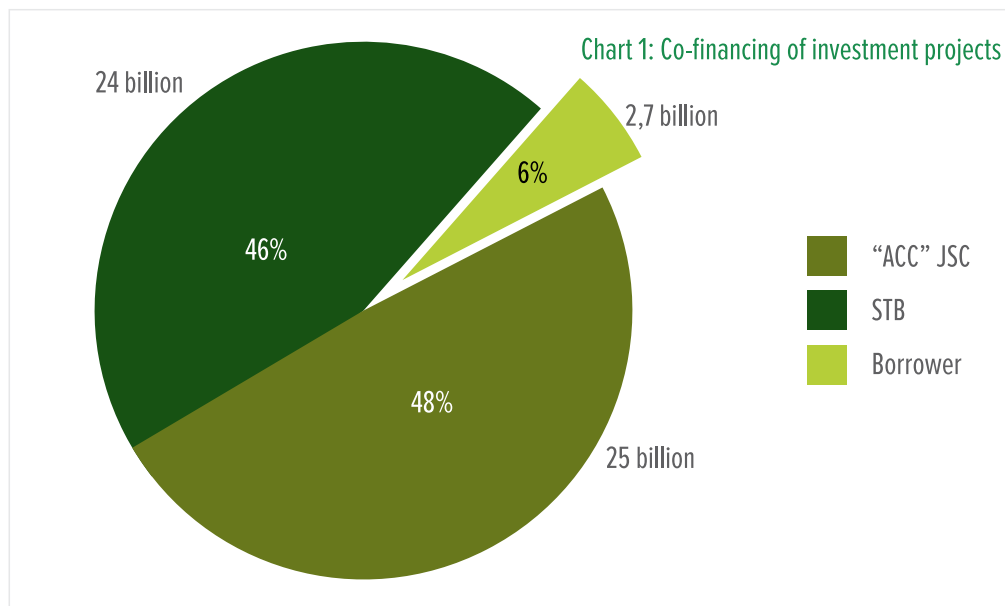


Following the meeting, an agreement was reached to provide technical support from ADB for the institutional development of the CT system by amending the legislation governing the activities of credit partnerships to expand the list of services for CT participants, build a two-tier integrated model of credit cooperation, improve business processes and methodological base of CT, increasing the competence of the staff of CT with the aim of improving the quality of services provided.

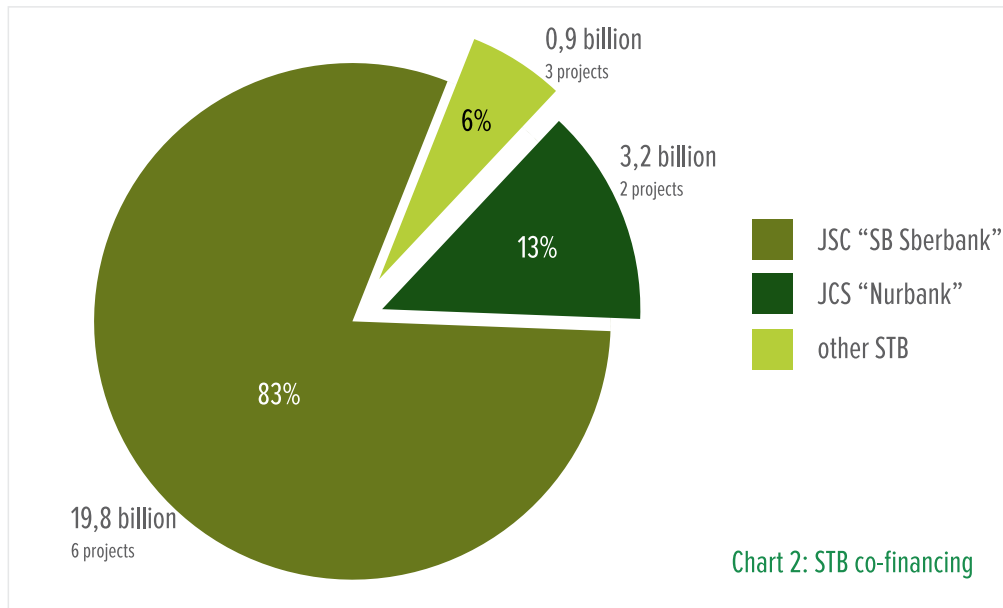
Partnership with second-tier banks

In 2018, the Company took part in the co-financing of eleven investment projects totaling 51.7 billion tenge (chart 1). At the same time, the share of financing by the Company was 48% or 25 billion tenge, the share of STB was 46% or 24 billion tenge, while the share of investments of own funds by borrowers was only 6% or 2.7 billion tenge.

46



It should be noted that the largest share of co-financing among STBs falls on JSC SB Sberbank and amounts to 83% or 19.8 billion tenge (chart 2).



The table below shows projects with an indication of the amount of funding of the Company.

47

No	Name of the project	Funding by the Company (billion)
1	"GREEN CAPITAL KAZAKHSTAN" LLP	5,1
2	JSC "Bayan Sulu"	4,0
3	JSC "Shymkentmay"	3,5
4	JSC "May"	3,5
5	JSC "Asia Agrofood"	3,0
6	"UyzMayIndastri" LLP	1,5
7	"Akorda Capital" LLP	1,1
8	"Molprodukt" LLP	1,0
9	"AlmaGreenFields" LLP	1,0
10	"ShinLine" LLP	0,9
11	LLP "ADM Investment"	0,4
TOTAL		25



Large investment projects financed by the Company by funding the STB for 2018

GREEN CAPITAL KAZAKHSTAN LLP

"Green Capital Kazakhstan" LLP was financed in excess of 5.1 billion tenge under the Agroexport program at 8% per annum for a period of 10 years. "The KazakhExport Export Insurance Company" JSC provided support in the form of insurance protection for this credit line.

The goal of the project is the construction of a greenhouse complex using the fifth generation Ultra Clima® Greenhouse technology on 6.7 hectares in Aktobe. The project was commissioned in December 2018, at the same time the company conducted a sowing campaign on an area of 5 hectares. From April 2019, the harvest is carried out.

The total cost of the project is 7.1 billion tenge.

The project capacity is 4,000 tons of tomatoes per year.

Created over 60 jobs.

48





MAY JSC

JSC MAY was financed in the amount of 3.5 billion tenge under the «Agribusiness» program at 5.8% per annum for 2 years.

The goal of the project is to purchase raw materials for further processing.

Currently, "MAY" JSC plant is an industrial giant and the only producer of refined sunflower oil throughout the Republic of Kazakhstan. The plant was formed at the end of 1922 on the basis of the existing private churn in a. Zaulbinka and transferred for operation of aniline plant of local importance. From January 1, 1923, the butter churn became known as the Butter Plant No. 1. At the end of 2009, a global reconstruction of the enterprise "MAY" JSC was carried out, new equipment of international brands was installed, a technology for the production of vegetable oils at the level of European standards was introduced. MAY JSC is an agro-industrial holding that forms a closed production cycle and is not dependent on foreign resources. The whole process of oil production from the processing of oil seeds to the finished product, packaged in bottles, takes no more than 48 hours.

The plant of "MAY" JSC has the only in Kazakhstan line of automatic cleaning and preparation of seeds of the Swiss company "Buhler".

The project capacity is 45,000 tons per year.

Jobs: more than 700 people.

ShinLine LLP

ShinLine LLP was financed in the amount of 906 million tenge under the Agribusiness program at 6.8% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

The main activity of ShinLine LLP is ice-cream production (91% of the total production). The company has a 35% market share in Kazakhstan. For 22 years of its existence, the volume of output increased from 2-3 thousand tons to 13 thousand tons per year. 5-7% of produced ice cream is exported. Today, Shin Line LLP supplies products to Mongolia, Russia, Kyrgyzstan, and Tajikistan. In its production, the company uses only natural raw materials. More attention is paid to the quality of incoming raw materials and finished products. The plant has a certified physico-chemical and bacteriological laboratory.

Jobs: more than 2,200 people.

50





ShymkentMay JSC

| 51

JSC "ShymkentMay" was financed in the amount of 3 billion tenge under the "Agribusiness" program at 6.8% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

In 1993, "ShymkentMay" Joint-Stock Company was established on the basis of the Chimkent oil and fat plant. Today JSC «ShymkentMay» is one of the largest representatives of the oil and fat industry in the Republic of Kazakhstan. The company works on non-waste technology. The main types of production activities of "ShymkentMay" JSC are: the production of vegetable oils and feed products, as well as the production of laundry soap.

The capacity of the project is 350,000 tons per year.

Jobs: more than 650 people.

AsiaAgroFood JSC

JSC «AsiaAgroFood» was financed in the amount of 3 billion tenge under the program «Agribusiness» at 6% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

JSC «AsiaAgroFood» is one of the major producers of wheat flour in the southern region of Kazakhstan. For the production of wheat flour used high-tech equipment of the Swiss company «Buhlen», which allows to make deep processing of wheat to produce wheat flour baking flour. The volume of wheat processing per day is 400 tons. JSC «AsiaAgroFood» also has a starch complex for processing corn into starch syrup. For the production of starch syrup used equipment Turkish company «Cemsan». The volume of corn processed per day is 200 tons. All products of the company comply with international standards and are confirmed by quality certificates.

Jobs: 473 people.

52





Bayan Sulu JSC

53

JSC "Bayan Sulu" was financed in the amount of 4 billion tenge under the "Agribusiness" program at 6% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

JSC "Bayan Sulu" is one of the largest enterprises of the Republic of Kazakhstan in the production of confectionery products. The factory was founded in December 1974 and for more than forty years, pleases its customers with the most delicious and high-quality products. The factory produces and sells over 300 items of confectionery: sweets, chocolate, marshmallows, cookies, caramel, waffles, marmalade, dragee, toffee, chocolates sets. The capacity of the factory is 65 thousand tons of products per year, a third of the products produced are exported to Russia, Germany, China, Uzbekistan, Azerbaijan, Kyrgyzstan, Turkmenistan, Tajikistan, Afghanistan.

In the fall of 2018, the "Bayan Sulu" factory entered the Russian market, and an official representative office was opened in the territory of the Russian Federation, in the city of Yekaterinburg.

Jobs: 1,682 people.

Molprodukt LLP

“Molprodukt” LLP was financed in the amount of more than 1 billion tenge under the Agribusiness program at 9% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

“Molprodukt” LLP is one of the largest enterprises in the North Kazakhstan region, which processes up to 320 tons of milk per day. The plant produces more than 25 types of dairy products and juice drinks. 20% of production is exported.

Capacity: 263,600 tons per year.

Jobs: 272 people.

54 |





UyzMayIndustry LLP

| 55

“UyzMayIndustry” LLP was financed in the amount of 1.5 billion tenge under the Agribusiness program at 9% per annum for a period of 2 years.

The goal of the project is to purchase raw materials for further processing.

“UyzMayIndustry” LLP is the leading company in Kazakhstan for the production of full-fat expanded soybean, soybean meal, and soybean oil. This company has more than 20 years of experience in the market of the Republic of Kazakhstan and the CIS countries. Factory workers seek to develop the main directions in the production and provision of the market with soy products for all sectors of the food industry. The main product produced is soybean meal, widely sold to the republic’s poultry farms. The plant has modern Western-European equipment that processes bean soybeans to produce full-fat expanded soybeans. The plant has two large granaries, a cold hangar. In just one season, the plant is able to process up to 16.8 tons of soybeans.

Capacity: 108,000 tons per year.

Jobs: 151 people.

Alma GreenFields LLP

"AlmaGreenFields" LLP under the project "Construction of a fruit storage facility with a capacity of 3,420 tons".

The amount of financing is 1 016 000 000 tenge.

The funds were received by "AlmaGreenFields" LLP under the funding program of Halyk Bank of Kazakhstan JSC in the amount of 1, 1 billion tenge for the subsequent crediting of agricultural entities under the "Agroexport" program. The company, whose main activity is gardening - 185 hectares of apple orchards, received borrowed funds for a period of up to 8 years.

A common project to create a garden with a production capacity of 10,720 tons of products: 9,820 tons of apples, 600 tons of plums, 300 tons of sweet cherries was also started by the Company in 2016.

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Ak Orda Capital LLP

"Ak Orda Capital" LLP under the project "Modernization of a meat processing plant", with a capacity of 1,200 tons per month.

The amount of financing is **1,050,000,000 tenge**.

The funds were received by the exporting company "Ak Orda Capital" LLP in the framework of the funding program of Tengri Bank JSC in the amount of 1,050,000,000 tenge under the "Agroexport" program. The production capacity of the enterprise is **1,200 tons per month**.

ADM Investment LLP

“ADM Investment” LLP under the project “Construction of a plant for the production of animal feed for livestock and poultry farming”, with a capacity of 10 tons per hour.

The amount of financing - 356 119 450 tenge.

Agrarian Credit Corporation JSC through the STB financed ADM Investment LLP for the construction of a plant for the production of animal feed and poultry farming, with a plant capacity of 10 tons per hour under the Agroexport program.

The farm received borrowed funds for 10 years. The production capacity of the enterprise is 10 tons per hour.

The project plans to launch fodder production on the territory of the poultry complex. The feed mill should fully cover its own needs in poultry feeds with a reserve for further growth of the poultry population, as well as make an additional income by selling the finished products of the plant. The advantage of having our own feed mill is the feed protection of the enterprise, the diversification of current activities, the reduction of the cost of feed through our own production, which ultimately leads to a reduction in the cost of chicken eggs.

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Partnership with microfinance organizations

In 2018, the Company funded - 16 MFIs for a total amount of 4,366,641.8 thousand tenge, including:

- according to the "Isker" program - 2,796,641.8 thousand tenge (14 MFIs);
- under the program "Ken Dala" (spring field and harvesting) - 1 500 000.0 thousand tenge (1 MFI);
- under the program «Agrobusiness» - 70,000.0 thousand tenge (1 MFI);

The Company participates in the implementation of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017–2021 "Enbek" (hereinafter referred to as the "Enbek" Program) as a microcredit organization in the second direction - "Development of Mass Entrepreneurship".

From the beginning of the implementation of the Enbek program, the Company significantly reduced the requirements for MFIs and provided the opportunity to be funded both under collateral security and without collateral with the establishment of a limit for participation in the Enbek program.

In 2018, in order to attract more MFIs and increase funding, a new financing mechanism was developed - secured by the final borrowers of MFIs. These changes improved the financing conditions for MFIs, which will further increase the latitude of the geographical coverage of agribusiness entities in rural areas through MFIs.

