



“AGRARIAN CREDIT CORPORATION” JSC



ANNUAL REPORT







ANNUAL REPORT 2016





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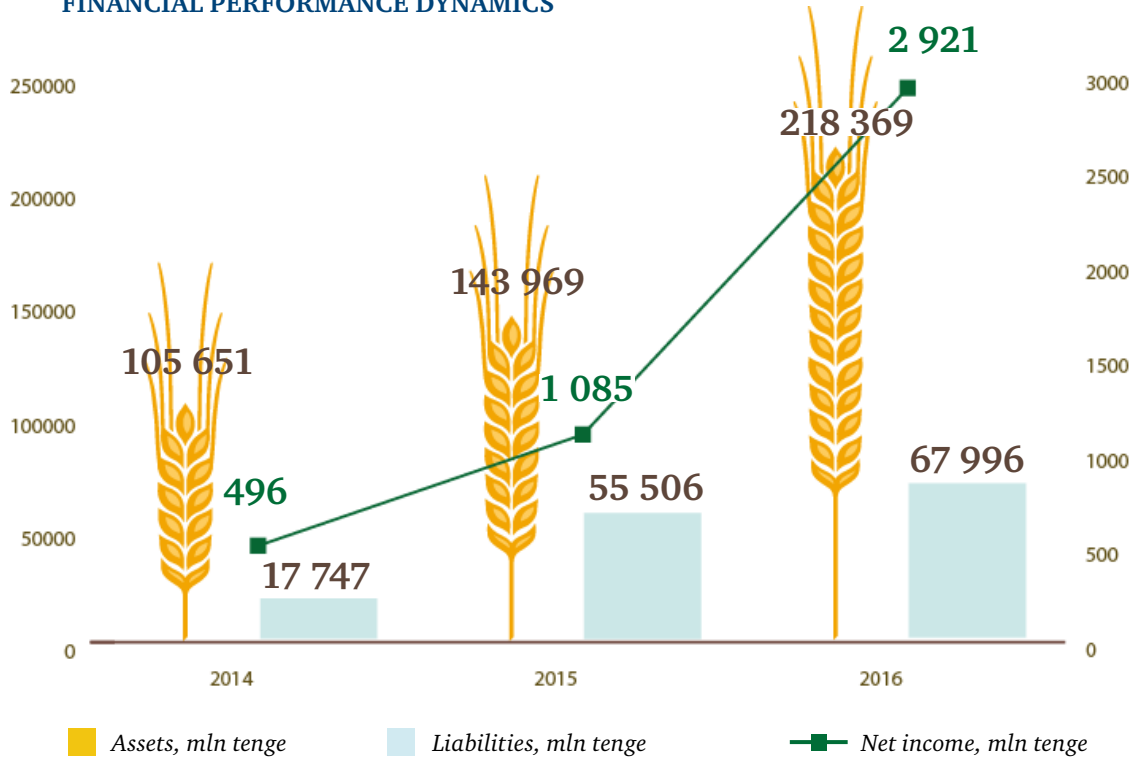
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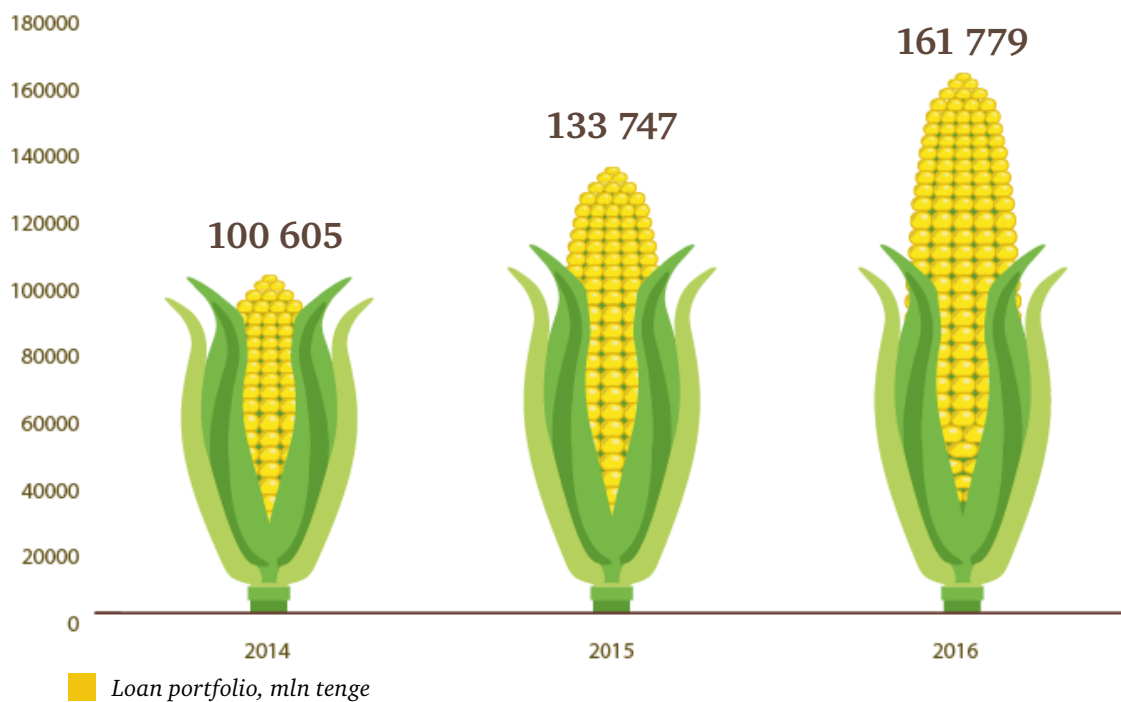


KEY PERFORMANCE INDICATORS

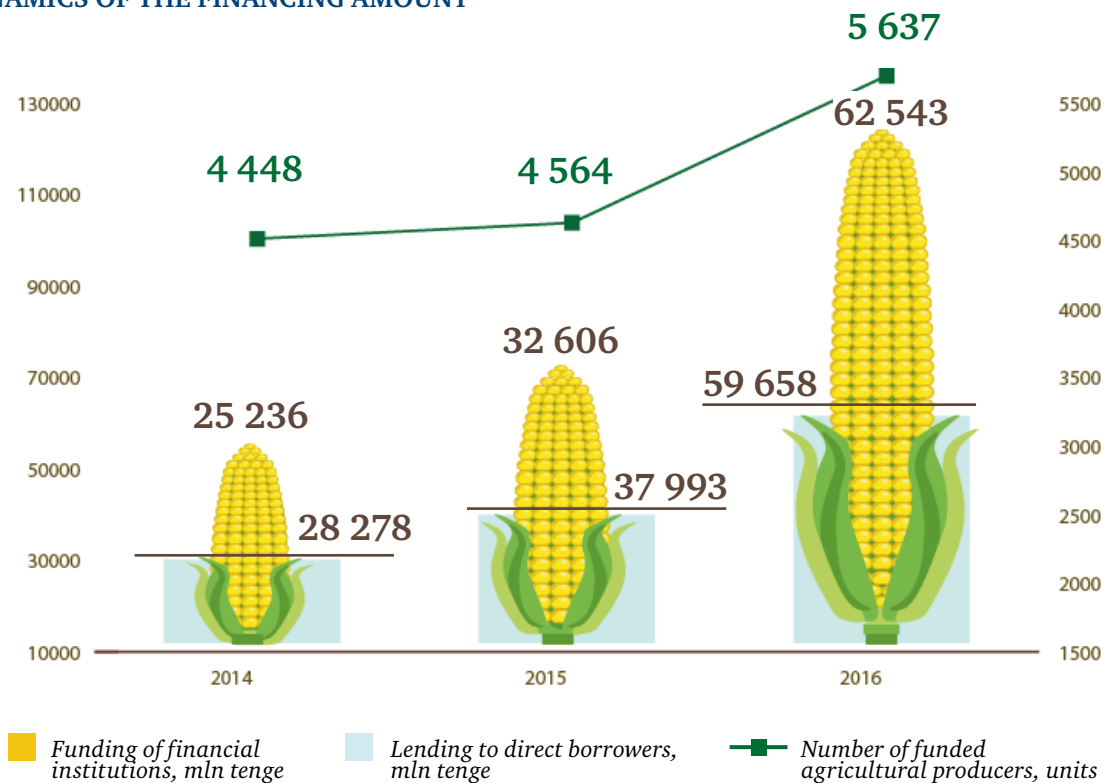
FINANCIAL PERFORMANCE DYNAMICS



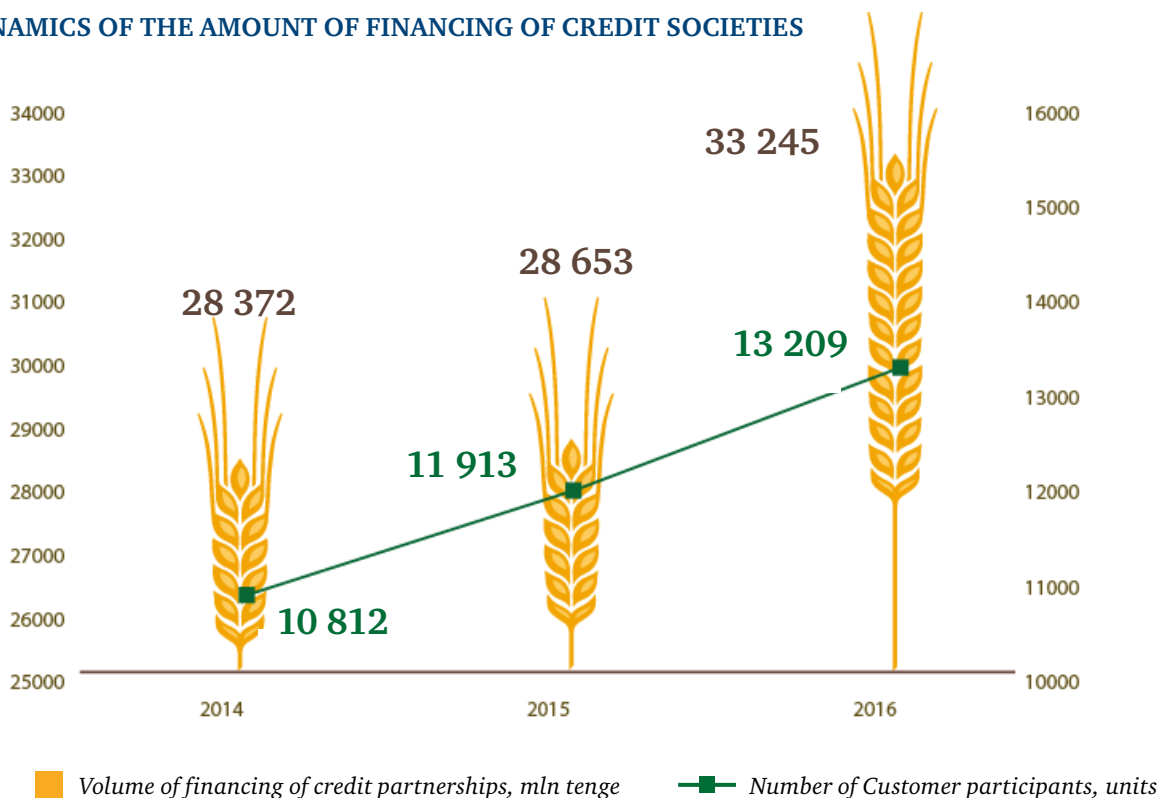
LOAN PORTFOLIO DYNAMICS



DYNAMICS OF THE FINANCING AMOUNT



DYNAMICS OF THE AMOUNT OF FINANCING OF CREDIT SOCIETIES





KEY EVENTS

Agrarian Credit Corporation JSC for the first time was awarded the status of a financial agency for procurement of a budgetary loan from the republican budget without collateral, which allowed the Corporation to act as a unified operator of the program for financing spring-field and harvesting operations.

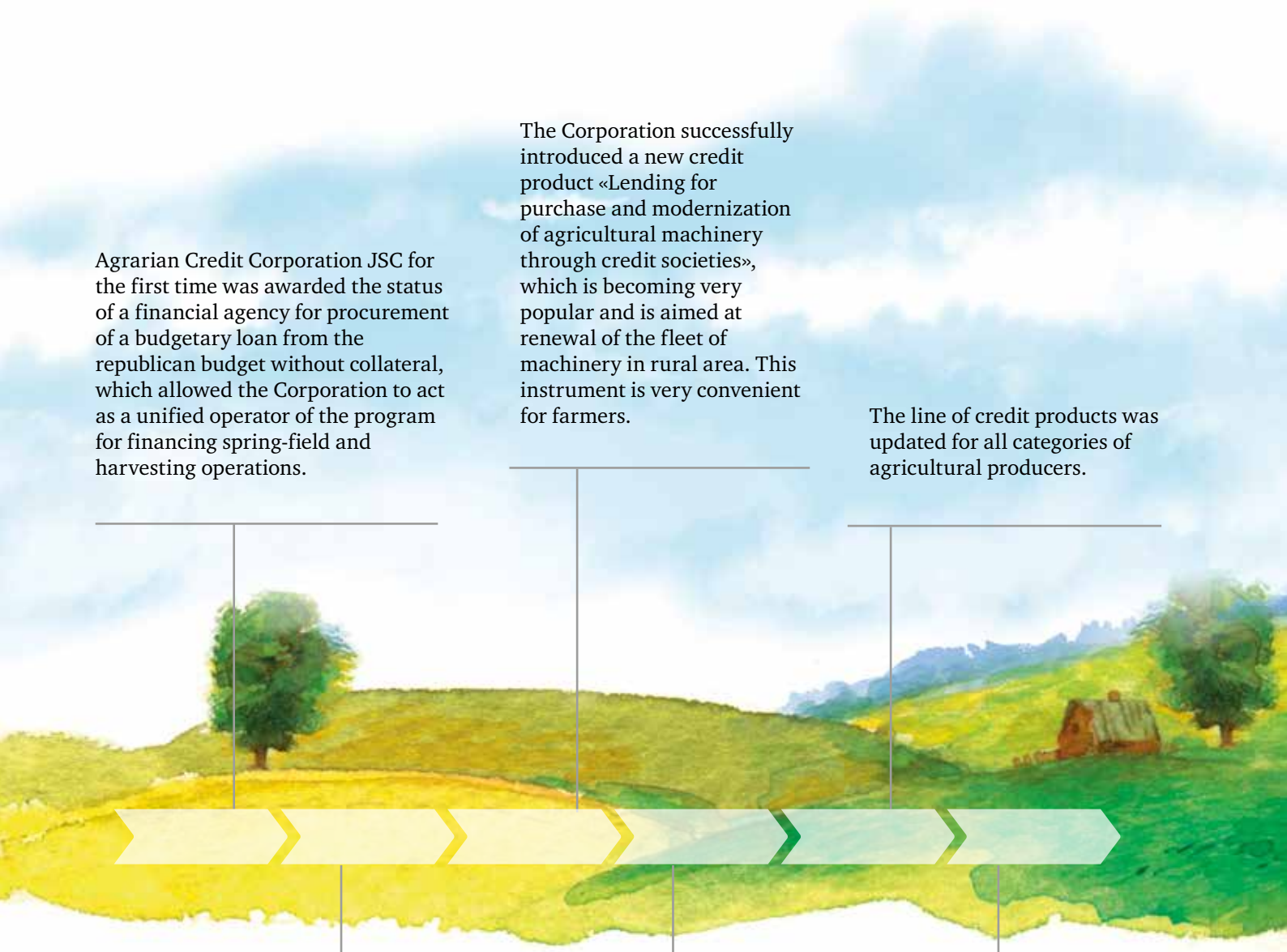
The Corporation successfully introduced a new credit product «Lending for purchase and modernization of agricultural machinery through credit societies», which is becoming very popular and is aimed at renewal of the fleet of machinery in rural area. This instrument is very convenient for farmers.

The line of credit products was updated for all categories of agricultural producers.

The Information Technology Development Strategy of Agrarian Credit Corporation JSC was approved for 2016-2020.

Agrarian Credit Corporation JSC and Kazpost JSC signed a memorandum to expand a network of points for payment for financial services in order to increase the availability of the Corporation's loan products for borrowers from remote areas.

The Corporation reduced the term for considering applications for loan restructuring for postponement of the principal debt repayment date/term for a period of up to 9 months within the approved schedule.



The required package of documents for borrowers was reduced by 24%. For example, for legal entities the package consisted of 27 documents and was reduced to 19; for individuals the package was reduced from 16 to 12 documents.

The authorized capital was increased up to 158.6 bln. tenge.

Measures were taken to confirm the international QMS certificate, and a Certificate of QMS compliance with ISO 9001: 2008 was received.



15 years

According to changes in the strategic areas of activity introduced as part of the forthcoming transformation of KazAgro NMH JSC, the Corporation revised its key performance indicators for implementing the mechanisms of funding financial institutions based on the Rentenbank model.



MESSAGE OF CHAIRMAN OF THE BOARD OF DIRECTORS



Dear clients and partners,

The agriculture is an integral element of ensuring the strategic security of any state. In conditions of inevitable desertification of fertile lands, lack of territories for animal grazing and seeding of grain and industrial crops, the issue of balanced development of the agricultural sector is critical for many countries in the world. In Kazakhstan, the development of the agro-industrial complex is of paramount importance.

The President of Kazakhstan Nursultan Nazarbayev made a pointed reference in his Strategy-2050 program to the importance of agriculture modernization. The program outlined specific measures to support the agricultural sector in order to increase the cultivated area and crop yield. The volume of funding provided by the state to support agriculture is expected to increase 4.5 times by 2020.

State support of agricultural producers has already demonstrated positive results and favorable impact on the output of agricultural products. In 2016, the gross output in the industry of the country amounted to 3,615.8 bln tenge, which was 5.5% higher than the level of 2015. Due to the systematic state support in the form of allocated budgetary funds, Agrarian Credit Corporation JSC financed almost 5,700 agricultural producers, saved and created 16,000 jobs.

It should be noted that due to the established business processes and effective risk management system Agrarian Credit Corporation JSC managed to increase a share of net income almost 2 times compared to last year and increase its loan portfolio by 21%. I believe that these figures confirm high demand for food programs of the Corporation among the agribusiness entities.

The growing attention paid by our state to the agricultural sector provides great prospects for the population of the country to participate in the development of the agro-industrial complex.