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Partnership with leasing companies

In 2018, the Company funded 4 leasing companies for a total of 16,172,199,146 tenge for the purchase of new agricultural equipment / special equipment / vehicles, attached / trailed equipment and equipment for processing and drying foreign crops and domestic production, including:

- "TechnoLeasing" LLP in the amount of KZT1.1 billion;
- "Leasing Group" JSC in the amount of 122 million tenge;
- "KG Leasing" LLP in the amount of KZT1.1 billion;
- "KazAgroFinance" JSC in the amount of 13 billion tenge.

According to the results of 2018, the following indicators were achieved for the 3rd leasing companies ("TekhnoLizing" LLP, "Leasing Group" JSC and "KG Leasing" LLP) in the amount of 3,172,119,146 tenge:

- financed - 26 lessees;
- purchased - 75 units of agricultural machinery and attachments / trailed equipment;
- created - 40 new jobs.



Review and analysis of financial indicators

Income

Name	31.12.2016		31.12.2017		31.12.2018		Growth rate 2016 by 2015		Growth rate 2018 by 2017	
	Thousand tenge	s.g.	Thousand tenge	s.g.	Thousand tenge	s.g.	Thousand tenge	%	Thousand tenge	%
Income, including:	19 058 578	100	28 400 837	100	37 192 788	100	7 442 829	164	8 791 951	131
Income from operating activities	18 810 486	99	28 183 008	99	36 991 029	99	7 605 933	168	8 808 020	131
Other operating income	248 092	1	217 828	1	201 759	1	-163 104	60	-16 070	93

Compared with 2017, in 2018, the Company's revenues increased by 31%.

The increase in revenues from core activities compared to the same period last year was 31%, the increase was mainly due to the growth in the issuance of credit resources from 153 billion tenge in 2017 to 259 billion tenge in 2018.

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Expenses

Name	31.12.2016		31.12.2017		31.12.2018		Growth rate 2016 by 2015		Growth rate 2018 by 2017	
	Thousand tenge	s.g.	Thousand tenge	s.g.	Thousand tenge	s.g.	Thousand tenge	s.g.	Thousand tenge	s.g.
Costs, including:	15 310 693	100	20 013 203	100	23 845 157	100	5 285 962	153	3 831 954	119
Financing costs	5 244 979	34	6 375 047	32	12 239 918	51	1 882 757	156	5 864 871	192
Administrative expenses	1 787 506	12	1 938 818	10	2 597 790	11	77 851	105	658 972	134
Sales Costs	1 451 732	9	1 683 715	8	2 250 986	9	56 619	104	567 271	134
Costs of provisions	6 629 690	43	8 818 614	44	7 063 829	30	3 071 949	186	-1 754 785	80
Other operating expenses	196 786	1	1 197 008	6	-307 366	-1	196 786		-1 504 374	-26

The Company's expenses in just 2018 compared with 2017 increased by 19%.

The increase in financing costs compared to the same period last year was 92%.



The increase in financing costs was mainly due to the growth in borrowing from 94 billion tenge in 2017 to 231 billion tenge in 2018.

The increase in administrative expenses compared to the same period last year was 34%.

The increase in expenses on sales compared to the same period last year was 34%.

The cost of provisions compared to the same period last year decreased by 20%.

Net profit dynamics

Net profit

Name	31.12.2016	31.12.2017	31.12.2018	Growth rate 2016 by 2015		Growth rate 2018 by 2017	
	Thousand tenge			Thousand tenge	%	Thousand tenge	%
Profit for the year	2 921 032	6 982 809	10 375 617	1 835 703	269	3 392 808	149

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Dynamics of ROA, ROE

Name	31.12.2016	31.12.2017	31.12.2018	Ratio 2016 by 2015 (in %)	Ratio 2018 by 2017 (in %)
ROA (%)	1,61	3,28	3,35	185	102
ROE (%)	2,45	5,03	6,83	199	136

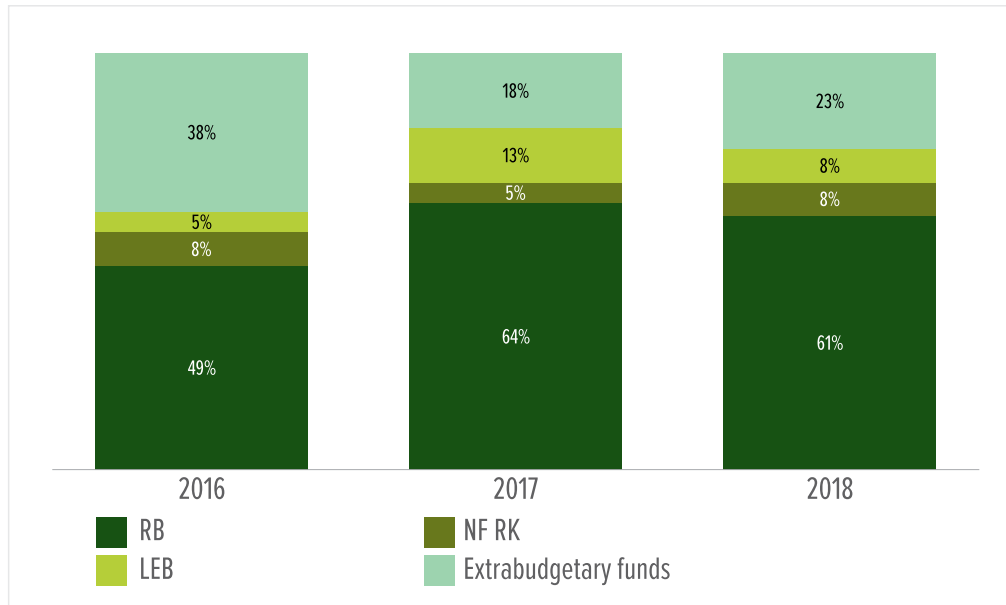
- efficiency indicator the use of ROA assets in 2018 amounted to 2% more compared to the same period last year, which is due to the receipt of net income by 49% and assets by 51% more than in 2017.

- efficiency indicator the use of own capital ROE in 2018 amounted to 36% more compared with the same period last year, which was due to the receipt of net income by 49% more.



Structure of loans received (billion tenge)

Source	2016	2017	2018
NF RK	5,4	4,9	18,2
RB	36	60	140
MIO	3,9	12,7	18,5
Extrabudgetary funds, including:			
KazAgro	27,6		
ENPF		5	35
Other loans		11,5	19,2
TOTAL	72,9	94,1	230,9



* Financing volumes (billion tenge)

In order to fulfill the plans for crediting during 2018, the Company attracted borrowed capital in the total amount of KZT 221,168.9 million, including through:

- 1) funds from the Republican budget on a loan from the Ministry of Finance of the Republic of Kazakhstan for subsequent crediting for spring field and harvesting in the amount of 60,000.0 million tenge;
- 2) funds of the National Fund for the loan of KazAgro Holding JSC for the subsequent lending of investment projects in the amount of KZT18,228.8 million in the framework of the Framework Agreement No. 61 dated August 24, 2017, totaling KZT 50,000.0 million ;



- 3) funds of local executive bodies in the framework of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021. in the amount of 18 463 million tenge;
- 4) funds of the republican budget on a loan from KazAgro Holding JSC for the subsequent crediting of agricultural entities in the amount of 80,000 million tenge;
- 5) UAPF funds on the loan of KazAgro Holding JSC for the subsequent crediting of agricultural entities in the amount of 35,000 million tenge;
- 6) commercial funds on a loan from second-tier banks in the amount of 9,477.1 million tenge.

The company is constantly working with Islamic financial institutions. As part of the work on the development of a separate corporate direction (the so-called “Islamic window”), together with a consultant, a preliminary plan for the introduction of Islamic financial instruments was developed. Negotiations were also held on attracting technical assistance for the Company, where they discussed the possibility of attracting investments in the form of issuing “Sukuk” certificates, adapting existing “Sukuk” schemes to the current operating model of the Company and the possibility of attracting lines of appropriate financing for the agricultural sector from specialized financial and investment institutions .

At the same time, in the framework of work with the Islamic Corporation for the Development of the Private Sector (ICD), indicative conditions (Term Sheet) for a total amount of 10 million US dollars were obtained.

Financial sustainability

In order to reduce the risks of loss of liquidity, and also taking into account the current state of the banking sector, the Company, with the intention of safeguarding cash, makes the placement of temporarily free cash into government securities by acquiring short-term notes of the National Bank of the Republic of Kazakhstan. The main advantage of this type of investment is a zero risk level, since the sovereign state rating of Kazakhstan applies to the National Bank of the Republic of Kazakhstan.

As part of maintaining the optimal level of profitability, the Company entered into a number of additional agreements to agreements on the accrual of remuneration for current account balances with STB to increase interest rates. The weighted average rate on current accounts for 2018 was 7.5% per annum.



The Company also took measures to place funds in government securities by acquiring short-term notes of the National Bank of the Republic of Kazakhstan. The weighted average rate of return on short-term notes for 2018 was 8.56% per annum.

Optimization and automation of business processes

In connection with the entry into force of the IAS 9 standard from 01/01/2018, during 2018, large-scale work was carried out in terms of adapting the necessary statistical information to introduce automatic calculation of provisions, refine existing business processes to the requirements of the new standard.

In 2018, the Company conducted an analysis of business processes together with the attracted company "KPMG Tax and Advisory" LLP. As part of this work, the following was done:

1) Optimization of business processes for lending and treasury.

Recommendations were made on changes to the crediting / monitoring processes "as it should be":

- processes of lending to borrowers through the Central Bank of the Company, and within the limits of the branch;
- crediting processes through FI with carrying out an assessment for final borrowers (according to FI with a low internal rating of the Company) and without carrying out an assessment;
- the process of opening a credit line for previously not cooperating CT and approval of the Chairman of the Board;
- processes of crediting the participants of CT within the framework of an independent limit, and monitoring of loans issued (Central Asia and branches), advanced monitoring of CT and assignment of a credit rating.

Recommendations were made on the Treasury process:

- on optimization of existing business processes, addition and change to bring treasury processes in line with leading practices;
- on the organization of activities, structure, composition and functions performed by the assets and liabilities management committee
- on making certain changes in the organizational structure within the Treasury.



2) Updating the organizational structure

- a comparative analysis of 10 organizational structures of Kazakhstan and foreign financial institutions;
- a comparative analysis of the functionality and structure of agribusiness support centers was conducted;
- analyzed the current organizational structure and identified problem areas and carried out an analysis of the level of outsourcing;
- the principles of construction and requirements for the target organizational structure are defined according to the Company's Development Strategy;
- determined the rate of control;
- a draft target structure of the Agribusiness Support Center, developed in accordance with the new business and operating model, was prepared and agreed upon.

The Board of Directors of the Company (Minutes of the Board of Directors No. 17 dated October 31, 2018) decided to put the new organizational structure into effect on December 1, 2018.

Business Process Automation

In 2018, in order to increase the level of automation of key business processes, the Company introduced a system for consideration of applications (CRM) in 1CIS, which provides and monitors the deadlines for the execution of applications by structural divisions. The specified system is integrated with the Holding's Application Collection and Processing System (GMSS), i.e. the client has the opportunity to submit an electronic application through the portal SSPCR, which automatically enters the system of the Company, after which, the status of consideration of the application is transmitted to the SSCEX and displayed on the portal.

Automated business processes for the systems: treasury, budgeting and planning, calculation of provisions and IFRS 9, monitoring of collateral, lending to credit unions.

An audit was carried out ("KPMG Tax and Advisory" LLP) of information technologies and information security, which resulted in the development and approval of the target architecture of information technologies. The transition to a new credit system in 2019-2020 is recommended, including the CRM module, contact centers, work with financial institutions, monitoring investment projects, scoring, project management and working with problem debts.



In order to implement the recommendations, as well as the implementation of the state program "Digital Kazakhstan", the issue of acquiring a new Credit System or Credit Business Process Management System will be implemented in 2019.

Since December 2018, the Company interacts with the Information and Accounting Center JSC (hereinafter - IUC) in the framework of connecting to the Qoldau.kz platform online lending services and interest rate subsidies. The IUC is developing an online loan service for Agrocredit as part of a pilot project of a spring field field and harvesting loan program with a type of collateral "second-tier bank guarantee".



RISK MANAGEMENT SYSTEM

4

The Company's risk management system is an ongoing process that promotes the timely identification, assessment, monitoring and control of risks, and also provides the Executive Body and the Company's Management Body with relevant information on risks and risk minimization measures.

The main goal of the risk management system is to find the optimal balance between profitability and risk level, as well as to ensure the sustainable development of the Company in the framework of the implementation of strategic plans and the achievement of established goals. However, in order to control the acceptable level of risk, the Company annually approves risk appetite and risk tolerance by component. Risk appetite is the degree of risk that the Company considers for itself as possible to accept / retain in the process of achieving its goals. The components of risk appetite are determined taking into account the coverage of all key performance indicators (external debt rating, profitability, capital adequacy, NPL + level of restructured and prolonged loans, open currency position limit). All decisions made by the Company's management are analyzed for compliance with the approved risk appetite.

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The organizational structure of the corporate risk management system is presented at several levels and includes the following participants in the risk management process:

- Sole shareholder;
- Board of Directors;
- the Board;
- Credit Committee;
- Risk Committee at the Board;
- Personnel Committee at the Board;
- Internal Audit Service;
- Structural unit that carries out risk management;
- Service Compliance;
- Structural units and employees of the Company.





Daulet Zhunusov
IE «Zhunusov D.E.»
in the Karaganda region



According to the results of 12 months of 2018, for lending programs the company has funded

7 390 units of agricultural producers



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

The functioning of the risk management system is based on the implementation of the following steps:



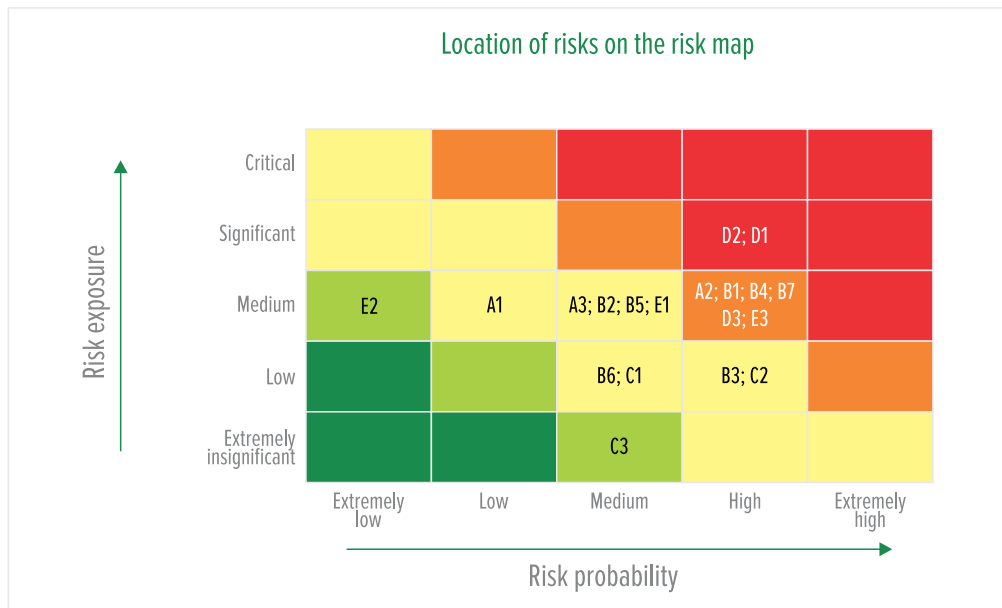
All identified risks are classified based on the objectives and strategy of the Company, their interrelation with external and internal factors is determined, and the threat of the Company's continuous and sustainable activity is assessed. For all identified risks, a register of risks is kept, containing information on the factors and consequences of risk realization, assessment of inherent and residual risks. Based on the risk register, a risk map of the Company is compiled, highlighting critical and significant risks, and Action Plans are developed to minimize the current risk level. The risk map consists of 4 zones of influence on the Company's activities: "critical zone", "significant zone", "moderate zone" and "acceptable zone".