KazAgro National Management Holding Joint Stock Company and its subsidiaries recognize their high responsibility to agricultural producers for creation of favorable conditions for the development of the agro-industrial complex and pursue a policy of increasing the availability of financial resources. Due to the fact that Agrarian Credit Corporation JSC has established an effective system of lending through financial institutions, agribusiness entities, even those in the most remote areas, are provided with permanent access to financial resources. In the future, Agrarian Credit Corporation JSC will continue increasing the rate of funding of credit societies, second-tier banks, leasing companies and micro-finance organizations with the aim to expand sales channels for all types of programs and create a favorable competitive environment for improving the quality of services provided

I would like to note the effectiveness of improving the corporate governance system achieved due to close interaction between the management body and the executive body. Prompt and informed decisions made by the Board of Directors were aimed at identifying strategic areas of development, strengthening the financial stability of the Corporation and improving credit conditions for borrowers. Ongoing monitoring of key performance indicators allows the Board of Directors to respond in a timely manner to emerging market challenges and improve the attractiveness of the product line for end borrowers.

I am sure that continuation of this course will allow Agrarian Credit Corporation to retain its positions as a leading financial institution in the structure of KazAgro NMH JSC and expand its possibilities for further providing agribusiness entities with favorable lending programs!

*Chairman of the Board of Directors
of Agrarian Credit Corporation JSC
Aigul Mukhamadiyeva*



MESSAGE OF CHAIRMAN OF THE MANAGEMENT BOARD



Dear clients, colleagues and partners,

Agrarian Credit Corporation JSC celebrates its 15th anniversary simultaneously with the 25th anniversary of independence of our country. Over these years, the Corporation has made a significant contribution to the development of the agro-industrial complex and created a basis for further development of the industry.

The volume of lending to agribusiness entities increases from year to year. Thus, in 2016, the Corporation allocated 122.2 bln. tenge to finance agricultural producers, which was 73% higher than the volume of funds granted a year earlier. The Corporation demonstrates a steady growth in all indicators. In 2016, the authorized capital amounted to the level of 158.6 bln. tenge, having increased by 68% over the year. The equity amounted to 150.4 bln. tenge and total assets were equal to 218.4 bln. tenge. During the year, the loan portfolio increased by 21% and amounted to 161.8 bln. tenge.

These figures indicate that the Corporation is a leader in the rural financial infrastructure. Due to the availability of the impressive capital and all necessary tools in the form of a wide branch network, 182 established credit societies throughout Kazakhstan and cooperation with second-tier banks, leasing companies and micro-finance organizations, the Corporation provides accessible financing to the maximum possible number of agribusiness entities.

The Corporation is constantly working to update the documentation, ensures reasonable relaxation of requirements for collateral, simplifies business processes relating to evaluation and reduces the time for consideration of applications.

The Corporation provides financing to borrowers using both its own funds and publicly funded loans. In addition, the Corporation raises funds from the capital market. Thus, in 2016, the work was started to procure a loan from the European Investment Bank, whose Board of Directors approved a credit facility of 100 mln Euros for a period of up to 15 years.

Due to the established crediting system the Corporation expanded the product line meeting all the needs of both small and medium-sized businesses. Loans are granted for livestock breeding, acquisition of agricultural machinery

as well as to provide financial resources to large processing enterprises that produce finished output. In 2016, the Corporation managed to increase the pool of customers by 23%, thereby increasing their number by 1,073 agricultural producers.

The Message of the President of the Republic of Kazakhstan Nursultan Nazarbayev to the people of Kazakhstan dated November 30, 2015 claims «Kazakhstan in a new global reality: growth, reforms, development» indicates the following objective: «... to increase export of processed goods by at least 2 times compared to 2015 and bring it up to 30 billion US dollars per year ...». Together with field-specific state bodies we are working to ensure the fulfillment of this important objective. For the purpose of implementing the projects funds were allocated from the republican budget.

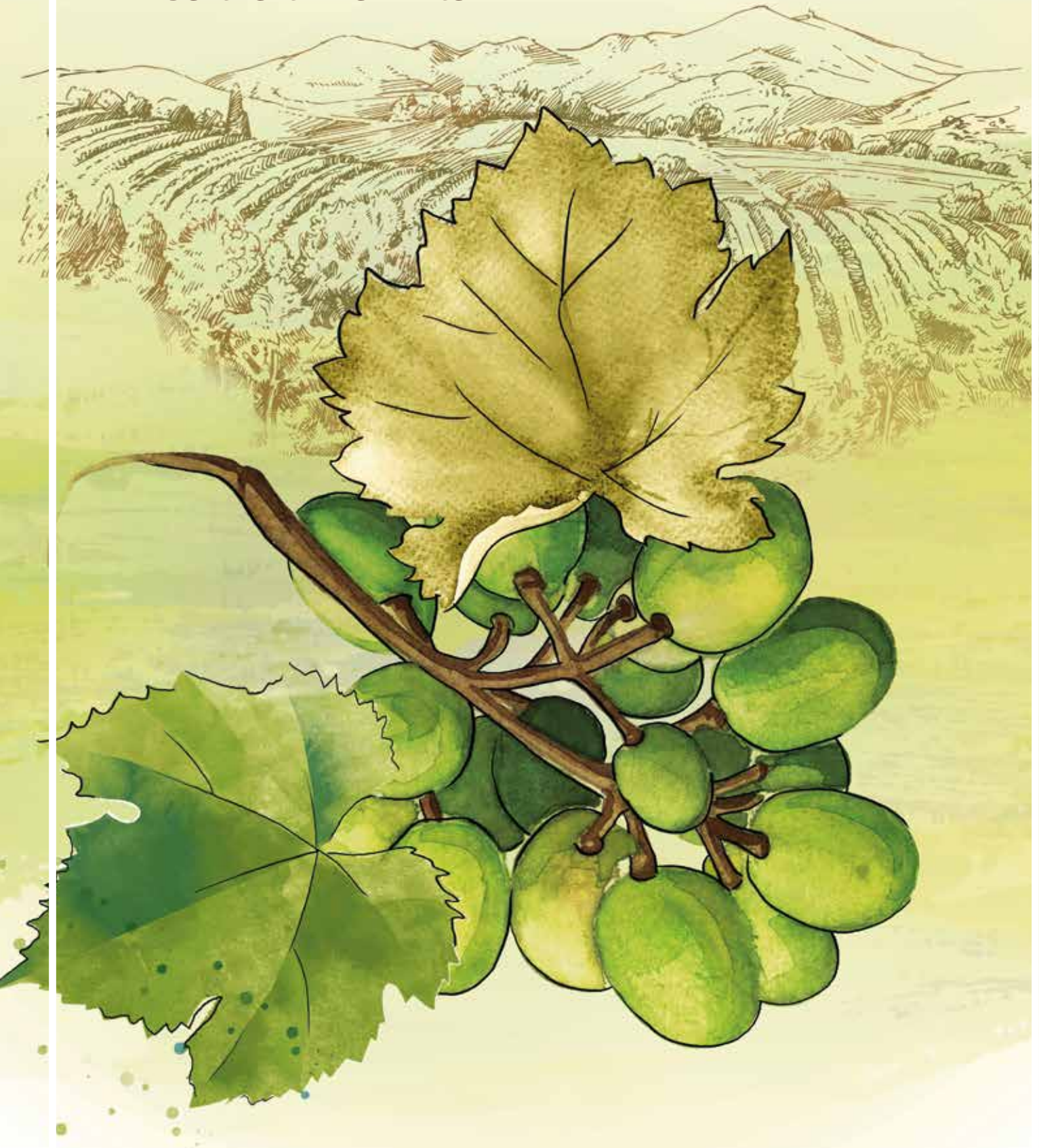
The Corporation is working constantly to reduce the level of non-performing loans. In 2016, the number of bad loan projects reduced by 45 units, including: repayment under 21 projects was made in full in the amount of 1.5 bln. tenge; 24 projects in the amount of 464.8 mln were recovered and transferred into the current portfolio of branches.

We have set ambitious objectives to support the sustainable development of the Corporation as a reliable financial institution. We will continue active work as a part of state policy aimed to develop processing enterprises to increase a share of finished products. I am sure that through the synergy of governmental efforts made in the agriculture, the coordinated work of the Sole Shareholder and the executive body in 2017 the Corporation will achieve even better performance results.

***Chairman of the Management Board
of Agrarian Credit Corporation JSC
Gulnaz Atamkulova***

01

CORPORATION PROFILE



Economic situation

In 2016, GDP of Kazakhstan grew by 1% and according to preliminary data it amounted to 46,193.4 bln. tenge. In the GDP structure, a share of commodity production is accounted for 36.4%, services - 57.9%, agriculture - 4.6%.

A short-term economic indicator characterizes economic trends and is based on changes in output indices of basic sectors, whose share in GDP amounts to 63-64%. According to the National Bank of the Republic of Kazakhstan, dynamics of the short-term economic indicator for January-December 2016 demonstrates that the economic recession observed in the first half of the year was overcome, which resulted in 0.8% increase in the indicator. Experts explain that the short-term

Situation in the agro-industrial complex

Following the results of 2016, the agricultural output was as follows: about 48% accounted for subsidiary farms, a share of farming enterprises was 29%, and agricultural enterprises produced 23% of the output. A significant share of households in the industry structure leads to a loss of efficiency in the agricultural production. The agrarian sector of Kazakhstan is still characterized by low labor productivity, low crop yield and farm livestock productivity, the use of obsolete technologies and output of products with low added value. About 80% of agricultural products are sold as unprocessed raw materials. Alongside with that, finished products often have weak competitiveness compared to imported analogues.

The industry also faces constant shortage of credit resources for creation and modernization of production capacities, infrastructure facilities for storage, harvesting and processing of agricultural products;

Industry development prospects

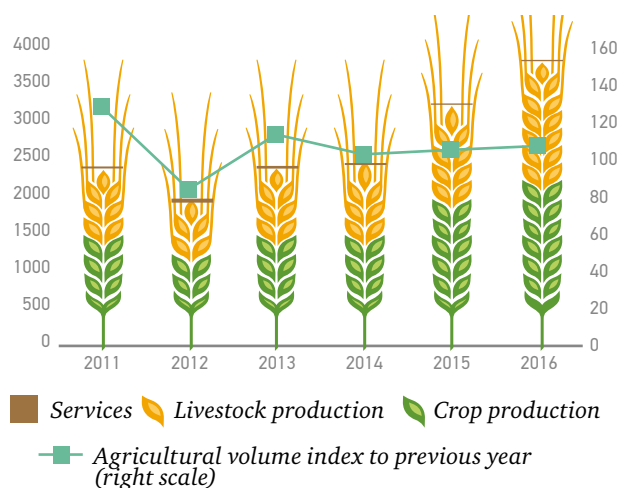
According to the forecasts of the Ministry of National Economy, in 2017-2021, GDP growth will be at the level of 2.1-3.1%. In 2017, GDP is expected to increase by 2.5%. As predicted by the Ministry, in the years to come the development of the national economy will be characterized by moderate growth rates due to unfavorable dynamics of oil prices in global commodity markets, the current negative economic situation in Russia and economic slowdown in China. One of the most important tools of counter-cyclical medium-term economic policy will be the implementation of Nurly Zhol state program, which is expected to ensure the leveling of negative external factors and multiplicative effect on related economic sectors, increasing thereby demand and maintaining employment.

economic indicator increased as a result of growth in agriculture, trade, construction and transport sectors. The annual inflation rate declined to 8.5% by the end of the year. According to the National Bank of the Republic of Kazakhstan, this was effected by a high base rate and stabilization of tenge exchange rate.

Over of the period of January-December 2016, investments in capital assets increased by 5.1%. At the same time, the investment growth was favorably affected mainly by the following economic sectors: industry (increase by 5.6%) agriculture (increase by 46.7%), quarry development (increase by 14.8%), real estate transactions (increase by 13.7%).

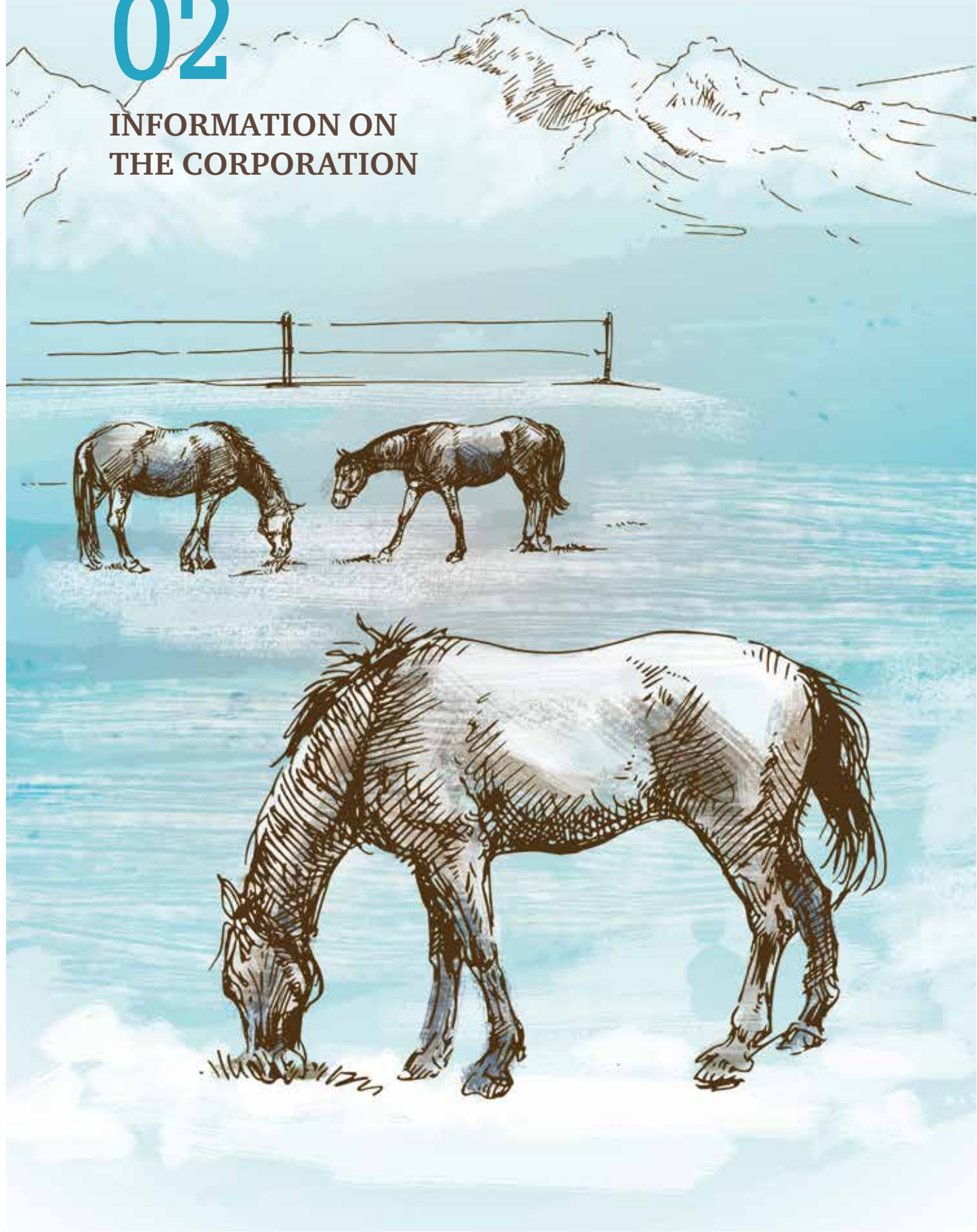
renewal of agricultural machinery and equipment, and replenishment of working assets. Commercial banks unwillingly provide finance to the agricultural sector. Last year, the growth rate of bank loans granted to the economy slowed down again. In 2016, the volume of loans amounted to 12,859 bln. tenge and increased by 1% (in 2015 - by 5%). The growth has been slowing down over the past three years. However, the volume of loans to agriculture increased by 4% in 2016 (35% in 2015). At last year end, agriculture takes 5.3% in the structure of bank loans (5.2% according to the results of 2015). Despite the growth, this indicator is still quite low. The growth in bank financing of the agro-industrial complex is restricted by a prudent estimate of industry-specific risks, poor quality of collateral in rural areas, lack of long-term funding sources among agribusiness entities, and weak methodology for analyzing agricultural projects.

Gross output of agricultural products, bln tenge



02

INFORMATION ON THE CORPORATION



Agrarian Credit Corporation JSC (hereinafter - the Corporation) was established in accordance with the Decree of the Government of the Republic of Kazakhstan No. 137 dated January 25, 2001 «On issues of lending to the agricultural sector».

The pilot project consisted of two phases: the first one involved the creation of a specialized institute - Agrarian Credit Corporation JSC with 100% state participation. The second phase envisaged the creation of a network of regional financial institutions - rural credit societies (hereinafter - CS).

The main goal of the Corporation was to build a system of credit societies, including through participation in their authorized capital with a share of not more than 35%, as well as to provide agricultural producers with access to privileged loans granted at the cost of the republican budget.

The pilot project was implemented with success: a unique system was created to provide loans to agricultural producers through CSs, which ensured the availability of credit resources to small and medium-sized agricultural producers - participants of the CS system. Credit societies are established in rural areas in close proximity to places of agricultural production. Agricultural producers, who are participants of CTs, carry out direct control and management of credit, financial and economic activities of CTs through the supreme management body - the general meeting of CS participants.

Credit societies are established in rural areas in close proximity to places of agricultural production. Agricultural producers, who are participants of credit societies, carry out direct control and management of credit, financial and economic activities of credit societies through the supreme management body - the general meeting of credit union participants.

Since 2006, the Corporation's activities have been expanded after adoption of the Law of the Republic of Kazakhstan «On state regulation of development of the agro-industrial complex and rural areas» No. 66-III 3PK dated July 8, 2005.

At the present time, the Corporation is a large financial organization that carry out its activities in the field of development of the agro-industrial complex (hereinafter - AIC), implements lending programs in priority areas of agricultural production development defined in the State Program of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021 approved by the Decree of the President of the Republic of Kazakhstan No. 42 dated February 14, 2017.

The Sole Shareholder of the Corporation is KazAgro National Management Holding JSC (hereinafter referred to as the Holding) established in accordance with the Decree of the President of the Republic of Kazakhstan No. 220 dated December 11, 2006 «On some issues of development of the agro-industrial complex» and the Decree of the Government of the Republic of Kazakhstan No. 1247 dated December 23, 2006 «On measures aimed to implement the Decree of the President of the Republic of Kazakhstan No. 220 dated December 11, 2006».