At the end of 2018, the main part of the risks was distributed over moderate and acceptable risk map areas, 2 risks are located in the critical area of the risk map, while in order to minimize the risks of the critical area, the Risk Management Department together with the structural divisions developed and approved the authorized body to minimize the critical risks of the risk map with the reflection of the responsible structural units and deadlines.

The risk register includes 19 risks. Based on the assessment of the probability of occurrence and the degree of impact, these risks were distributed to one of the four areas of the Risk Map.

Risk categories	Critical zone (red)	Significant zone (orange)	Moderate zone (yellow)	Acceptable zone (green)	Total
Strategic risks	-	1	2	-	3
Operational risks	-	3	4	-	7
Financial risks	-	-	2	1	3
Credit risks	2	1	-	-	3
Legal risks	-	1	1	1	3
Total	2	6	9	2	19





In terms of zonality, the largest share falls on the moderate zone - 47%. The Essential Zone includes 31.5% of the total number of risks, the Eligible Zone, 11%, and the Critical Zone, 11%.

According to the risks of the Material Zone, an Action Plan has been developed and approved for minimizing significant risks.

On a quarterly basis, the Risk Management Department submits to the Board of Directors of the Company a Risk Assessment Report.

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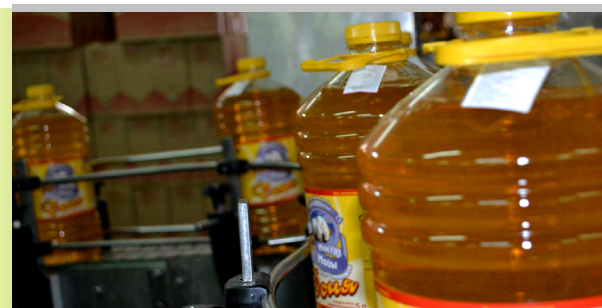
Credit Risk Management

Taking into account the peculiarities of the agricultural sector, the Company's activities are subject to the influence of credit risk, which provides the risk of incurring losses due to non-return of loans issued.

In order to efficiently manage credit risks, the Company approved business processes that take into account the separation of credit and risk management functions, and collegial bodies and departments involved in credit risk assessment and management have been created.

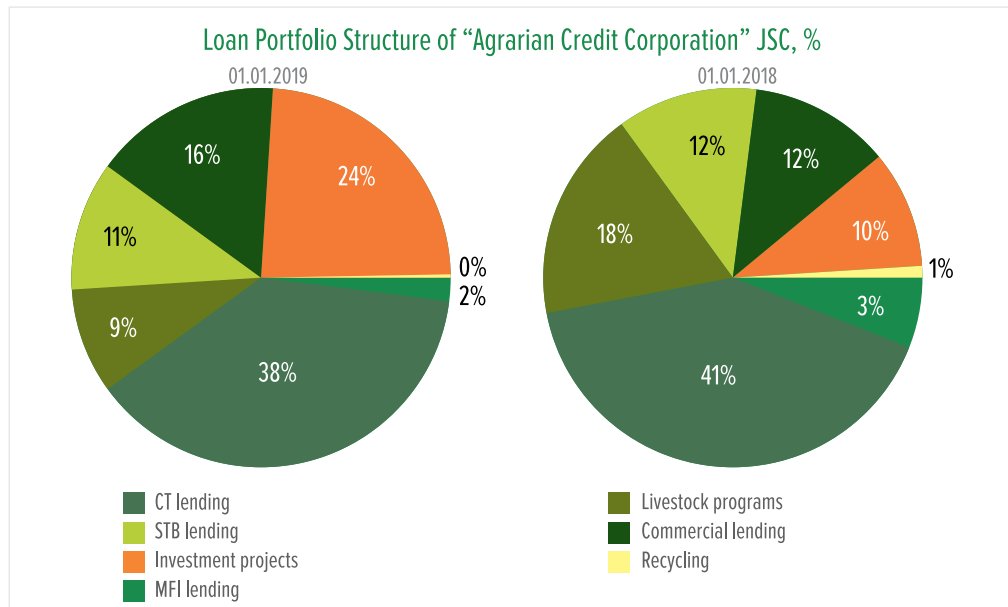
Credit risk management in the Company is carried out through:

- primary credit risk analysis by the initiating division and analysis by the risk management division;
- setting limits on counterparties depending on the conditions of product programs and the rating of the borrower / branch;



- diversification of the loan portfolio in order to avoid excessive concentration of risk;
- monitoring the loan portfolio to identify deterioration at an early stage;
- formation of an adequate level of provisions for reserves for possible losses.

The structure of the Company's loan portfolio is diversified by loan programs. The following changes occurred in the structure of the loan portfolio for 2018: the share of loans under the "STB Lending" program decreased from 13% to 11%, despite the increase in debt by 23%; the share of loans under the "Crediting CT" program decreased from 41% to 38%, while the increase in debts amounted to 32%. The growth of the loan portfolio as a whole was 43%, mainly due to an increase in the volume of loans issued in the direction of investment projects by 163%, commercial lending by 86% and KT lending by 32%.

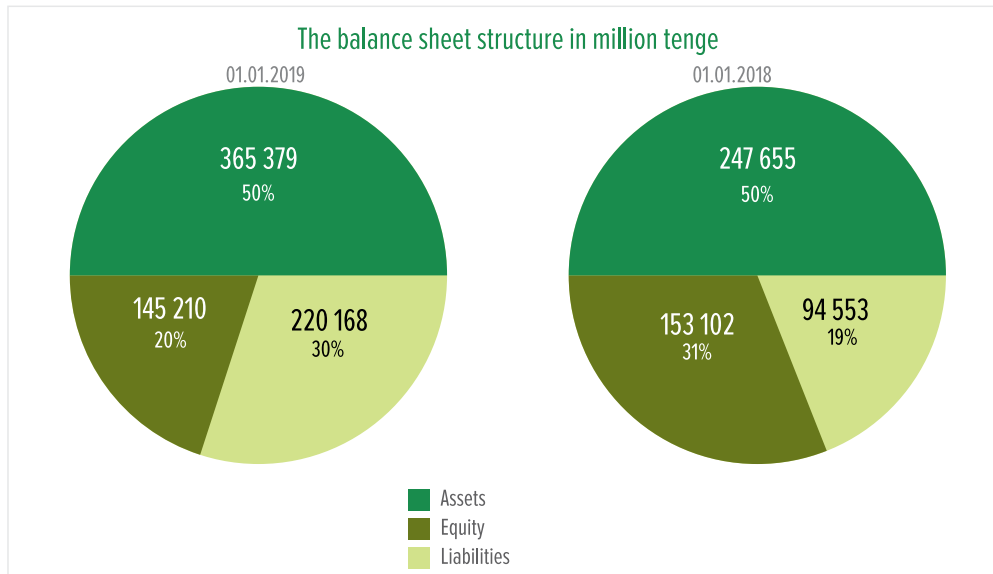


The Company is constantly working to improve the quality of the loan portfolio, as a result of which, by the end of 2018, there is a decrease in NPL from 13% to 6%. Also in 2018, the level of coverage of the formed provisions of the NPL increased by 81% and amounted to 129%.



Asset and Liability Management

Considering the Company's main mission in lending to the agrarian sector, the main share in the assets is held by the loan portfolio, at the end of 2018 the share of the loan portfolio from assets was 79%. The growth of the loan portfolio in 2018 was 56% or 104.7 billion tenge.



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Also in the structure of the Company's liabilities, the main share is occupied by liabilities, as of the end of 2018, the share in liabilities was 60%. The growth of liabilities in 2018 amounted to 132% or 125.6 billion tenge. The Company's equity for 2018 decreased by 5% or by 7.8 billion tenge, the decrease was due to the formation of provisions against the expected deterioration of the financial position of "Tsesnabank" JSC in accordance with IFRS 9.

The indicator "Capital adequacy of the Company" at the end of 2018 was 0.66 to 1, in the banking sector this figure is 0.14 to 1. This fact indicates the stability of the financial position of the Company and support from the shareholder.

The structure of the Company's liabilities does not include loans in foreign currency and loans from indexed interest rates. In this connection, when managing financial risks, the focus is on organizing effective liquidity management and minimizing liquidity risk. To this end, the Company has a system for early recognition of the risk of loss of liquidity and its prevention, by taking timely and adequate measures. In the process of liquidity management, the Company uses combinations of liquidity management methods depending on the situation in the financial market, financial position and liquidity position of the Company.



Operational Risk Management

In carrying out its activities, the Company is subject to operational risks. Operational risks are understood as the risk of losses resulting from the human factor, the risk of the business process, the risk of information systems and equipment, as well as due to external events. Operational risk management involves the implementation of a set of measures aimed at reducing the likelihood of events or circumstances leading to operational losses and reducing the size of potential operational risks.

In order to ensure conditions for identifying operational risk and its assessment, the Company maintains a Risk Database and generates a report for the Company as a whole based on the risk events implemented by the risk coordinators.

The risk database was developed primarily for the purpose of promptly responding to risk events that occurred and their prevention.

In order to raise awareness of the level of operational risk, identify significant risks and deficiencies in control systems, business processes, and develop measures to minimize the risk, the Company self-evaluates the level of operational risk in the form of a questionnaire. The survey is conducted only for the risk coordinators of the structural divisions and branches of the Company, all the data obtained is processed and presented to the authorized body within the framework of management reporting.

At the same time, training is regularly held for risk coordinators of structural divisions and branches to ensure that the Company's employees are aware of the requirements of operational risk management procedures.

The process of managing operational risks is regulated in the Company's GNI and is carried out at all levels of the corporate risk management system. Participants in the operational risk management process carry out functions to identify and register potential risks, as well as to take measures to minimize their level and prevent the occurrence of negative consequences from their implementation..



Information Security Risk Management

The Company has an information security service (hereinafter referred to as ISS) with direct subordination to the Chairman of the Company's Management Board, there is an "Information Security Policy", the implementation of which is mandatory for all employees.

The NIB continuously monitors the integrity of information, carries out preventive measures and works to improve confidential information protection systems. Each employee of the Company is personally liable for the safety of information and is obliged to comply with the regulations for working with information technology.

In 2018, the Information Security Policy was updated and approved by the Company. During the year, planned activities were carried out in accordance with the plan for minimizing information security events, aimed at reducing the level of information security risks. The Company operates a system of data leak prevention (DLP) class to protect confidential information from leakage.

In addition, the Company permanently operates an access control system for office premises, a system for restricting access rights to information databases and the ability to use information output ports to external media, depending on their functional responsibilities. Applications for the granting of access rights are subject to multi-level approval and verification to confirm the need and reasonableness of access to information.

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Dauren Satkanov
“DMD Production” LLP
in the West Kazakhstan region



In 2018, under the program for the development of productive employment "Enbek" through the "Agrarian Credit Corporation" JSC issued

15,5 billion tenge



Compliance Risk Management

As part of the compliance risk management, the Company regularly monitors compliance with the requirements of legislation on combating money laundering and terrorist financing (hereinafter, the AML / CFT Law).

Internal regulatory documents "Compliance risk management procedure in Agrarian Credit Corporation JSC", "Compliance policy of Agrarian Credit Corporation JSC", "Agrarian Credit Corporation JSC policy on countering corruption", "Anti-corruption standards of Agrarian Credit JSC corporation", "Policy of notification of violations in Agrarian Credit Corporation JSC, mandatory for all employees of the Company.

In addition, the Plan of the Company's anti-corruption measures for 2019-2020 was approved. The plan includes the following main blocks:

- 1) anti-corruption monitoring;
- 2) analysis of corruption risks;
- 3) the formation of anti-corruption culture;
- 4) identification of corruption-related norms in the Company's GNI;
- 5) compliance with anti-corruption standards;
- 6) financial control;
- 7) anti-corruption restrictions;
- 8) prevention and resolution of conflicts of interest;
- 9) anti-corruption measures in the Company's business processes.

The plan allows to ensure the implementation of a permanent effective prevention system, transparency in the Company's activities, as well as monitoring and evaluation of the implementation of anti-corruption measures.

According to the requirements of the AML / CFT Law, the Financial Monitoring Committee is provided with information on operations conducted by the Company subject to financial monitoring.

The main goal of compliance risk management is the implementation by employees of the Company (within their competence) of identifying and studying (due diligence) clients based on a risk-based approach and identifying by employees of the Company (within their competence) operations subject to financial monitoring, as well as operations in respect of which there are suspicions about their commission (attempted commission) with the aim of legalizing (laundering) illegal proceeds and financing terrorism (suspicious transactions).



CORPORATE MANAGEMENT

5

Information on the Corporate Governance Code.

The objectives of the Corporate Governance Code are the improvement of corporate governance in the Company, ensuring the transparency of governance in the Company, and confirming adherence to the standards of good corporate governance. The company views corporate governance as a means of increasing business efficiency, strengthening its reputation and reducing the cost of raising capital. Corporate governance in the Company is based on the principles of justice, fairness, responsibility, transparency, professionalism and competence.

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

In its activities, the Company strictly observes and is guided by the provisions of the Corporate Governance Code, as well as other regulatory acts of the Company, allowing it to work effectively.

The corporate governance of the Company is based on the principles of justice, fairness, responsibility, transparency, professionalism and competence. An effective corporate governance structure requires respect for the rights and interests of all stakeholders of the Company and contributes to the success of the Company, including the growth of its value, maintaining financial stability and profitability.