KazAgro National Management Holding JSC carries out centralized management aimed at increasing the efficiency of the Corporation's activities through achievement of synergy, strengthening interaction and ensuring further development of the agro-industrial complex of the Republic of Kazakhstan.

The Corporation has a license No. 5.2.24 issued by the Committee for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan on November 5, 2013 for carrying out banking operations in national and foreign currencies: «Bank loan operations: granting loans in cash on conditions of interest payment, maturity and repayment».

Types of activity

With the aim to implement statutory objectives, the Corporation carries out the following activities:

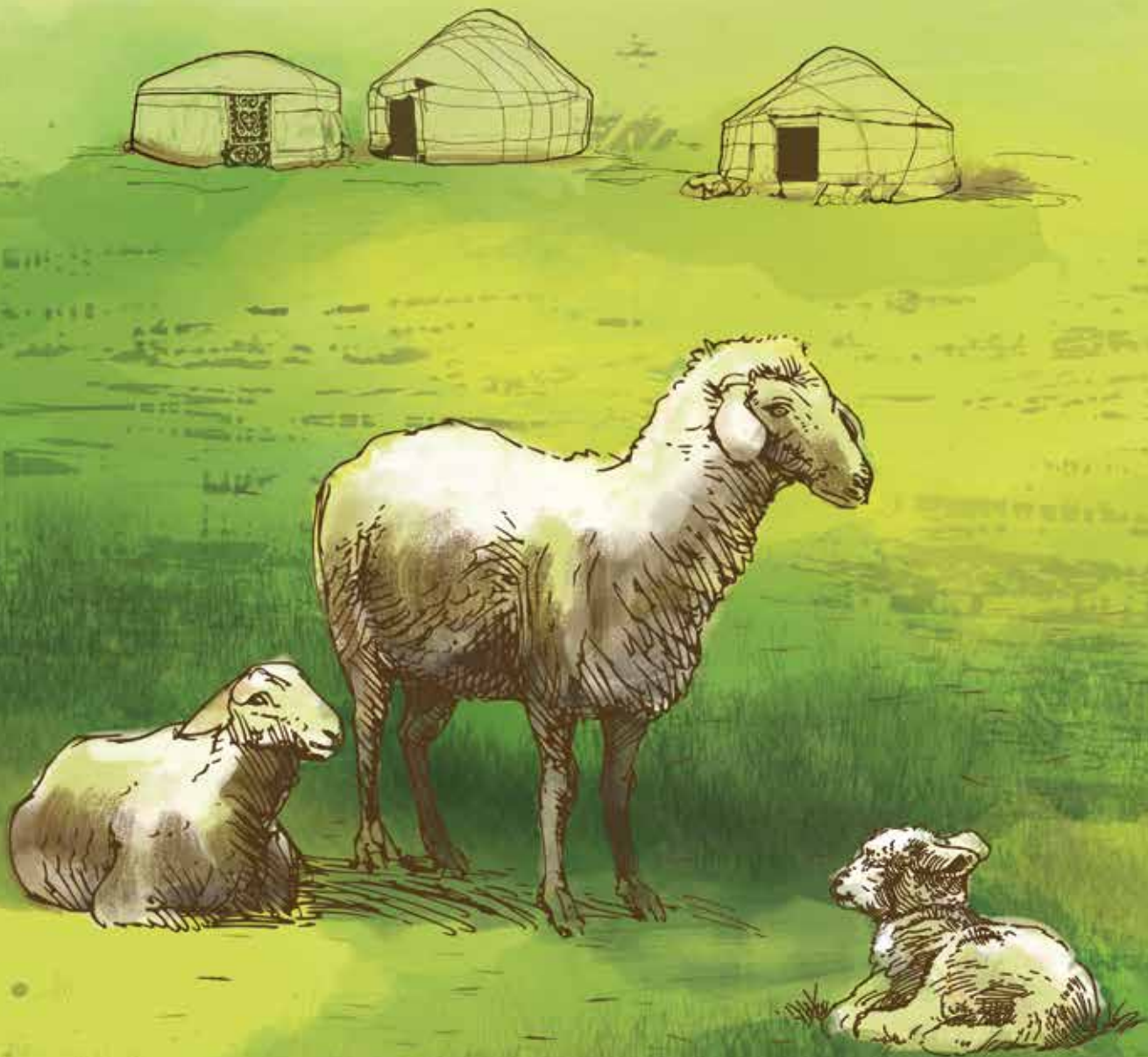
1. execution of bank loan operations on the basis of a relevant license;
2. participation in the implementation of programs aimed to support the agricultural sector through lending;
3. attraction of domestic and foreign investments;
4. participation in the development and implementation of investment projects in the agro-industrial complex;
5. carrying out of leasing activities;
6. carrying out of holding activities;
7. funding of financial institutions.

The Corporation has a wide branch network represented by 13 branches in 13 regions of the republic, except for Mangistau region, and 2 additional sales points located in the cities of Astana and Almaty.

For the first time, a credit rating was assigned to the Corporation in October 2006 by the international rating agency Standard & Poor's. On June 30, 2016, the international rating agency Standard & Poor's confirmed the Corporation's credit rating at «BB+» and «KzAA» level according to the international and national scale, respectively. The rating outlook is «negative».

03

CORPORATION STRATEGY



Mission is to promote the industrialization and diversification of the agrarian sector through the development of an accessible crediting system for agribusiness entities.

Vision: by 2020 the Corporation is a key financial institution in the agricultural lending market, which implements the state policy of support and development of agribusiness entities through the provision of funds to second-tier banks, credit societies, leasing companies and other financial institutions.

The Corporation makes a significant contribution to the industrialization and diversification of agricultural production and growth of labor productivity in the agricultural sector through the provision of affordable financial resources to agribusiness entities.

In 2020, the Corporation's activities will meet high standards of management and corporate governance.

The Corporation carries out its activity focusing on 5 strategic areas, a key goal of which is the dynamic development and increase in competitiveness of agribusiness entities.

STRATEGIC AREAS	STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Stimulating the growth in labour productivity in the agro-industrial complex through industrialization and diversification	Growth in labour productivity by crediting high-tech (innovative) projects using up-to-date agro-technologies.	<ol style="list-style-type: none"> 1. Formation of the investment policy of the Corporation in accordance with the priorities in the agro-industrial complex. 2. Raising funds to finance agribusiness entities, investment (including innovative) projects 3. Promotion of cluster development of the agro-industrial complex 4. Assistance in the introduction of "green technologies"
2. Participation in ensuring the country's food security	<ol style="list-style-type: none"> 1. Promotion of formation of a food belt around the cities of Astana and Almaty. 2. Timely provision of financial resources to agribusiness entities for the purchase of basic and replenishment of working capital for production, purchase and processing of agricultural raw materials. 	<ol style="list-style-type: none"> 1. Financing of agribusiness entities within the food belts around the cities of Astana and Almaty 2. Financing of agribusiness entities for the performance of spring field and harvesting works, purchase and sale of agricultural products 3. Financing of enterprises for processing of agricultural raw materials and food products: <ul style="list-style-type: none"> – for the purchase of high-tech (innovative) equipment; – for replenishment of the working capital. – for replenishment of the working capital.
3. Promotion of development and implementation of export of the agro-industrial complex potential	Development of export potential of the agro-industrial complex	<ol style="list-style-type: none"> 1. Monitoring of export-oriented investment projects on production of meat and meat products financed by the Corporation 2. Stimulation of agricultural producers through lending for the development of livestock breeding, including distant-pasture breeding.
4. Increase in the availability of support services to agribusiness entities.	Development of available financial, production and service infrastructure of the agro-industrial complex	1. Increase in the availability of credit resources for agro-industrial enterprises through funding second-tier banks and other financial institutions
5. Improvement of corporate governance and transparency of the Corporation's activities	Increase in efficiency of assets management, improvement of the corporate governance system and transparency of activities	<ol style="list-style-type: none"> 1. Improving the efficiency of using the equity and assets, increasing the role of risk management 2. Loan portfolio quality management 3. Introduction of innovations 4. Maintaining the Corporation's credit ratings.