The principles of corporate governance set forth in this chapter are aimed at creating trust in relations arising in connection with the management of the Company and are the basis of all the rules and recommendations contained in the subsequent parts of the Code. The fundamental principles of this Code are:

1) the principle of protecting the rights and interests of the Sole Shareholder implies that the corporate governance of the Company ensures protection and respect for the rights and legitimate interests of the Sole Shareholder and contributes to the efficient operation of the Company, including the achievement of the Company's strategic goals and maintaining the financial stability of the Company;

2) the principle of effective management of the Company by the Board of Directors and the Board implies that the activities of the Board of Directors are

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based on the principles of maximum observance and realization of the interests of the Sole Shareholder and the Company, rationality, efficiency, activity, integrity, honesty, accuracy and responsibility within its competence. The Board manages the current activities of the Company in order to fulfill the objectives and implement the Company's Development Strategy. The basic principles of the Board's activities are lawfulness, honesty, good faith, reasonableness, regularity;

3) the principle of independent activities of the Company, implies that the Company carries out its activities independently;

4) the principles of transparency and objectivity in disclosing information about the Company's activities implies that the Company, in order to ensure that the Sole Shareholder makes informed decisions, and informs interested parties about the Company's activities, ensures timely disclosure to the Sole Shareholder and interested parties of reliable information about the Company including its financial position, economic indicators, results of its activities, structure with ownership and management;

5) the principles of legality and ethics imply that the Company acts in strict accordance with the laws of the Republic of Kazakhstan, generally accepted principles of business ethics, the Charter, the provisions of this Code and its contractual obligations;

6) the principle of accountability to interested parties implies that the Company recognizes and respects the rights of all interested parties and seeks to cooperate with such persons in order to develop and ensure financial sustainability. Interested parties should be able to receive compensation for violation of their rights in cases provided for by the legislation of the Republic of Kazakhstan. If an interested party participates in the process of corporate governance, the latter should have access to relevant, sufficient and reliable information on a timely and regular basis. Interested parties should be able to freely report to the Board of Directors about violations of the law or internal regulatory documents by the Board and its rights should not be infringed in the event of such communication.

In 2018, "RA Expert Kazakhstan" was audited on the assessment of corporate governance and assigned CGS 6 for the "Development of Corporate Governance Practice". In accordance with the methodology used for assigning management quality ratings, a rating number (defined as the sum of integral factors estimated weighted in a certain way) for the Company, taking into account the influence of a stress factor - 57.1 points, with a scale



of 200 points (from -100 to 100) . The calculation of the efficiency of 78.6% = $(157.1 / 200) * 100$. The corporate governance rating of 78.6% was confirmed by an independent expert. At the same time, the expert notes that this estimate represents the percentage of the highest score assigned by the Expert RA methodology. The expert RA notes that the methodology of corporate governance assessment mainly takes into account Kazakhstani benchmarking with the desire to follow the principles of best international practice. Along with this, in the opinion of NEA, the rating of RCU6 is a percentage expression close to 50-60% and the establishment of a threshold value of 75% is overestimated.

Company's management structure

The Company's management bodies include:

1. The supreme body is the Sole Shareholder.
2. Management body - Board of Directors.
3. Executive body - the Board.
4. The body that oversees the Company's financial and business activities, evaluates its internal control, risk management, execution of documents in the field of corporate governance, and advises to improve the Company's operations - the Internal Audit Service.
5. Other bodies established in accordance with the legislation of the Republic of Kazakhstan.

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Sole shareholder

The sole shareholder of the Company is "KazAgro Holding" JSC.

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

The key decisions of the Sole Shareholder in 2018 dealt with issues of placing the Company's shares, approving the provision on the Board of Directors, electing members of the Board of Directors and determining the amount of remuneration, determining the audit organization and approving internal corporate documents.



Report on the activities of the Board of Directors

The Board of Directors of the Company conducts its activities in accordance with the requirements of the current legislation, in the interests of the Sole Shareholder represented by "KazAgro" Holding "JSC, in order to implement the tasks set in the area of financing the agribusiness entities with minimal

The composition of the Board of Directors on December 31, 2018



Dzhugashev Asylkhan
Bolatovich

Chairman of the Board of
Directors (representative of
the Sole Shareholder)

Date of birth 31.01.1981r.
From 2018 - to the present -
Managing Director for Assets
and Investments of KazAgro
Holding JSC
2015 –2018 Managing
Director of KazAgroFinance
JSC
2009-2011. Head of the
Department (Department)
of lending and leasing of
KazAgroFinance JSC.

* A. Dzhugashev is the
Chairman of the Board of
Directors of Agrarian Credit
Corporation JSC.



Karnakova Nazgul
Sholpankulovna

Member of the Board of
Directors (representative of
the Sole Shareholder)

Date of birth 27.12.1978r.
From April 2018 - to the
present - Director of the
Budget Planning Department
of "KazAgro" Holding "JSC.
2014–2018 - Director of
Financial and Economic
Department of JSC «KBTU»
2012–2014 - Financial Director
of INGI & IT KBTU LLP

* Karnakova N.Sh. He
is also a member of the
Board of Directors of
"KazAgroFinance" JSC.

legal, financial and reputational risks.

The decision of the Sole Shareholder of the Company (minutes of the meeting of the Management Board of “KazAgro Holding” JSC No. 38 of June 13, 2018) determined the composition of the Board of Directors of five people, with a term of office of 3 years.



Sarybaev Narmukhan
Kalmakhanovich

Member of the Board of Directors (Chairman of the Company’s Management Board)

Date of birth 02.09.1980r.
From May 2017 to the present
- Chairman of the Board of Agrarian Credit Corporation JSC
2012-2016 Chairman of the Board of the joint-stock company “Fund for Financial Support of Agriculture”.



Dauletbaeva Ainagul
Amangeldinovna

Independent director

Date of birth 25.09.1971r.
From 2018 to the present,
Managing Director of the Branch of JSC SB Alfa-Bank in Almaty.
2017–2018 - Managing Director of “London-Almaty Insurance Company” JSC.
2014–2016 - Executive Director, Director of the branch in Almaty, Managing Director for Development of SMEs of “ATF Bank” JSC.
2012–2014 Head of Department, Deputy Director of the Retail Business Department, Credit and Operational Risks Department, Director of the Retail Business Department,
Managing Director - Member of the Board for Retail Business of “BTA Bank” JSC.



Satybaldy Zhumagatov
Sebigatovich

Independent director

Date of birth 03.06.1952r.
From April 2014 - to the present - Deputy President-Chairman of the RPO «Union of Farmers of Kazakhstan» in Astana
2013-2014 Managing Director for “Agriculture Kazakhstan Industrial Corporation” LLP, Astana.

During the reporting period, the Company held 22 meetings of the Board of Directors. The total number of issues considered was 191.

So, in-person order was considered 190 issues, on which 486 decisions were made, and 1 question was considered in absentia, on which 3 decisions were made.

According to the approved Work Plan of the Board of Directors for 2018, 81 issues were scheduled for consideration. Outside the work plan, the Board of Directors addressed 110 issues.

From January 2018 to December 2018, 50 meetings of committees of the Board of Directors were held in person, with the participation of two independent directors with voting rights and experts of the committee of the Board of Directors who are representatives of the Sole Shareholder without voting rights.

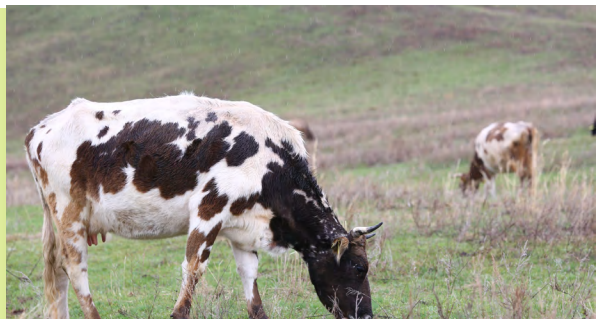
By decision of the Board of Directors of October 31, 2018 No. 17, the list of non-voting committee experts was updated.

On February 26, 2018, the Board of Directors considered the letter - the expectation of the Sole Shareholder of the Company for 2018. At the same time, the Board of Directors instructed the Management Board of the Company to develop an action plan for the implementation of the expectations of the Sole Shareholder for 2018 and to ensure quarterly submission for consideration of the Board of Directors of information on meeting the expectations of the shareholder of the Company.

In addition, during the reporting period, the Board of Directors reviewed 46 draft internal regulatory documents of the Company, and 1 document was put to the loss.

Also, by the decision of the Board of Directors, 7 amendments were made to the regulations on the Company's branches.

On May 11, 2018, the Board of Directors preliminarily approved the annual financial statements for 2017, and also offered the Sole Shareholder to distribute net income for 2017, where 60% would be used to pay dividends and 40% left at the Company's disposal.



4 times the Board of Directors corrected the budget of the Company for 2018, including the Development Plan, and also 2 times raised the issue on the budget of 2019.

The quarterly reports were reviewed by the financial unit, the internal audit service, the risk management department and the corporate secretary, as well as annual reports.

Repeatedly, the Board of Directors approved the amendments to the Terms of Crediting for grocery programs, as well as the Collateral Policy.

By decision of the Board of Directors, an assessment was made of the Board of Directors based on the results of 2018 with the involvement of the independent company LLP "Dostyk Advisory".



Report on the activities of the Board

In accordance with the decision of the Board of Directors of the Company dated February 2, 2017 (Minutes No. 2), the composition of the Management Board was determined to be five people, with a term of office of the Management Board of the Company for 3 (three) years.

*Management Board composition
as at December 31, 2018*



Sarybaev Narymukhan
Kalmakhanovich

Chairman of the Board
of "Agrarian Credit
Corporation" JSC



Ergaliyeva Gulmira
Konusbayevna

Managing Director for
work with financial
institutions of "Agrarian
Credit Corporation"
JSC

In accordance with the Charter of the Company, the Board is a collegial body that manages the current activities of the Company. The Board is headed by the Chairman of the Board.



Tukabaev Berik

Managing Director for Lending of "Agrarian Credit Corporation" JSC Report on the activities of the Board



Kabylova Azhar Utegenovna

Managing Director for Financial Affairs of "Agrarian Credit Corporation" JSC



Aytkazina Sholpan Tleugabylovna

Managing Director for Legal Support and Problem Loans of "Agrarian Credit Corporation" JSC

In 2018, 73 meetings of the Board were held, all of which were held in person. In total, in 2018, the Board considered 543 issues, of which 107 issues were initiated at a meeting of the Company's Board of Directors, which were resolved and instructions were issued.

The main blocks of the issues addressed:

- 1) amendments and additions to the Charter of the Company were approved;
- 2) approved the brand book of the Company;
- 3) additions to the Development Strategy of "Agrarian Credit Corporation" JSC for 2017–2026 were approved;
- 4) approved transactions concluded on behalf of the Company in the manner prescribed by law and this Charter;
- 5) the staffing schedule of the Company was approved, taking into account the staff size approved by the Board of Directors;
- 6) documents approved for the organization of the Company's activities in accordance with the classifier of internal regulatory documents approved by the Board of Directors;
- 7) approved the increase of the Company's liabilities by an amount ranging from 2 to 10 percent of the size of the Company's own capital;
- 8) the Methodology of risk assessment and risk management of information security of "Agrarian Credit Corporation" JSC was approved;
- 9) Approval of the Regulation of consideration by "Agrarian Credit Corporation" JSC of applications of potential borrowers for financing investment projects;
- 10) Approved Methodology for IT projects management of "Agrarian Credit Corporation" JSC;
- 11) Approved the Rules of Strategic Planning and Monitoring of "Agrarian Credit Corporation" JSC;
- 12) the Methodology for setting limits on counterparty banks and micro-financial organizations of "Agrarian Credit Corporation" JSC was approved in a new edition;



- 13) Approved the Methodology of Strategic Risk Management of “Agrarian Credit Corporation” JSC;
- 14) Approved Methodology of assessment and management of operational risks of “Agrarian Credit Corporation” JSC in a new edition;
- 15) Amendments and additions to the Rules of Forming and Accounting Information on Affiliates and Persons Related to “Agrarian Credit Corporation” JSC were approved;
- 16) Approved the Rules for the coordination and opening of credit lines of KT, which had not previously interacted with “Agrarian Credit Corporation” JSC;
- 17) Approved the procedure for managing compliance risk in “Agrarian Credit Corporation” JSC;
- 18) A branch of the Company was established in Astana;
- 19) the Communication Strategy of “Agrarian Credit Corporation” JSC for 2018-2026 was approved;
- 20) Corporate standards for the implementation and monitoring of the communication strategy of “Agrarian Credit Corporation” JSC were approved;
- 21) Approved the Work Plan of the Board of “Agrarian Credit Corporation” JSC for 2019;
- 22) Approved the regulation of funding for financial institutions and leasing companies of “Agrarian Credit Corporation” JSC in a new edition;
- 23) as part of the optimization of the Crediting Conditions for the Company’s product programs, the Board in September 2018 approved amendments and additions to the Regulations and requirements for the product programs in the new edition;
- 24) approval of internal regulatory documents of the Company;
- 25) other issues of the Company’s activities related to the exclusive competence of the Sole Shareholder and the Board of Directors.





In 2018, as part of the productive employment development program
"Enbek" created

2 958 jobs



Maxim Bozhko
"Kurochka Ryaba" LLP
in Akmola region



Report on the activities of the Committees of the Board of Directors

By the decision of the Board of Directors of the Company dated September 22, 2016 No. 12, the Regulations of the Committees of the Board of Directors of the Company were approved.

Meetings of committees of the Board of Directors are held only in person, all issues are submitted for consideration by the Board of Directors.

In accordance with the provisions on the committees of the Board of Directors, members of the committees are obliged to inform the Board of Directors of the Company about any changes in their status as an independent director or about a conflict of interest arising from decisions to be made by the committee.

During the reporting period, not a single member of the Board of Directors Committee reported on changes in its status as an independent director or on the occurrence of a conflict of interest.

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Internal Audit Committee of the Board of Directors

The competence of this Committee is to consider the following issues:

- 1) on financial reporting;
- 2) on external audit issues;
- 3) on internal audit issues;
- 4) on compliance with the law;
- 5) reporting and evaluation of activities;
- 6) other functions.

In 2018, the Company held 11 meetings of the Internal Audit Committee of the Board of Directors and considered 27 issues, on which 45 decisions were made.

Состав Комитета по внутреннему аудиту на 31 декабря 2018 года

Full Name	Position
Dauletbaeva A.A.	Chairman of the Committee - Independent Director of "Agrarian Credit Corporation" JSC
Zhumagatov S.S.	Member of the Committee - Independent Director of "Agrarian Credit Corporation" JSC»
Nurmagambetov B.R.	Committee Expert (representative of "KazAgro" Holding "JSC)



Board of Directors Committee on Strategic Planning and Risk.

The competence of this Committee is to consider the following issues:

- 1) strategic planning;
- 2) on investment activities;
- 3) on innovation activities;
- 4) on issues of internal control and risk management;
- 5) reporting and evaluation of activities;
- 6) other functions.

In 2018, the Company held 14 meetings of the Committee on Strategic Planning and Risks of the Board of Directors and considered 69 issues, on which 164 decisions were made

Composition of the Strategic Planning and Risk Committee as of December 31, 2018

Full Name	Position
Dauletbaeva A.A.	Chairman of the Committee - Independent Director of Agrarian Credit Corporation JSC
Zhumagatov S.S.	Member of the Committee - Independent Director of Agrarian Credit Corporation JSC
Zhumadilov N.G.	Committee Expert (representative of "KazAgro" Holding "JSC)
Omarov A.A.	Committee Expert (representative of "KazAgro" Holding "JSC)
Nurmagambetov B.R.	Committee Expert (representative of "KazAgro" Holding "JSC)
Tuyakbayev D.T.	Committee Expert (representative of "KazAgro" Holding "JSC)

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Committee of the Board of Directors on social issues, personnel and remuneration.

The competence of this Committee is to consider the following issues:

- 1) according to qualification requirements;
- 2) on the evaluation of candidates;
- 3) succession planning;
- 4) on the assessment of activities;
- 5) by the remuneration system;
- 6) development;
- 7) for disciplinary action;
- 8) on termination of powers;
- 9) preliminary consideration of issues related to staffing, payroll, training costs,





Александр Волохович
КХ «Волохович А.В.»
в Костанайской области



Lending to end borrowers - agribusiness entities in 2018 made up

258,7 billion tenge



and organizational structure;

10) preliminary approval of personnel policy, internal regulatory documents related to the social support of the Company's employees;

11) preliminary consideration of issues related to the corporate social responsibility of the Company;

12) preliminary consideration of issues related to labor disputes and conflicts in the case of contacting the Committee or the Board of Directors;

13) reporting and evaluation activities.

In 2018, the Company held 14 meetings of the Human Resources Committee and reviewed 50 issues, on which 136 decisions were made.

Composition of the Committee on Social Affairs, Personnel and Remuneration as of December 31, 2018

Full Name	Position
Zhumagatov S.S.	Chairman of the Committee - Independent Director of "Agrarian Credit Corporation" JSC
Dauletbaeva A.A.	Member of the Committee - Independent Director of "Agrarian Credit Corporation" JSC
Beknazarov A.M.	Committee Expert (representative of "KazAgro" Holding "JSC)



Committee of the Board of Directors on credit policy and problem loans.

The competence of this Committee is to consider the following issues:

- 1) approval of internal regulatory documents governing the activities of the Company, taking into account the classifier;
- 2) making decisions on concluding major transactions and transactions in which the Company has an interest;
- 3) determination of the main strategies and principles of control, regulation and unification of credit activities and work with problem loans of the Company.

In 2018, the Company held 11 meetings of the Committee on Credit Policy and Problem Loans of the Board of Directors and considered 16 issues on which 43 decisions were made

Composition of the Credit Policy and Problem Loan Committee at December 31, 2018

Full Name	Position
Zhumagatov S.S.	Chairman of the Committee - Independent Director of Agrarian Credit Corporation JSC
Dauletbaeva A.A.	Member of the Committee - Independent Director of Agrarian Credit Corporation JSC
Tuyakbaev D.T.	Committee Expert (representative of "KazAgro" Holding "JSC)
Nurmagambetov B.R.	Committee Expert (representative of "KazAgro" Holding "JSC)



Basic principles of remuneration of the Board of Directors and the Management Board

The establishment of remuneration to members of the Board of Directors of the Company is carried out in accordance with internal regulatory documents, and the expected positive effect on the participation of this person on the Board of Directors should be taken into account. Remuneration is paid to independent directors, unless otherwise provided by law, regulatory documents of the Company and those organizations in which they work. The Chairman of the Company's Management Board does not receive remuneration for participation in the work of the Board of Directors. The amount of the fixed annual remuneration is determined by the decision of the Sole Shareholder. The remuneration is not paid in the event of an established fact of damage to the Company caused by the decision of the Board of Directors, for which including an independent director voted. Regulations on the conditions of remuneration, bonuses and social security of the Chairman and members of the Management Board of the Company shall be approved by the Board of Directors of the Company.

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The Regulations define the size of official salaries, working conditions and bonuses for the Chairman and members of the Board. Remuneration is differentiated on the basis of an individual approach, depending on the complexity of the work performed and the position held.

The remuneration system of the Chairman and members of the Board includes remuneration for the year. Remuneration for the year is paid once a year, depending on the results achieved by the Chairman and members of the Board of the strategic key performance indicators and the results of the evaluation by the Board of Directors of their activities.

The remuneration paid to members of the Board of Directors consists of remuneration and social security contributions. The remuneration paid to the members of the Board consists of the salary of other short-term payments, as well as social security contributions.

The amount of remuneration and bonuses to members of the Board of Directors in 2018 was 9,101 thousand tenge.

Actually paid remuneration and bonuses to members of the Board in 2018 amounted to 82,859 thousand tenge.



Internal Audit Service

The Internal Audit Service (hereinafter-IAS) of the Company was established on November 11, 2003 and is directly subordinate to the Board of Directors. Supervision of the activities of IAS is carried out by the Audit Committee.

The mission of IAS is to provide the necessary assistance to the Board of Directors and the Management Board in fulfilling their obligations to achieve the strategic goals of the Company.

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

The main tasks of NEA are:

- 1) assess and promote the improvement of the internal control system;
- 2) assessment and assistance in improving the risk management system;
- 3) fraud risk assessment and the effectiveness of fraud risk management in the Company;
- 4) assessing and promoting the improvement of the corporate governance system in the Corporation;
- 5) assessment of reliability, completeness, objectivity of the accounting system and reliability of financial reporting;
- 6) assessment of compliance with the requirements of the legislation of the Republic of Kazakhstan, the requirements of internal regulatory documents of the Company;
- 7) assessment of the rationality and efficiency of the use of the Company's resources and the methods (methods) used to ensure the safety of the Company's assets;

According to the risk-oriented annual audit plan of IAS for 2018, approved by the Company's Board of Directors dated January 16, 2018, eight audit assignments were conducted with an analysis of the regulation of various business processes and the construction of inherent risk matrices and control procedures. Also, an assessment was made of the effectiveness of the corporate risk management system and the Company's internal control system.

Reports on the activities of IAS are submitted to the Board of Directors for review on a quarterly basis, with an indication of the status of the implementation of IAS recommendations and other external audits of corrective action plans.



Daniyar Abdulgafarov
“Alma Mater Fields” LLP
in Almaty region





In 2018, 16 intensive gardens were funded, the total area - 2,491.1 ha, total production capacity

57 740 tons per year

Share capital structure

The authorized capital of the Company as of December 31, 2018 is 158,630,371 thousand tenge.

The number of announced and offered common shares is 158,630,371, the nominal value of one share is 1,000 tenge, and there are no free floating shares. The book value of one share is 951, 87 tenge.

Earnings per share - 65, 41 tenge.

During the reporting period, there were no significant transactions with shares in the reporting period and changes that occurred in the composition of shareholders owning shares in the amount of five or more percent of the number of outstanding shares.

Dividend Information

The policy of "Agrarian Credit Corporation" JSC regarding the goals, principles, size, form, terms and procedure for dividend payment is defined in the Regulations on the dividend policy approved by the decision of the Sole Shareholder - the Board of KazAgro Holding dated 04.07.2012.

When deciding on the payment of dividends, the Sole Shareholder proceeds from the terms of their payment, and also takes into account the amount of income received for the reporting fiscal year and the development needs of the Company.

The dividend policy of the Company is based on the following principles:

- 1) strict observance of the rights of the Sole Shareholder stipulated by the current legislation of the Republic of Kazakhstan, the Charter of the Company and its internal documents and best corporate governance practices;
- 2) the balance of interests of the Company and the Sole Shareholder in determining the amount of dividend payments;
- 3) consideration of the interests of the Sole Shareholder and maximization of its assets;
- 4) compliance with the restrictions established by the legislation of the Republic of Kazakhstan and the Charter of the Company when making a decision (declaration) on the payment of dividends;
- 5) development of a medium-term and long-term dividend policy in accordance with the basic principles and approaches to the formation of the dividend policy of the Company contained in these Regulations;



6) ensuring the motivation of the executive body of the Company to achieve the planned profits and dividends.

Information about dividends paid for the last four years:

In 2016 (following the results of 2015):	Dividend (% of net income)	In 2017 (by the end of 2016)	Dividends (% of net income)
542,7 mln.tenge	50 %	1 460,5 млн.тенге	50 %

In 2018 (according to the results of 2017)	Dividends (% of net income)	In 2019 (following the results of 2018)	Dividends (% of net income)
4 189,7 mln.tenge	60 %	10 375,6 mln.tenge	100%





Arman Javidan
"Empire Food" LLP
in Almaty region



In 2018, the Agricultural Competence Support Center trained 900 agribusiness entities and

360 employees-credit specialists of CT, STB, LK and MFO



6 INTERACTION WITH SOCIETY

Non-financial support and increase of financial and sectoral competence of agribusiness entities

In 2018, as part of the work on the creation of the Agribusiness Support Center to provide non-financial support measures to financial institutions (CT, MFI, STB, LC) and agribusiness entities, the Company developed and approved the Non-financial support Policy of the Company (hereinafter referred to as the Policy) regulating the main goals, objectives and directions of activity on rendering information, consulting, methodological and educational support to subjects of agrarian and industrial complex and financial institutions.

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Also, in accordance with the new organizational structure, which entered into force on 12/01/2018, in connection with the creation of a separate structural unit - the Agribusiness Support Center, in order to regulate the main goals, tasks, functions and structure of the Agribusiness Support Center, the Regulation on the Support Center was developed and approved Agribusiness Society.

The Agribusiness Support Center of the Company was established as a project office with the participation of various partners on the models of the European Bank for Development and Reconstruction for Small and Medium Businesses tested in Kazakhstan and the Turkish Economic Bank (TEB) for farmers in Turkey.

1. Following the results of 2018, for the first time, training seminars were organized and held to improve the sectoral competence of employees of financial institutions (CT, MFI, STB, LC).

11 one-day seminars on the topic "Branch features of the analysis of agricultural projects" were held in Astana (2 workshops), Almaty, Uralsk, Taraz, Pavlodar, Ust-Kamenogorsk, Kyzylorda, Shymkent, Kostanay, Petropavlovsk, with the involvement of the Center for Agricultural Competence NPP RK Atameken



The seminar was aimed at improving the sectoral competence of employees of financial institutions in the following main priorities for the development of the agro-industrial sector, as well as on the specifics of risk analysis and methods of lending to agro-industrial complex projects:

- meat and dairy cattle;
- fodder production;
- fruit and vegetable growing;
- crop production.

According to the results of the seminars, 360 loan officers of KT, STB, LC and MFIs were trained, employees of 134 KT, 10 MFIs, 8 STBs and 3 LCs received educational support.

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Name Efficiency Strategy of the Corporation Development	Plan 2018	Plan 2018 digitized	Fact 2018	The fact of 2018, digitized
The share of financial institutions (CT, STB, MFI, LC) that received consulting and other types of non-financial support, at least,%	55%		51%	
CT	70%	127	74%	134
STB	30%	6	40%	8
MFI	10%	13	8%	10
LC	30%	5	18%	3

Also in 2018, the Company organized 14 training seminars for subjects of the agro-industrial complex to explain the norms of regulatory legal acts, including tax, accounting and financial legislation, subsidy mechanisms and issues of digitization of the agro-industrial complex.

In addition, for the subjects of the agro-industrial complex, the advisory support of projects of the subjects of the agro-industrial complex / borrowers of the Company (medium, large, farms) with specialized experts was also organized, with training in industry fundamentals and technologies in accordance with the direction being implemented.



Marketing and PR activities

“Agrarian Credit Corporation” JSC on a regular basis takes measures on positioning its activities through media resources, as well as social networks in order to attract the subjects of the republic’s agro-industrial complex to participate in the lending programs implemented by the Company.

In 2018, the Agrarian Credit Corporation aimed at managing the processes of disclosing and disseminating corporate information, building effective communications with its stakeholders and correct brand positioning in the internal and external environment. The “Agrarian Credit Corporation” JSC developed a communication strategy for 2018–2026. In order to convey the values of “Agrarian Credit Corporation” JSC, while preserving the combinatorial analysis of the elements of the “KazAgro NMH” JSC group of companies, the Company carried out the restyling of its brand.

In order to form a positive business reputation and positive image of the Company in the Republic of Kazakhstan and abroad, implement the policy of interaction with society, consumers and authorities, as well as conduct a single internal and external corporate information policy, a Corporate Standard was developed for implementing and monitoring the communication strategy of Agrarian credit corporation.

In relations with customers, partners and the media, the Company creates an atmosphere of trust and openness. The management regularly takes part in press conferences, briefings, forums, round tables, and television programs. Thus, the public gets the opportunity to directly ask questions to the company’s executives, and the Company receives timely feedback on existing problem issues, which are sought together with customers or media representatives during discussions based on open dialogue.

For maximum public information about the activities of the Company, there is a corporate website that contains all the necessary information in accordance with the laws of the Republic of Kazakhstan. The site has a news block in which all the latest events are published; The blog of the Chairman of the Board - a feedback form for citizens; section on credit products of the Company; photo and video gallery; contacts of branches and credit partnerships, etc.

In the republican mass media, the Company permanently posts articles in print media, news agencies, websites of various departments, as well as interviews on TV channels in order to highlight the Company’s activities. At



the request of the media, in 2018 materials were prepared for interviews with the leadership of the Company's central office and its branches in republican print and online publications: inform.kz, Kazakhstanskaya Pravda, bnews.kz, informburo.kz, abctv.kz, tengrinews.kz, nur .kz, "Expert Kazakhstan", "Karavan" newspaper, "Italics", "Capital" and others.

There were also produced videos about supporting small and medium-sized businesses in the agro-industrial complex of the republic. In connection with the implementation of crediting programs for agricultural producers for spring field and harvesting work, the Company regularly prepares and distributes video clips on data of support programs for agro-industrial complex entities on TV channels in the news information block.

For feedback on ongoing projects in all regions of Kazakhstan, press tours were conducted. During the year, 6 press tours were held: AlmaGreenFields LLP - construction of a fruit storage facility in Almaty, DALA-FRUIT.KZ LLP - purchase of equipment for apple juice production Turkestan region, Kambar farm, a livestock farm in Pavlodar region, The farm "Lugovoe" - intensive gardens in the Zhambyl region, handing over the first check for the purchase of breeding stock of cattle under the "Sybaga" program to the farm head "Manat", in the Akmola region, as well as a press tour to familiarize with the course of spring field work and funding of the BWI.