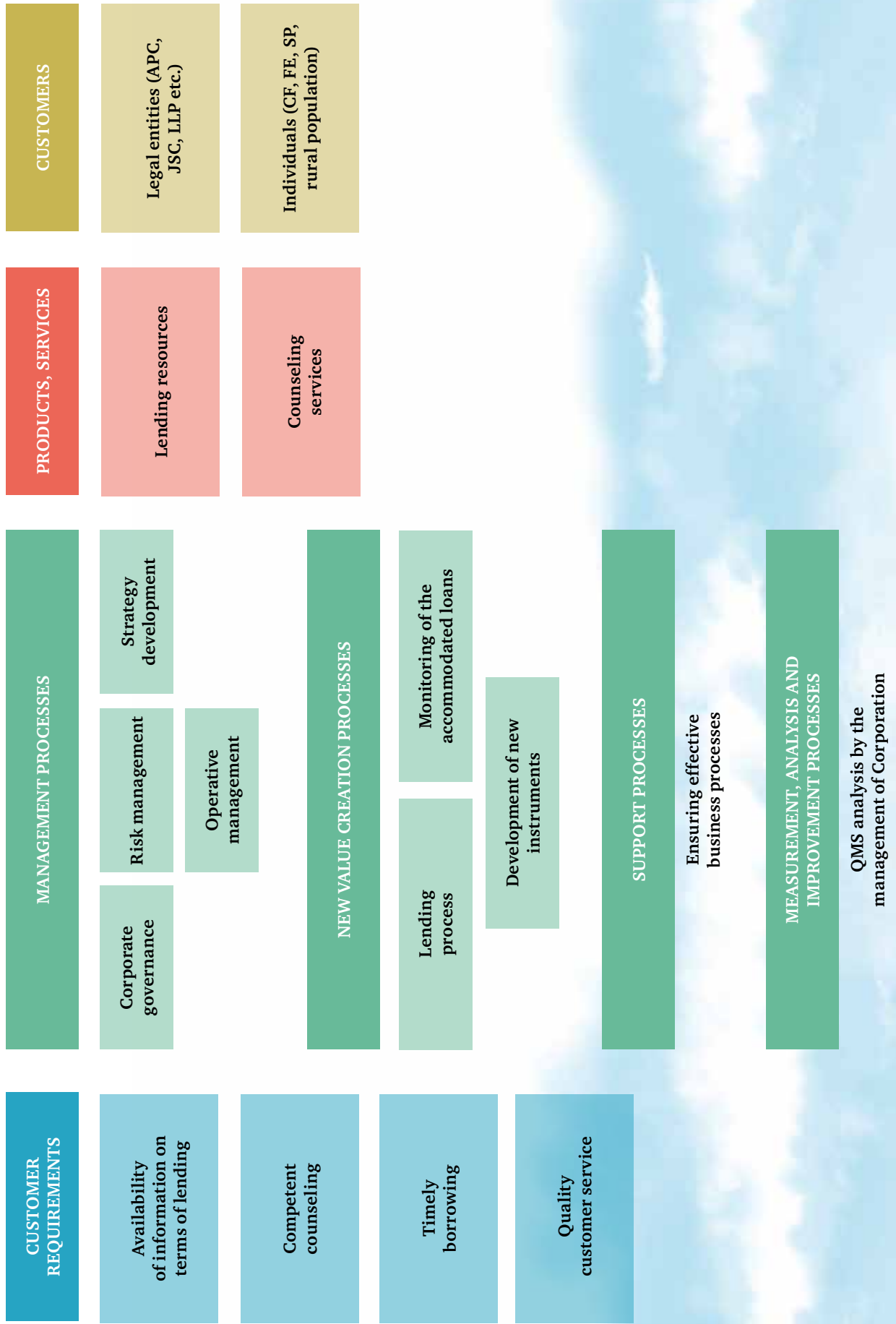


3.1. ACHIEVEMENT OF KEY PERFORMANCE INDICATORS OF THE CORPORATION

In order to assess the activities of the Corporation in accordance with its strategic areas of development for 2011-2020 approved by Decision of the Board of Directors No. 33 dated October 21, 2014, the following key performance indicators (hereinafter referred to as «KPI») were determined for 2016 and achieved in full:

№	KPI description	Unit of measurement	Fact	2016		% of the plan execution
			2015	Plan	Fact	
1	Labor productivity at enterprises financed by the Corporation as part of the program of implementing investment projects at the cost of the National Fund of the Republic of Kazakhstan, thous tenge per 1 employee	thous tenge per employee	3,650.4	2,614.1	4,295.9	164%
2	Volume of production of meat and milk and their processed products under projects financed by the Corporation, tons:					
	1) production of meat and meat products, including:	tons	24,854.7	25,547	27,079.6	106%
	supplied to Astana city	tons	3,137	2,016	7,251.1	360%
	supplied to Almaty city	tons	5,214	755	866.4	115%
	2) production of milk and dairy products, including:	tons	79,140.5	81,284	89,412	110%
	supplied to Astana city	tons	2,170.4	1,323	7,763.2	587%
	supplied to Almaty city	tons	75	28	87	311%
3	Financing of projects that meet the requirements of the program aimed to support agribusiness entities (SFW),%.	%	100	100	100	100%
4	Share of innovative (hi-tech) projects financed in the total volume of agricultural processing and food production enterprises funded by the Corporation, %.	%	6.8	5	6.3	126%
5	Number of Corporation's service users, units	units	4,554	3,120	5,637	181%
6	ROA	%	0.87	0.28	1.61	575%
	ROE	%	1.23	0.48	2.45	510%
7	Maintaining an optimal level of formed reserves (provisions) for the loan portfolio (no more than 20%)	%	12.9	20	12.7	100%
8	Annual increase in the number of references to the Corporation's activities in mass media by 5%.	%	12	5	46	920%

3.2. BUSINESS MODEL



04

OPERATING PERFORMANCE RESULTS



4.1. OPERATING ACTIVITIES

The Corporation has the following key advantages over other credit institutions:

- optimal crediting rates;
- long-term financing;
- possibility of providing property and machinery in rural areas as collateral, while STBs do not consider such assets as acceptable collateral.

The Corporation has 15 years of experience in financing the agricultural sector, an extensive client base and infrastructure located in close proximity to the agricultural production sites – 182 credit partnerships and 13 branches.

4.2. BASIC LENDING PROGRAMS

Representatives of small and medium-sized businesses, individuals and legal entities that carry out activities within the agro-industrial complex are among the clients of the Corporation. The Corporation grants direct loans and provides crediting/funding to credit societies (hereinafter – CS), second-tier banks (hereinafter – STB), micro-finance institutions (hereinafter – MFI), regional investment centers (hereinafter – RIC) and leasing companies (hereinafter – LC).

Financing programs through the credit partnership system:

Kanat program is a new instrument of CP lending for subsequent financing of CS participants for the purchase of new agricultural machinery and/or attached/towing equipment.

Birlik program – lending to CPs for subsequent financing of CP participants for the purchase of fixed assets and replenishment of working assets for the following purposes: modernization of production facilities, construction and installation of new and reconstruction of existing buildings, implementation of projects in the field of tourism, hotel business, roadside service, arrangement and expansion of rural sales points, catering points, light and food industries, as well as livestock breeding and crop production.

Ken dala program – lending to agricultural producers and agribusiness entities for the performance of spring field and harvesting works either directly by the Corporation or through CPs, MFIs, RICs and STBs.

Kolganat program – crediting of STBs, leasing companies and MFIs for the purpose of subsequent crediting of agribusiness entities.

Zhibek Zholy program – crediting of export-oriented investment projects in the priority areas of the agro-

Over the years of its activities the Corporation has financed over 40 thousand agricultural producers and allocated 585.8 bln tenge. At the same time, the main category of borrowers (about 76% of the lending volume) consists of small and medium-sized business representatives.

Overall, in 2016, the Corporation allocated 122,202 mln tenge for lending to agribusiness entities as part of the implemented credit programs. As compared to 2015, the volume of lending increased 1.7 times or by 51,603 mln tenge.

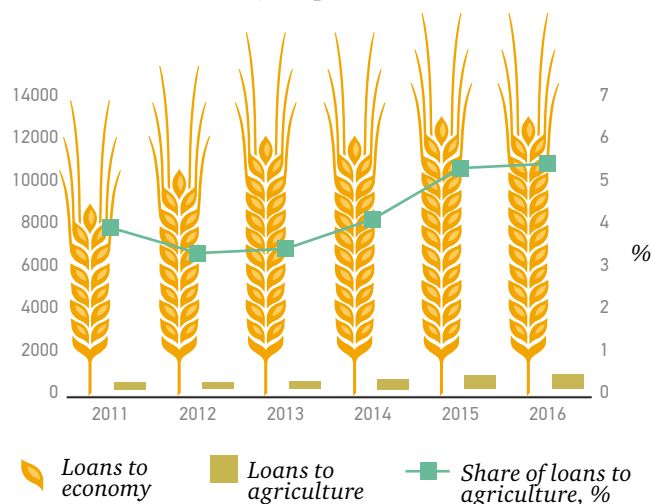
industrial complex, including through the funding of STBs.

Isker program – CP/MFI crediting of for subsequent financing of end borrowers of CP/MFI for production and processing of agricultural products; agricultural cooperatives for organization of maintenance and procurement services for meat, dairy, fruit and vegetable products, and development of non-agricultural business in rural areas.

Sybag program – lending to agribusiness entities for purchase of cattle breeding stock, cattle growing stock, pedigree servicing bulls of meat and/or meat and dairy farming, as well as for purchase and repair of fixed assets and replenishment of working capital.

Altyn Assyk program – lending to agribusiness entities for purchase of sheep and goats breeding stock and/or stud rams of fine-wooled, semi-fine woolled, coarse-wooled and semi-coarse woolled breeds for the development of sheep breeding industry.

Bank loans at the end of the period, KZT bln.





Kulan program – lending to agribusiness entities for purchase of horse breeding stock and/or productive stud horses for the development of horse breeding industry.

Agribusiness program – lending to agribusiness entities, including agricultural production cooperatives and companies with the participation of a transnational company for the development of agriculture.