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The company launched in social networks a unique project "Agroexpedition" - a series of videos and photo collages about successful borrowers in different parts of Kazakhstan. For 4 months, the film crew traveled 14,000 kilometers, visiting more than 30 farms that received affordable credit for the creation



and development of agribusiness. The clips received a high positive response in social networks, for example, a video about the borrower of the Company “Aktep” LLP collected over 170 thousand views on YouTube over three months.



In 2018, the “Credit Committee” program was held on “Qazaq Radiosy” weekly, where employees of the Company’s front-office viewed live start-up projects of farmers from all over Kazakhstan. The program has shown good ratings.

According to the results of a reputational audit in 2017, a low share of brand awareness of “Agrarian Credit Corporation” JSC was revealed. Thus, the marketing segmentation of the Company’s shareholders (farmers, shareholders, employees, potential investors) and the Company’s promotion tools for each of the segments was carried out. To create an effective communication platform and exchange of views on the development of agriculture in Kazakhstan, it was proposed to create a television talk show in the format of debates with the participation of experts in the agricultural sector, farmers, NGOs and government representatives.

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Since June 2018, the “PROAGRO” program cycle has been launched, which includes 10 issues that were later posted on the YouTube channel of the Ministry of Agriculture of the Republic of Kazakhstan. During the talk show dialogues, the most pressing issues of agriculture, ways of solving problems and challenges, as well as suggestions for improving the activities of stakeholders were raised.

In order to efficiently cover the activities of “Agrarian Credit Corporation” JSC, the Marketing and PR Service conducted communication trainings for the top management of the central office and branches of the Company.

In the framework of the state program «With a diploma to the village» and the Program for the development of the AIC for 2013-2020. The society annually



conducts "Farm lectures", together with the S. Seifullin Kazakh Agrarian University in order to stimulate and motivate students and develop human resources in the agroindustrial complex. The campaign "Excursion to the farm" was also held, where students could personally get acquainted with the activities of farmers. All these events and actions gave a positive result.



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In order to popularize the system of credit partnerships, the Company issued information brochures in all regions of Kazakhstan. "Agrarian Credit Corporation" JSC was among the main organizers of the Second Forum of AIC credit partnerships in Pavlodar.

In order to improve the system of feedback and public awareness in 2018, work continues in social networks. The number of subscribers to the official accounts of the Company is increasing every day due to useful and interesting content, as well as tools for promoting publications. For example, only on Instagram, the number of subscribers at the end of 2018 was about 2,700 against 1345 in 2017. On Facebook, the number of subscribers increased to 3,600 and more than doubled at the beginning of the year. Over the entire existence of the official Facebook page, a one hundred percent response rate has been reached. Users have the opportunity to contact all your questions by writing a message.

The company is actively using the potential of electronic video resources. On the Youtube channel, the number of views of the video stories "Success Stories" and "Outbound Press Tours" exceeded 200 thousand. The number of Youtube subscribers increased from 1,538 to 6,400, thanks to the active work of the Marketing and PR Service, as well as relevant and interesting content. The number of references to the Company's activities in the media in 2018 reached 1,588, for the same period in 2017 - 1,384 units. The increase in the number of references was 15%.



The company is actively working on internal PR. In November 2018, a corporate photo contest «Faces AKK» was held, in which 65 people took part - employees of the front offices of the branches. A brief information was posted on each of the Company's social networks; employees were selected by a vote, whose photos were posted in the corporate calendar for 2019. All participants were awarded with diplomas.



Quality Management System

The Quality Management System (hereinafter - QMS) of the Company was developed and implemented in accordance with the requirements of the international standard MS ISO 9001-2015 "Quality Management Systems. Requirements". It was introduced to confirm the Company's ability to provide financial services that meet the requirements of consumers, as well as legislative and other regulatory acts, to increase borrower satisfaction through effective application of the QMS, including using the processes of continuous improvement of the QMS.

On November 7, 2007, the Company received a quality certificate confirming that the Company's activities comply with the standards of the Republic of Kazakhstan ST RK ISO 9001-2008.

On August 27, 2010, the Company's QMS was certified by "Russian Register Eurasia" LLP in accordance with the requirements of international standard MS ISO 9001-2008.

On August 27, 2013, the Company's QMS was re-certified with a certificate validity period until August 27, 2016. According to the requirements of ISO 9001-2008, the Company annually undergoes an inspection audit by external auditors in order to confirm the certificate.

In 2016, a recertification audit was conducted. A new Certificate of Conformity QMS according to MS ISO 9001: 2008 was received.

In 2018, the Company took measures to bring the Company's QMS into compliance with the requirements of ISO 9001-2015, namely:

- approval of the Policy and Quality Goals;
- management review of the QMS;
- conducting internal quality checks;
- passing the annual inspection audit.

According to the results of the inspection audit, it was established that the Company's QMS is maintained in working condition, it develops in accordance with the principles of continuous improvement, and is generally effective and brought into compliance with the requirements of ISO 9001-2015.



HR and social work

The purpose of the Company's Personnel Policy is to ensure the achievement of strategic objectives through improving the efficiency of personnel management and personnel development as the most important resource of the Company.

Key priorities of the Personnel Policy are:

- attraction, development and retention of highly professional workers;
- the introduction of advanced methods of personnel management, the creation in the Company of effective divisions for working with staff;
- management of a pool of high-potential employees of the Company;
- support of innovations and transformations in the Company;
- the creation and development of joint values, social norms, attitudes, regulating the behavior of the employee.

The main principles of the Personnel Policy are:

- the long-term nature of the relationship;
- compliance of the qualifications of employees with their positions
- interrelation of interests and goals of the Company and employees;
- continuity of knowledge and experience, emphasis on the development and training of employees;
- reward and advance on merit and results achieved.

Total staffing:

- 2016 - 318 established units
- 2017 - 335 staff units
- 2018 - 399 staff members

Principles of remuneration

The remuneration of employees of the Company is based on the principles of an objective assessment of the effectiveness of employees, internal justice and external competitiveness of remuneration and remuneration, transparency in determining the amount of remuneration and bonuses, the dependence of remuneration and remuneration on the Company's performance and employee performance.

For the period from 2015 to 2018, the volume of the Company's loan portfolio increased 2.5 times. At the same time, over the past 5 years, the wages of the Company's employees have remained unchanged. In order to apply a fair approach to remunerating the Company's employees and maintaining competitiveness in the labor market, in 2018 the remuneration of the Company's employees was revised upwards by 20%.

And also, in 2018, a grading system for posts was developed and implemented (evaluation of posts in comparison with the practice of



remuneration in the reference market), according to which the wages of workers were brought into line with the labor market.

The post grading system uses the following approaches:

- ensuring transparency and manageability of the payment system;
- maintaining a balance of interests of the employee and the employer;
- building the organization hierarchy according to common rules for all employees;
- the creation of uniform rules for setting wages.

Level of staff turnover:

- 2016 - 24%;
- 2017 - 20%;
- 2018 - 17.3%.

The level of staff satisfaction - 89% (positive zone).

The staff satisfaction survey was conducted by questioning all employees of the Company. 398 employees of the Company took part in the survey (both employees of the Central Office and employees of branches in the regions), of which 89% expressed their involvement and satisfaction with the working conditions in the Company. Satisfaction in 2018 compared with the previous period increased by more than 20%, thanks to the measures taken to change wages and introduce a grading system.

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Level of education, gender statistics, including the share of women in the Company's management

Name	The average number of all people.	including:							
		men		women		PhD		Master/MBA	
		number	%	number	including executives *	number	%	number	%
According to the central office of the Company	421	235	59,64	159	15	2	0,54	35	8,88

Table continuation

Name	Including:										average work experience in ACC	average age
	with foreign education		Availability of international certificates		«Bolashak» scholars		with knowledge of state		with knowledge of English			
	кол-во	%	кол-во	%	кол-во	%	кол-во	%	кол-во	%		
According to the central office of the Company	2	0,54	14	3,84	1	0,27	394	100	26	6,59	3 года 8 месяцев	35

- 2016: 60% for men, 40% for women (60% of women in management, 36% of line managers);
- 2017: men - 61%, women - 39% (the proportion of women in leadership is 40%, 35% of the line managers);
- 2018: 60% for men, 40% for women (67% of women in management, 33%



among line managers).

Social work

- The society creates the most favorable social and economic conditions for workers, social support for workers, contributing to the productivity of their work.
- The Company conducts compulsory insurance of the employer's civil liability for causing harm to the life and health of an employee in the performance of his labor (official) duties. The provision of workers with high-quality additional medical services and the possibility of rehabilitation treatment at the Company's expense is carried out through the system of voluntary medical insurance.
- The Society supports the maintenance of healthy lifestyle by employees. In order to promote the development and maintenance of a healthy lifestyle, the Company provides for the purchase of season tickets for employees to visit sports and gymnasiums, swimming pools, as well as the cost of renting sports facilities.
- For the promotion of high-performance, high-quality labor of personnel, material (awards, souvenirs, material aid) and non-material incentives (declaration of gratitude, awarding diplomas) are widely used.
- The Company has a system of payments for material assistance to employees at the birth of children, marriage and death of close relatives.
- Employees are granted annual paid holidays with a total duration of 30 (thirty) calendar days for their rest, rehabilitation, health promotion and other personal needs.
- Employees of the Company who have passed a probationary period or who have been hired without one, if they are granted annual paid labor leave, a health allowance is paid in the amount of 2 (two) official salaries in the manner prescribed by the Company's internal documents. Annual paid leave may be granted in parts at any time of the year at the request of the employee and by agreement of the parties.
- The system of providing social leave to employees that they need to pass exams and to defend their theses, and for other reasons the objective

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need of each employee in the form of leave without pay, study leave, maternity leave, leave without pay child care, or in connection with the adoption (adoption) of a newborn child (children).

- The Company applies time-based - the bonus wage system. In addition to the wages of workers that are competitive in the labor market, there are compensatory and incentive payments in the Company.
- One of the key factors in the management of personnel development is the additional remuneration of employees for the final results in solving certain tasks in the form of bonuses based on the results of their performance evaluation. Remuneration of workers is an effective measure to motivate their honest work.
- The Company ensures that all guarantees and compensation payments are observed when attracting employees on weekends and holidays, as well as when employees are on business trips.
- One of the areas of staff development is the improvement of workers' skills, both with and without separation from the main place of work. Employees are trained, as a rule, in those areas that are in demand in the activities of the Company. Employees have the opportunity to improve their qualifications, both within the country and travel to other countries.
- Considerable attention to the implementation of the Company's Social Policy, as a socially responsible organization, is paid to the provision of charitable and sponsorship assistance to affected citizens of the country during natural disasters and other circumstances, and to needy poor citizens of the Republic of Kazakhstan.
- The company holds annual team building and corporate events aimed at maintaining the corporate spirit of the employees.

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Training and development of staff

The Company annually goes to advanced training courses for at least 25% of full-time employees:

- 2016 - 211 employees were trained;
- 2017 - 305 employees were trained;
- 2018 - 287 employees were trained.

The Company is working on motivation and non-financial incentives for staff. On July 13, 2018, a facilitation session was held for the 48 best employees of



the central office and branches as part of the event "Cool You Got into ACC!"

As the organizers explained, a facilitation session is an effective process of group discussion, problem solving and planning, which gives qualitative results in a short time.



For 2 hours of active work, participants were able to communicate, share experiences and determine ways for further development. It turned out (according to the participants) that it is necessary to focus on 3 main areas: automation of business processes, the introduction of new technologies and the strengthening of the social package as a mandatory element of corporate prestige and an important component of the staff motivation



system. The best employees were awarded with diplomas and brand products of the Company.

Environmental protection

“Agrarian Credit Corporation” JSC is promoting the introduction and development of «green technologies» in agriculture. During the reporting period, projects were financed using a drip irrigation system, energy-efficient greenhouses of the 5th generation, as well as vegetable stores with the production of clean energy using a biogas plant.

In 2018, repeated meetings were held with representatives of the United Nations Development Program in the Republic of Kazakhstan (hereinafter - UNDP), who implemented the project “Support Readiness of the Republic of Kazakhstan (hereinafter - the Project) to interact with the Green Climate Fund” (hereinafter - the SCF).

The GCF is a global fund created to support countries' efforts to reduce greenhouse gas emissions and adapt to climate change.

The main objective of the Project is to support the Government of the Republic of Kazakhstan to attract resources of the GCF to Kazakhstan and to create in Kazakhstan procedures, rules and a monitoring system for projects funded by the GCF.

Charity and sponsorship projects

During the reporting period, Agrarian Credit Corporation JSC sponsored 15 projects for a total amount of KZT38 million.

The Company annually sponsors the Forum of Credit Unions in the AIC. In 2018, the Forum was held in Pavlodar, gathering more than 160 people, including representatives of credit partnerships from Kazakhstan and Russia, international consultants from Poland, representatives from the Ministry of Agriculture of the Republic of Kazakhstan, “KazAgro Holding”, and local authorities.



The company permanently cooperates with the universities of Kazakhstan.



Thus, the Society sponsored the creation of the Consultative Financial Center at the S. Seifullin Kazakh Agrotechnical University in the framework of the forum “Partnership of the University and Employers in the Training of Personnel for the Real Sector of the Economy”. 2.3 million tenge was allocated for the purchase of new equipment..



In 2018, the Society co-sponsored the National Student Entrepreneurship, Start-ups and Innovations Cup “ENACTUS KAZAKHSTAN NATIONAL EXPO 2018”, which was attended by students from 50 universities of Kazakhstan, presenting over 100 projects. Three teams that presented the best agricultural projects

received cash grants from the Company for the development of their business.



Every year, the Company participates in charitable campaigns “Road to School”, congratulations to veterans of the Great Patriotic War and the agricultural industry.



7 SUMMARY

The analysis of the activities for the reporting year showed that the Company achieved the goals and objectives stipulated by the Corporation's Development Strategy for 2018.

As part of the implementation of the goals and objectives of the strategic direction 1 to increase the coverage of the AIC entities with financial services, the Company financed 7,390 borrowers for a total of 258,688.4 million tenge under 7 specialized lending programs.

In the strategic direction 2 to improve the institutional maturity of financial institutions and agribusiness entities, training seminars were held:

- on the sectoral and financial competencies of the subjects of the agro-industrial complex (agrotechnologies, effective farming methods, financing opportunities), contributing to the increase in productivity and labor intensity in the agro-industrial complex, financial literacy, credit discipline, awareness of the services of the Company and financial institutions-partners;
- to improve the sectoral competencies of financial institution specialists in assessing credit risks for agricultural projects and borrowers, providing information (analytics on the need for lending to agribusiness entities and industry trends), methodological and consulting support.