4.3. OPERATING PERFORMANCE

Volume of lending resource

Program name	2014		2015		2016	
	Number of borrowers, units	EBITDA, mln tenge	Number of borrowers, units	EBITDA, mln tenge	Number of borrowers, units	EBITDA, mln tenge
Birlik, including: Zhedelnessiye, Altyn Assyk, Kulan, Kanat, Isker, Ken dala, Sybaga, non-agricultural business	2,993	24,622.80	2,602	25,360.6	3,210	33,244.7
Sybaga	956	10,776.20	1,018	10,814.6	514	7,936.7
Altyn Assyk	69	727.4	220	2,014.4	226	2,121.0
Kulan	242	2,887.90	422	6,854.6	222	4,175.6
Ken dala	43	7,412.90	42	8,438.5	969	41,339.7
Kolganat	0	0	3	9,340.0	14	23,619.5
Agricultural processing enterprises	16	2 655,20	16	1 712,1	9	1 500,7
Association (agricultural production cooperatives)	10	263.6	3	69.4	3	128.0
Non-agricultural business	25	189.7	33	329.3	3	44.0
Commercial loans	92	3,846.20	192	5,601.1	90	5,540.2
Watering of pastures	0	0	12	45.3	1	1.6
Investment projects	2	132	1	18.9		
Zhibek zholy					1	1,150.0
Isker					375	1,400.0
Total	4,448	53,513.9	4,564	70,598.8	5,637	122,201.6

In 2016, the number of credited borrowers increased by 1,073 compared to 2015. The total number of agricultural producers received financing amounted to 5,637.

Within the framework of implemented lending programs the Corporation renders constantly support to women entrepreneurs engaged in agricultural business. In 2016, loans were issued to 708 women entrepreneurs in the total amount of 12,181 mln tenge.

In 2016, the amount of short-term loans in the structure of the Corporation's loan portfolio amounted to 58,655 mln tenge having increased by 35,243 mln tenge compared to 2015; the amount of long-term loans amounted to 63,547 mln tenge having increased by 16,360 mln tenge.

The following production indicators were achieved by the Corporation using the funds granted in 2016:

Information on achievement of planned indicators in 2016

Program description	Unit of measurement	2014, fact	2015, fact	2016		
				plan	fact	% of execution
Crediting of CPs	units	155	137		170	
Procurement of cattle breeding under Sabyga program	heads	54,237	57,275	60,000	70,279	117%
Procurement of breeding sheep stock under Altyn Assyk program	heads	85,697	132,180	130,000	192,426	148%
Procurement of breeding horses under Kulan program	heads	11,682	32,665	23,000	24,640	107%

4.4. LOAN PORTFOLIO

Indicator	2014	2015	2016
Loan portfolio, mln tenge	100,605	133,747	161,779
Number of borrowers, thous	8,691	10,902	12,739
Lending volume, mln tenge	53,514	70,599	122,202
including lending to small and medium-sized business entities, mln tenge	42,039	53,513	102,994
SME share in the total volume of lending, %	79%	76%	84%

As of December 31, 2016, the loan portfolio amounted to 161,779 mln tenge compared to 133,747 mln tenge as of December 31, 2015. Thus, the growth amounted to 28,032 mln tenge, or 21%.

In 2016, the volume of lending amounted to 122,202 mln tenge having increased by 51,603 mln tenge

or 73% against the level of 2015. There was also a significant increase in the share of lending to small and medium-sized business entities. In 2016, the share of small and medium-sized enterprises in the total lending volume was equal to 84%. The growth in the volume of SME financing amounted to 92% due to funding of STBs and leasing companies.

Loan portfolio as of December 31, 2016



161 779

KZT mln

Lending in 2016

122 202

KZT mln



4.5. PARTNERSHIP WITH CREDIT SOCIETIES

One of the objectives of the CP lending program is the annual increase in the number of credit society participants - agricultural producers - for the purpose of expanding the coverage of programs and providing agricultural producers and processors with necessary credit resources. In recent years, the Corporation has been working actively in this area jointly with the CP association through holding meetings with the participation of agricultural producers and regional executive authorities in order to highlight the benefits of obtaining loans through CPs.

For the purpose of improving the activities of credit societies, the following work was performed:

- exclusion of the principle of territoriality upon inclusion of participants in CPs, which allowed increasing the level of competitive environment

of societies and their motivation to ensure the quality of services and reduce the time for consideration of loan applications;

- introduction of one-time technical restructuring mechanism for up to 9 months for end borrowers who have temporary financial difficulties;
- simplification of the procedure for obtaining loans of up to 15 mln tenge (the collateral depends on the liquidity ratio to the estimated value according to the collateral evaluation report issued by an independent valuation company).

As a result of the work performed in 2016, the number of participants of credit societies increased by 1,296 agricultural producers as compared to 2015 and amounted to 13,209 agricultural producers.

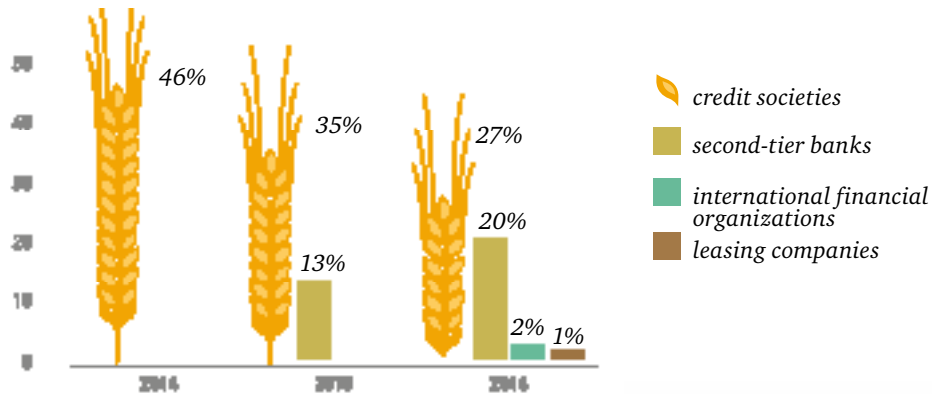


4.6. PARTNERSHIP WITH FINANCIAL INSTITUTIONS

As a part of transformation of activities of KazAgro NMH JSC in terms of creation of a system for funding financial institutions on the basis of the Corporation, in 2015 the Corporation started working on a phase-by-phase transfer of lending to agribusiness entities from direct lending to funding of financial institutions. Thus, in 2016, compared to 2015, a share of direct lending was reduced from 52% to 50%. The main share of funding was accounted for credit partnerships - 27% of total lending volume, 20% - second-tier banks, and 2% - microfinance organizations. Thanks to the well-established work

with financial institutions, lending to agribusiness entities was carried out through 150 credit societies, 6 second-tier banks, 2 international financial institutions and 6 leasing companies. 387 units of agricultural machinery, 317 units of equipment were purchased and 512 jobs were created through financial institutions.

Structure of funding through financial institutions



05

FINANCIAL INDICATORS

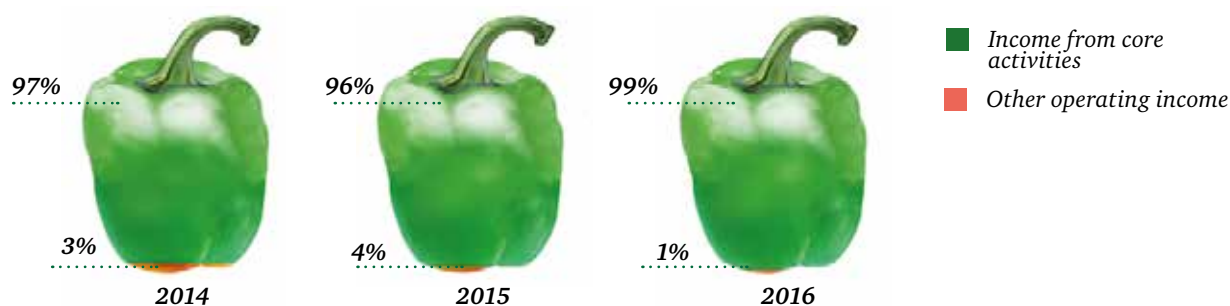


5.1. INCOME AND COST BEHAVIOR

Income

Item	2014		2015		2016		growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge		thous. tenge		thous. tenge		thous. tenge		В тыс. тенге	%
Total income, including:	8,028,552		11,615,749		19,058,578		3,587,197	145	7,442,829	164
Operating income	7,797,848		11,204,553		18,810,486		3,406,705	144	7,605,933	168
Other operating income	230,704		411,196		248,092		180,492	178	- 163,104	60

Income structure



In 2016, expenses of the Corporation increased by 53% compared to 2015. As compared to the same period of last year, expenses increased by 56%. Financing costs increased mainly due to increase in the volume of domestic borrowing by 24%. As compared to the

same period of last year, administrative expenses increased by 5%. Distribution costs (in branches) increased by 4%. As compared to the same period of last year, expenses for provisions increased by 86%.