The goals and objectives of the strategic direction 3 to improve the efficiency of the Company's activities have been achieved, which has made it possible to form an effective model and increase the transparency of corporate governance.

During the execution of the Development Strategy during 2018, the problem arose of not achieving the planned efficiency indicator for the share of funding of financial institutions in the total lending of the Company, with a plan of 55%, was actually fulfilled by 93%, or the share was only 51%.

The deviation of 4% was affected by the unstable situation in the banking sector due to the default of 3 STBs, and the merger of two STBs.

It should be noted that, compared to 2017, in 2018, the volume of lending increased by 69%, or 258,688.4 million tenge, including financing agribusiness entities through funding of financial institutions by 39%, or 132,272.3 million . tenge. The growth in lending through KT was 47% - 75,345 million tenge, through leasing companies 1,128% - 16,172 million tenge. Decrease in lending



by 1,562 million tenge, or 23% through the MFI / RIC. The funding of the second-tier banks remained at the same level as last year and amounted to KZT 35,588 million.

In the first half of 2019, the Development Strategy was adjusted in terms of envisaging the Company's participation in the implementation of the Strategic Development Plan of the Republic of Kazakhstan until 2025, including 2 new KPIs in terms of investment in fixed capital of agriculture and food production, the planned values of 5 KPIs were revised (the volume of loans, the share of funding, the number of investment projects, the ratio of financial leverage, the level of provisions).

The Company will also take measures to update the Development Strategy within the framework of the transformation of the group of companies of "KazAgro Holding" JSC (accession or transfer of "KazAgroProduct" JSC to the Company) after determining the scheme and conditions for transfer / accession and making relevant decisions.



8 PLANS AND TASKS FOR 2019

The main goal of the Company, in accordance with the State Program for the Development of the Agro-Industrial Complex for 2017–2021 and the Strategy for the Development of the Company for 2017–2026, is to promote the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by creating an accessible and efficient financing system through the involvement of private financial institutions and improving the competence of the agro-industrial complex .

The company, as the operator of state programs for the development of the agro-industrial complex, will implement them by providing financing for the agribusiness entities from government sources, internal and external capital markets.

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As an institution of development, the Company will focus on providing support in improving the economic efficiency of agribusiness entities and their financial literacy to include agribusiness entities in the financing system and the value chain of agribusiness.

In order to increase the coverage of agribusiness entities with financing, the Company will contribute to the development of the institutional capacities of financial institutions through the provision of consulting and other non-financial support.

In the target business model, two main areas of the Company's activities are identified: financial and non-financial support measures. As part of the implementation of financial support measures, the Company will continue to provide preferential financing to agribusiness entities through direct lending with a phased reduction to zero by 2026, and indirect lending as the institutional development of financial institutions increases in terms of financing the agribusiness.

The company will finance and co-finance the subjects of the agro-industrial complex through KT, MFI, STB and LC, creating the necessary conditions and incentives for this.



KPI	2019	2020	2021	2022	2023	2024	2025	2026
The share of funding of financial institutions in the total amount of lending to the Company, no less than	35	55	60	65	70	80	90	100

One of the key provisions of the Company's Strategy is the redirection of funds from financial institutions to finance agribusiness entities, which will increase the availability and coverage of agribusiness entities with financing. To implement this task, the Company will apply support and development tools (consulting services, education and training, methodological support) and financing (co-financing, lending to anchor and other investment projects).

Since 2018, the Company has been working to expand the range of financing instruments, in particular, financing for second-tier banks for subsequent lending to agribusiness entities, which will increase the share of agribusiness financing at the expense of banks. As a result, the Company will apply an integrated approach when developing programs / products for agribusiness entities, which take into account the production cycle of the industry, gaps in the value chain, as well as the business need for several financial products simultaneously.

As part of non-financial support measures, the Company will continue to provide information, consulting, methodological and educational support to agribusiness entities and financial institutions. To accomplish this task, a phased reorientation of a part of the Company's branches activity into the format of agribusiness support and development centers will be carried out. The company will also involve partner organizations (international development institutions, associations, business support organizations and others) to assist in the implementation of non-financial support measures. The company will cooperate with international financial institutions in the following areas:

- 1) attracting additional funding for financial institutions under a partial guarantee of the Company, with a view to the subsequent financing of agribusiness entities;
- 2) obtaining support in conducting training and supporting investment technological projects in the regions, as part of a tool for integrating agribusiness entities into the financing system and the value chain of agribusiness;
- 3) assistance in the development of the system of credit partnerships in Kazakhstan.



The goals and objectives of the Company for 3 years, taking into account the Development Strategy for 2017-2026

No	Name of KPI	2019	2020	2021
1	The volume of lending to the agro-industrial complex under the Corporation's financing programs, billion tenge	250,2	282,3	324,8
2	The volume of loans for the purchase of fixed assets in agriculture, billion tenge	68,0	74,8	93,5
3	The volume of loans for the purchase of fixed assets for food production, billion tenge	8,0	8,8	10,1
4	Number of users of services under the Corporation financing programs, units	31 820	40 020	51 372
5	The share of funding of financial institutions in the total volume of loans to the Corporation, not less than, %	35	52	55
6	Number of investment projects, including those financed through STB and LC, not less than, units	111	112	131
7	Coverage of consulting and other types of non-financial support for agricultural producers, not less than, %	1,2	2,3	4,6
8	The share of financial institutions (STB, KT, MFO, LC) received consulting and other types of non-financial support, not less than, in%, including:	39	42	44
	CT, %	72	75	80
	BWU, %	40	45	45
	MFI, %	12	12	15
	LC, %	30	35	35
9	Financial leverage ratio	< 5,5	< 5,5	< 5,5
10	Maintaining the optimal level of formed reserves for the loan portfolio at the level of (not more than, %)	14	13,5	13,0
11	Corporate Governance Rating of the Corporation, %	78	80	83
12	Human resources index, not less, %	0,83	0,85	0,87

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9 Contact Information

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10 REPORT OF INDEPENDENT AUDITORS

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Аудиторский отчёт независимого аудитора

Акционеру и Совету директоров Акционерного общества «Аграрная кредитная корпорация»

Мнение

Мы провели аудит финансовой отчётности Акционерного общества «Аграрная кредитная корпорация» (далее - «Общество»), состоящей из отчёта о финансовом положении по состоянию на 31 декабря 2018 года, отчёта о прибыли или убытке, отчёта о совокупном доходе, отчёта об изменениях в капитале и отчёта о движении денежных средств за год, закончившийся на указанную дату, а также примечаний к финансовой отчётности, включая краткий обзор основных положений учётной политики.

По нашему мнению, прилагаемая финансовая отчётность отражает достоверно во всех существенных отношениях финансовое положение Общества по состоянию на 31 декабря 2018 года, а также его финансовые результаты и движение денежных средств за год, закончившийся на указанную дату, в соответствии с Международными стандартами финансовой отчётности (далее - «МСФО»).

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Основание для выражения мнения

Мы провели аудит в соответствии с Международными стандартами аудита (далее - «МСА»). Наши обязанности в соответствии с этими стандартами описаны далее в разделе «Ответственность аудитора за аудит финансовой отчётности» нашего отчёта. Мы независимы по отношению к Обществу в соответствии с Кодексом этики профессиональных бухгалтеров Совета по международным стандартам этики для бухгалтеров (далее - «Кодекс СМСЭБ»), и нами выполнены прочие этические обязанности в соответствии с Кодексом СМСЭБ.

Мы полагаем, что полученные нами аудиторские доказательства являются достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения.

Ключевые вопросы аудита

Ключевые вопросы аудита - это вопросы, которые, согласно нашему профессиональному суждению, являлись наиболее значимыми для нашего аудита финансовой отчётности за текущий период. Эти вопросы были рассмотрены в контексте нашего аудита финансовой отчётности в целом и при формировании нашего мнения об этой отчётности, и мы не выражаем отдельного мнения по этим вопросам.

В отношении указанного ниже вопроса наше описание того, как данный вопрос был рассмотрен в ходе нашего аудита, приводится в этом контексте.



Прочая информация, включенная в Годовой отчёт Общества за 2018 год

Прочая информация включает информацию, содержащуюся в Годовом отчёте, но не включает финансовую отчётность и наш аудиторский отчёт о ней. Ответственность за прочую информацию несёт руководство. Годовой отчёт, предположительно, будет нам предоставлен после даты настоящего аудиторского отчёта.

Наше мнение о финансовой отчётности не распространяется на прочую информацию, и мы не будем предоставлять вывода, выражающего уверенность в какой-либо форме в отношении данной информации.

В связи с проведением нами аудита финансовой отчётности наша обязанность заключается в ознакомлении с указанной выше прочей информацией, когда она будет нам предоставлена, и рассмотрении при этом вопроса, имеются ли существенные несоответствия между прочей информацией и финансовой отчётностью или нашими знаниями, полученными в ходе аудита, и не содержит ли прочая информация иных существенных искажений.

Ответственность руководства и Совета директоров за финансовую отчётность

Руководство несёт ответственность за подготовку и достоверное представление указанной финансовой отчётности в соответствии с МСФО и за систему внутреннего контроля, которую руководство считает необходимой для подготовки финансовой отчётности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

При подготовке финансовой отчётности руководство несёт ответственность за оценку способности Общества продолжать непрерывно свою деятельность, за раскрытие в соответствующих случаях сведений, относящихся к непрерывности деятельности, и за составление отчётности на основе допущения о непрерывности деятельности, за исключением случаев, когда руководство намеревается ликвидировать Общество, прекратить его деятельность или когда у него нет реальной альтернативы таким действиям.

Совет директоров несёт ответственность за надзор над процессом подготовки финансовой отчётности Общества.

Ответственность аудитора за аудит финансовой отчётности

Наши цели заключаются в получении разумной уверенности в том, что финансовая отчётность в целом не содержит существенных искажений вследствие недобросовестных действий или ошибок, и в выпуске аудиторского отчёта, содержащего наше мнение. Разумная уверенность представляет собой высокую степень уверенности, но не является гарантией того, что аудит, проведённый в соответствии с Международными стандартами аудита, всегда выявит существенное искажение при его наличии. Искажения могут быть результатом недобросовестных действий или ошибок и считаются существенными, если можно обоснованно предположить, что по отдельности или в совокупности они могли бы повлиять на экономические решения пользователей, принимаемые на основе этой финансовой отчётности.

В рамках аудита, проводимого в соответствии с Международными стандартами аудита, мы применяем профессиональное суждение и сохраняем профессиональный скептицизм на протяжении всего аудита. Кроме того, мы выполняем следующее:

- ▶ выявляем и оцениваем риски существенного искажения финансовой отчётности вследствие недобросовестных действий или ошибок; разрабатываем и проводим аудиторские процедуры в ответ на эти риски; получаем аудиторские доказательства, являющиеся достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения. Риск необнаружения существенного искажения в результате

Мы выполнили обязанности, описанные в разделе «*Ответственность аудитора за аудит финансовой отчётности*» нашего отчёта, в том числе по отношению к этому вопросу. Соответственно, наш аудит включал выполнение процедур, разработанных в ответ на нашу оценку рисков существенного искажения финансовой отчётности. Результаты наших аудиторских процедур, в том числе процедур, выполненных в ходе рассмотрения указанного ниже вопроса, служат основанием для выражения нашего аудиторского мнения о прилагаемой финансовой отчётности.

Ключевой вопрос аудита	Как ключевой вопрос был рассмотрен в ходе нашего аудита
Резерв под ожидаемые кредитные убытки по кредитам, предоставленным клиентам	
<p>Оценка уровня резерва под ожидаемые кредитные убытки по кредитам, предоставленным клиентам, в соответствии с МСФО (IFRS) 9 «Финансовые инструменты» является ключевой областью суждения руководства Общества. Выявление факторов значительного увеличения кредитного риска с момента первоначального признания актива, определение значений вероятности дефолта и уровня потерь при дефолте являются процессами, включающими значительное использование субъективного суждения, допущений и анализ различной исторической, текущей и прогнозной информации.</p> <p>Использование различных моделей и допущений может существенно повлиять на уровень резерва под ожидаемые кредитные убытки по кредитам, предоставленным клиентам.</p> <p>В силу существенности сумм кредитов, предоставленным клиентам, которые составляют 71% от общей суммы активов Общества по состоянию на 31 декабря 2018 года, а также значительного использования профессионального суждения, оценка резерва под ожидаемые кредитные убытки представляла собой ключевой вопрос аудита. Информация об ожидаемых кредитных убытках по кредитам, предоставленным клиентам, представлена в Примечании 7 «Кредиты, предоставленные клиентам» и Примечании 23 «Управление рисками» к финансовой отчётности.</p>	<p>Наши аудиторские процедуры включали в себя анализ методологии оценки резерва под ожидаемые кредитные убытки по кредитам, предоставленным клиентам, а также анализ и тестирование средств контроля над процессами выявления факторов значительного увеличения кредитного риска с момента первоначального признания актива, включающих срок просроченной задолженности и наличие реструктуризации задолженности по причине ухудшения кредитного качества актива.</p> <p>В рамках аудиторских процедур мы провели, на выборочной основе, анализ допущений и тестирование исходных данных, использованных Обществом при оценке резерва под ожидаемые кредитные убытки по кредитам, предоставленным клиентам, в том числе, статистических данных по обслуживанию задолженности, возмещения потерь в случае дефолта в результате реализации залогового имущества и погашения задолженности денежными средствами, а также влияния прогнозных макроэкономических факторов.</p> <p>Мы произвели пересчёт резерва под ожидаемые кредитные убытки.</p> <p>Мы проанализировали информацию о резерве под ожидаемые кредитные убытки по кредитам, предоставленным клиентам, раскрытую в Примечаниях к финансовой отчётности.</p>



недобросовестных действий выше, чем риск необнаружения существенного искажения в результате ошибок, так как недобросовестные действия могут включать сговор, подлог, умышленный пропуск, искаженное представление информации или действия в обход системы внутреннего контроля;

- ▶ получаем понимание системы внутреннего контроля, имеющей значение для аудита, с целью разработки аудиторских процедур, соответствующих обстоятельствам, но не с целью выражения мнения об эффективности системы внутреннего контроля Общества;
- ▶ оцениваем надлежащий характер применяемой учётной политики и обоснованность оценочных значений, рассчитанных руководством и соответствующего раскрытия информации;
- ▶ делаем вывод о правомерности применения руководством допущения о непрерывности деятельности, и, на основании полученных аудиторских доказательств, вывод о том, имеется ли существенная неопределённость в связи с событиями или условиями, которые могут вызвать значительные сомнения в способности Общества продолжать непрерывно свою деятельность. Если мы приходим к выводу о наличии существенной неопределённости, мы должны привлечь внимание в нашем аудиторском отчёте к соответствующему раскрытию информации в финансовой отчётности или, если такое раскрытие информации является ненадлежащим, модифицировать наше мнение. Наши выводы основаны на аудиторских доказательствах, полученных до даты нашего аудиторского отчёта. Однако будущие события или условия могут привести к тому, что Общества утратит способность продолжать непрерывно свою деятельность;
- ▶ проводим оценку представления финансовой отчётности в целом, её структуры и содержания, включая раскрытие информации, а также того, представляет ли финансовая отчётность лежащие в её основе операции и события так, чтобы было обеспечено их достоверное представление.

Мы осуществляем информационное взаимодействие с Советом директоров, доводя до их сведения, помимо прочего, информацию о запланированном объёме и сроках аудита, а также о существенных замечаниях по результатам аудита, в том числе о значительных недостатках системы внутреннего контроля, если мы выявляем таковые в процессе аудита.

Мы также предоставляем Совету директоров заявление о том, что мы соблюдали все соответствующие этические требования в отношении независимости и информировали этих лиц обо всех взаимоотношениях и прочих вопросах, которые можно обоснованно считать оказывающими влияние на независимость аудитора, а в необходимых случаях - о соответствующих мерах предосторожности.

Из тех вопросов, которые мы довели до сведения Совета директоров, мы определяем вопросы, которые были наиболее значимыми для аудита финансовой отчётности за текущий период и которые, следовательно, являются ключевыми вопросами аудита. Мы описываем эти вопросы в нашем аудиторском отчёте, кроме случаев, когда публичное раскрытие информации об этих вопросах запрещено законом или нормативным актом, или когда в крайне редких случаях мы приходим к выводу о том, что информация о каком-либо вопросе не должна быть сообщена в нашем отчёте, так как можно обоснованно предположить, что отрицательные последствия сообщения такой информации превысят общественно значимую пользу от её сообщения.



Руководитель, ответственный за проведение аудита, по результатам которого выпущен настоящий аудиторский отчет независимого аудитора, - Пол Кон.

ТОО «Эрнст энд Янг»

Пол Кон
Партнер по аудиту

Ольга Хегай
Аудитор



Гульмира Турмагамбетова
Генеральный директор
ТОО «Эрнст энд Янг»



Квалификационное свидетельство аудитора
№МФ-0000286 от 25 сентября 2015 года

Государственная лицензия на занятие
аудиторской деятельностью на территории
Республики Казахстан серии МФЮ-2
№ 0000003, выданная Министерством
финансов Республики Казахстан 15 июля
2005 года

050060, Республика Казахстан, г. Алматы
пр. Аль-Фараби, 77/7, здание «Есентай Тауэр»

19 апреля 2019 года

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Акционерное общество «Аграрная кредитная корпорация»

Финансовая отчётность за 2018 год

ОТЧЁТ О ФИНАНСОВОМ ПОЛОЖЕНИИ

на 31 декабря 2018 года

(в тысячах тенге)

	Прим.	31 декабря 2018 года	31 декабря 2017 года
Активы			
Денежные средства и их эквиваленты	5	70.889.857	7.046.982
Средства в кредитных организациях	6	32.815.837	21.671.412
Кредиты, предоставленные клиентам	7	265.103.066	163.555.462
Активы, предназначенные для продажи	7	864.739	443.657
Инвестиционные ценные бумаги	8	-	51.175.874
Инвестиционная недвижимость	9	345.724	337.694
Основные средства	10	362.767	242.056
Нематериальные активы	11	297.828	230.959
Активы по текущему корпоративному подоходному налогу	18	359.009	39.453
Активы по отложенному корпоративному подоходному налогу	18	982.220	1.744.732
Прочие активы	12	274.320	624.312
Итого активы		372.295.367	247.112.593
Обязательства			
Задолженность перед Акционером	13	127.888.348	13.745.153
Средства кредитных организаций	14	9.546.645	1.515.288
Выпущенные долговые ценные бумаги	15	56.898.981	66.867.978
Задолженность перед государственными и бюджетными организациями	16	22.634.685	9.891.167
Краткосрочные оценочные обязательства		344.507	226.695
Прочие обязательства	17	3.688.523	2.307.634
Итого обязательства		221.001.689	94.553.915
Капитал			
Уставный капитал	19	158.630.371	158.630.371
Дополнительный оплаченный капитал	19	34.670.854	12.538.954
Резервный капитал	19	5.339.751	2.546.627
Резерв по условному распределению	19	(46.219.772)	(24.051.401)
(Накопленный убыток) / нераспределённая прибыль		(1.127.526)	2.894.127
Итого капитал		151.293.678	152.558.678
Итого обязательства и капитал		372.295.367	247.112.593
Балансовая стоимость одной простой акции (в тенге)	19	951,87	960,27

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Подписано и утверждено к выпуску от имени Правления Общества:

Сарыбаев Нармухан Калмақұлы



(Handwritten signature)

Председатель Правления

Зайтуллаева Ирина Николаевна

(Handwritten signature)

Главный бухгалтер

19 апреля 2019 года

Прилагаемые примечания на страницах с 7 по 54 являются неотъемлемой частью настоящей финансовой отчётности.

ОТЧЁТ О ПРИБЫЛИ ИЛИ УБЫТКЕ

за год, закончившийся 31 декабря 2018 года

(в тысячах тенге)

	Прим.	2018 год	2017 год
Процентные доходы, рассчитанные с использованием эффективной процентной ставки			
Денежные средства и их эквиваленты		3.749.649	3.609.472
Средства в кредитных организациях		4.046.964	3.931.053
Кредиты, предоставленные клиентам		24.660.881	17.683.908
Инвестиционные ценные бумаги		4.533.535	2.958.575
		<u>36.991.029</u>	<u>28.183.008</u>
Процентные расходы			
Задолженность перед Акционером		(4.396.260)	(950.193)
Средства кредитных организаций		(122.454)	(31.368)
Выпущенные долговые ценные бумаги		(5.810.686)	(4.744.479)
Задолженность перед государственными и бюджетными организациями		(1.785.800)	(641.611)
Задолженность перед Правительством Республики Казахстан		(5.417)	(4.914)
Прочие обязательства		(119.301)	(2.482)
		<u>(12.239.918)</u>	<u>(6.375.047)</u>
Чистый процентный доход		24.751.111	21.807.961
Расходы по кредитным убыткам	6, 7, 20	(5.076.898)	(8.818.614)
Чистый процентный доход, за вычетом расходов по кредитным убыткам		19.674.213	12.989.347
Чистый убыток по операциям в иностранной валюте		(629)	(532)
Прочие доходы		201.759	217.829
Расходы на персонал	21	(2.810.515)	(2.109.630)
Прочие операционные расходы	21	(2.038.261)	(1.512.903)
Чистые убытки в результате модификации финансовых активов, оцениваемых по амортизированной стоимости	7	(1.287.749)	-
Чистые убытки в результате прекращения признания финансовых обязательств, оцениваемых по амортизированной стоимости		(388.195)	-
Прочие расходы		(2.992)	(1.196.477)
Непроцентные расходы		(6.326.582)	(4.601.713)
Прибыль до расходов по корпоративному подоходному налогу		13.347.631	8.387.634
Расходы по корпоративному подоходному налогу	18	(2.972.014)	(1.404.825)
Прибыль за год		10.375.617	6.982.809
Базовая и разведенная прибыль на простую акцию (в тенге)	19	65,41	44,02

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Подписано и утверждено к выпуску от имени Правления Общества:

Сарыбаев Нармухан Кадыржанович




Председатель Правления

Зайтұлдаева Ирина Николаевна

Главный бухгалтер

19 апреля 2019 года

Предлагаемые примечания на страницах с 7 по 54 являются неотъемлемой частью настоящей финансовой отчетности.

Акционерное общество «Аграрная кредитная корпорация»

Финансовая отчётность за 2018 год

ОТЧЁТ О СОВОКУПНОМ ДОХОДЕ

за год, закончившийся 31 декабря 2018 года

(в тысячах тенге)

	<u>Прим.</u>	<u>2018 год</u>	<u>2017 год</u>
Прибыль за год		10.375.617	6.982.809
Прочий совокупный доход за год		—	—
Итого совокупный доход за год		10.375.617	6.982.809

Подписано и утверждено к выпуску от имени Правления Общества:

Сарыбаев Нармухан Калмаханович



Председатель Правления

Зайтуллаева Ирина Николаевна

Главный бухгалтер

19 апреля 2019 года

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ОТЧЁТ ОБ ИЗМЕНЕНИЯХ В КАПИТАЛЕ

за год, закончившийся по 31 декабря 2018 года

(в тысячах тенге)

Прим.	Уставный капитал	Дополнительный оплаченный капитал	Резервный капитал	Резерв по условному распределению	(Накопленный убыток) / нераспределённая прибыль	Итого
На 31 декабря 2016 года	158.630.371	6.831.528	1.086.111	(15.008.072)	(1.167.650)	150.372.288
Итого совокупный доход за год	-	-	-	-	6.982.809	6.982.809
Доход от первоначального признания займов, полученных от Акционера, по справедливой стоимости, за вычетом налога	19	5.707.426	-	-	-	5.707.426
Резерв по условному распределению за год, за вычетом налога	19	-	-	(9.043.329)	-	(9.043.329)
Увеличение резервного капитала	19	-	1.460.516	-	(1.460.516)	-
Дивиденды объявленные	19	-	-	-	(1.460.516)	(1.460.516)
На 31 декабря 2017 года	158.630.371	12.538.954	2.546.627	(24.051.401)	2.894.127	152.558.678
Влияние применения МСФО (IFRS) 9	3	-	-	-	(7.414.461)	(7.414.461)
Остаток на 1 января 2018 года, пересчитанный в соответствии с МСФО (IFRS) 9	158.630.371	12.538.954	2.546.627	(24.051.401)	(4.520.334)	145.144.217
Итого совокупный доход за год	-	-	-	-	10.375.617	10.375.617
Доход от первоначального признания займов, полученных от Акционера, по справедливой стоимости, за вычетом налога	19	22.131.900	-	-	-	22.131.900
Резерв по условному распределению за год, за вычетом налога	19	-	-	(22.168.371)	-	(22.168.371)
Увеличение резервного капитала	19	-	2.793.124	-	(2.793.124)	-
Дивиденды объявленные	19	-	-	-	(4.189.685)	(4.189.685)
На 31 декабря 2018 года	158.630.371	34.670.854	5.339.751	(46.219.772)	(1.127.526)	151.293.678

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Подписано и утверждено к выпуску от имени Правления Общества:

Сарыбаев Нармухан Калмаханович



Председатель Правления

Зайтуллаева Ирина Николаевна



Главный бухгалтер

19 апреля 2019 года

Акционерное общество «Аграрная кредитная корпорация»

Финансовая отчетность за 2018 год

ОТЧЁТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ

за год, закончившийся 31 декабря 2018 года

(в тысячах тенге)

	<i>Прим.</i>	2018 год	2017 год
Движение денежных средств от операционной деятельности			
Проценты полученные		26.139.685	19.851.249
Проценты выплаченные		(8.247.414)	(5.020.333)
Реализованный убыток от операций в иностранной валюте		—	(532)
Расходы на персонал, выплаченные		(1.995.653)	(2.143.257)
Прочие операционные расходы, выплаченные		(1.995.980)	(1.399.678)
Денежные потоки от операционной деятельности до изменений в операционных активах и обязательствах		13.900.638	11.287.449
<i>Чистое (увеличение)/уменьшение операционных активов</i>			
Средства в кредитных организациях		(22.272.865)	(2.498.637)
Кредиты, предоставленные клиентам		(115.299.936)	(35.666.177)
Прочие активы		56.595	(157.332)
<i>Чистое (уменьшение)/увеличение операционных обязательств</i>			
Прочие обязательства		(547.911)	553.688
Чистое использование денежных средств в операционной деятельности до корпоративного подоходного налога		(124.163.479)	(26.481.009)
Уплаченный корпоративный подоходный налог		(889.448)	(690.035)
Чистое использование денежных средств в операционной деятельности		(125.052.927)	(27.171.044)
Движение денежных средств от инвестиционной деятельности			
Поступления от погашения инвестиционных ценных бумаг		798.538.221	526.366.788
Приобретение инвестиционных ценных бумаг		(747.540.056)	(551.277.613)
Приобретение основных средств		(208.881)	(106.688)
Приобретение нематериальных активов		(95.938)	(59.164)
Чистое поступление/(расходование) денежных средств в инвестиционной деятельности		50.693.346	(25.076.677)

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Прилагаемые примечания на страницах с 7 по 54 являются неотъемлемой частью настоящей финансовой отчетности.

ОТЧЁТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ (продолжение)

	Прим.	2018 год	2017 год
Движение денежных средств от финансовой деятельности			
Поступления от привлечения займов от Правительства Республики Казахстан	24	60.000.000	60.000.000
Погашения займов от Правительства Республики Казахстан	24	(60.000.000)	(60.000.000)
Поступления от привлечения займов от кредитных организаций	24	9.477.052	1.500.000
Погашение займов от кредитных организаций	24	(1.553.480)	—
Выпущенные ценные бумаги	24	(10.000.000)	14.997.895
Поступления от привлечения займов от Акционера	24	133.228.800	4.924.242
Погашение займов от Акционера	24	(4.674.673)	(3.336.264)
Поступление от привлечения займов от государственных и бюджетных организаций	24	18.463.010	12.731.935
Погашение займов от государственных и бюджетных организаций	24	(2.041.701)	(134.967)
Погашение займов от связанных сторон		(500.000)	—
Выплата дивидендов	19	(4.189.685)	(1.460.516)
Чистое поступление денежных средств по финансовой деятельности		138.209.323	29.222.325
Влияние изменений ожидаемых кредитных убытков на денежные средства и их эквиваленты		(6.867)	—
Чистое изменение денежных средств и их эквивалентов		63.842.875	(23.025.396)
Денежные средства и их эквиваленты, на начало отчётного года		7.046.982	30.072.378
Денежные средства и их эквиваленты, на конец отчётного года	5	70.889.857	7.046.982

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Подписано и утверждено к выпуску от имени Правления Общества:

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Зайтуллаева Ирина Николаевна



Главный бухгалтер

19 апреля 2019 года

GLOSSARY

AIC Agro-industrial complex

AP Agricultural producers

CP Credit Partnership

MFO Microfinance Organizations

STB Second-tier Banks

LC Leasing Companies

RIC Regional Investment Centers

VI Volume Index

LEB Local executive bodies

GMP General Meeting of Participants

KH Farm

SEC Social-entrepreneurial corporation

NAB Non-agricultural businesses

CO Central Office

NPL Non-performing loans (non-performing loans)

AO Affiliated Organizations

CIS 1C Corporate Information System on 1C Platform