Expenses

Item	2014		2015		2016		growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge	ratio, %	thous. tenge	ratio, %	thous. tenge	ratio, %	thous. tenge	%	thous. tenge	%
Total expenses, including:	6,755,197	100	10,024,731	100	15,310,693	100	3,269,534	148	5,285,962	153
Financing costs	1,576,335	23	3,362,222	34	5,244,979	34	1,785,887	213	1,882,757	156
Administrative expenses	1,630,653	24	1,709,655	17	1,787,506	12	79,002	105	77,851	105
Distribution costs	1,001,776	15	1,395,113	14	1,451,732	9	393,337	139	56,619	104
Expenses for provisions	2,517,182	37	3,557,741	35	6,629,690	43	1,040,559	141	3,071,949	186
Other operating expenses	29,251	0.4	-	-	196,786	1	- 29,251	-	196,786	



In 2016, expenses of the Corporation increased by 53% compared to 2015. As compared to the same period of last year, expenses increased by 56%. Financing costs increased mainly due to increase in the volume of domestic borrowing by 24%. As compared to the

same period of last year, administrative expenses increased by 5%. Distribution costs (in branches) increased by 4%. As compared to the same period of last year, expenses for provisions increased by 86%.

5.2. NET INCOME DYNAMICS

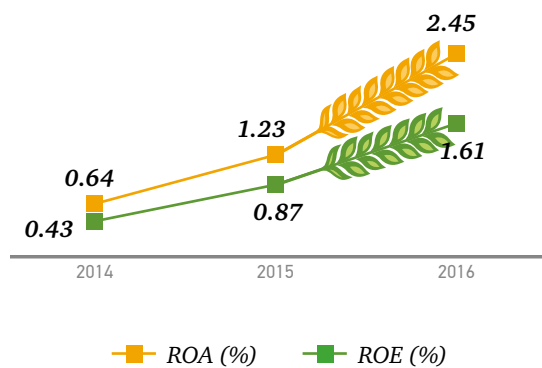
Net income

Item	2014	2015	2016	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Income for the year	496,207	1,085,329	2,921,032	589,122	219	1,835,703	269

Income for the year (mln tenge)



Dynamics of ROA ROE performance indicators



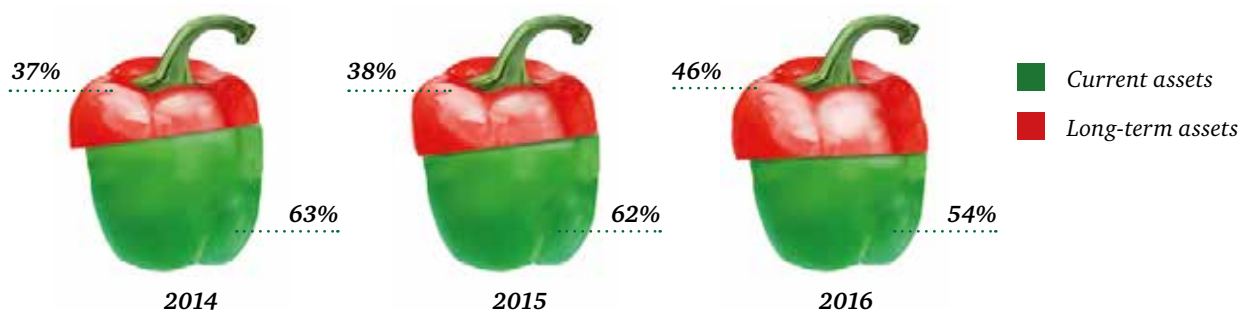
Dynamics of ROA and ROE performance indicators

Item	2014	2015	2016	ratio of 2015 to 2014 (%)	ratio of 2016 to 2015 (%)
ROA (%)	0.43	0.87	1.61	202	185
ROE (%)	0.64	1.23	2.45	192	199

In 2016, the ROA (return on assets) indicator was equal to 1.61 and exceeded the previous year level by 185% due to increase in the net income by 269% and assets by 52% as compared to 2015.

The ROE (return on equity) indicator in 2016 was equal to 2.45, while in 2015 it reached only 1.23. The growth of ROE was also affected by increase in the net income. The growth of equity was much lower - 70% as compared to the level of 2015, which caused a significant increase in the indicator.

Assets structure in the balance sheet

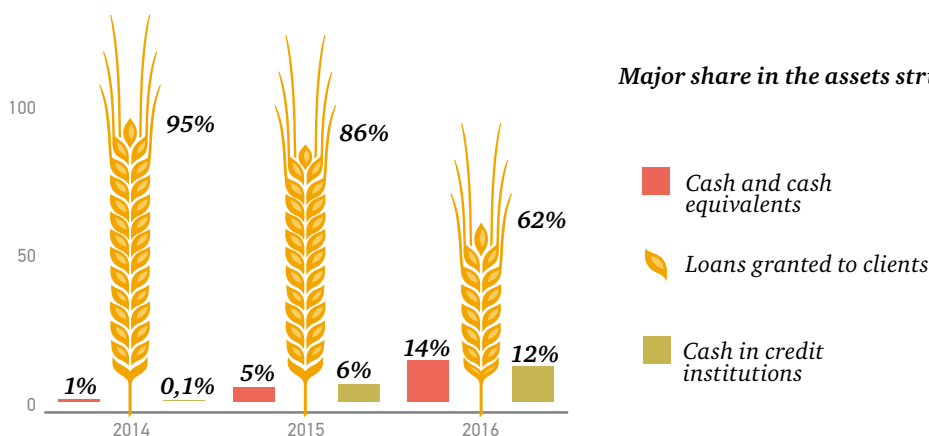


5.3. BALANCE STRUCTURE AND DYNAMICS ANALYSIS

Item	2016	2015	2014	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Total assets	218,368,572	143,969,419	105,651,231	38,318,188	136%	74,399,153	152%
Current assets	100,984,657	54,278,720	39,167,154	15,111,566	139%	46,705,937	186%
Non-current assets	117,383,915	89,690,699	66,484,077	23,206,622	135%	27,693,216	131%

Over the period of 2014-2016, the Corporation's assets increased by 112.7 bln tenge due to increase in non-current assets by 50.9 bln tenge (45% of total assets) and current assets by 61.8 bln tenge (55% of the total of assets).

Item	2016	2015	2014	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Total assets, including:	218,368,572	143,969,419	105,651,231	38,318,188	136%	74,399,153	152%
Cash and cash equivalents	30,072,378	7,414,124	1,518,118	5,896,006	488%	22,658,254	406%
Funds in credit institutions	26,053,315	9,243,167	107,523	9,135,644	8596%	16,810,148	282%
Loans granted to customers	135,725,198	124,504,541	100,605,389	23,899,152	124%	11,220,657	109%
Investment securities held to maturity	23,306,474					23,306,474	
Other assets	3,211,207	2,807,587	3,420,201	- 12,614	82%	403,620	114%



Major share in the assets structure

- Cash and cash equivalents
- Loans granted to clients
- Cash in credit institutions



The highest share in the assets structure is accounted for loans granted to customers, which for the period of 2014-2016 increased by 35.1 bln tenge or by 31% of the total assets. Cash and cash equivalents for the same period of 2014-2016 increased by 28.6 bln tenge. Funds in credit institutions for the same period increased by 25.9 bln tenge.

Item	2016	2015	2014	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Current liabilities	5,540,632	17,141,179	7,138,623	10,002,556	240%	- 11,600,547	32%
Non-current liabilities	62,455,652	38,364,386	10,608,378	27,756,008	362%	24,091,266	163%
Equity	150,372,288	88,463,854	87,904,230	559,624	101%	61,908,434	170%

At the end of 2016, the volume of liabilities and equity in the balance sheet structure was equal to 31% and 69%, respectively. Thus, the Corporation ensures a high level of equity adequacy.

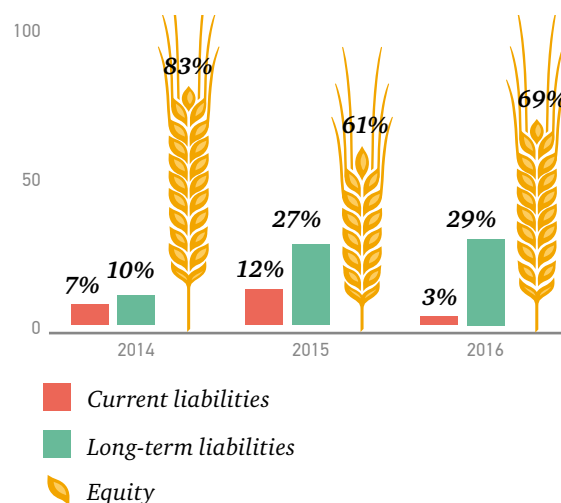
Item	2016	2015	2014	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Total liabilities, including:	67,996,284	55,505,565	17,747,001	37,758,564	313%	12,490,719	123%
Debt to the Shareholder	13,361,704	27,360,358	12,532,609	14,827,749	218%	- 13,998,654	49%
Issued debt securities	51,648,620	27,742,150	2,883,066	24,859,084	962%	23,906,470	186%
Debt to state and state-financed organisations	2,192,352	19,942	59,779	- 39,837	33%	2,172,410	10994%
Other liabilities	793,608	383,115	2,271,547	- 1,888,432	17%	410,493	207%

Over the period of 2014-2016, the Corporation's liabilities increased by 50.2 bln tenge. The growth was affected mainly by issue of debt securities, the volume of which increased during the said period by 48.8 bln tenge and amounted to 97% of the total liabilities. The debt to the Shareholder increased by 829 mln tenge (1.6% of the total liabilities). The debt to the state and state-financed organisations amounted to 4.2% and increased by 2.1 bln tenge.

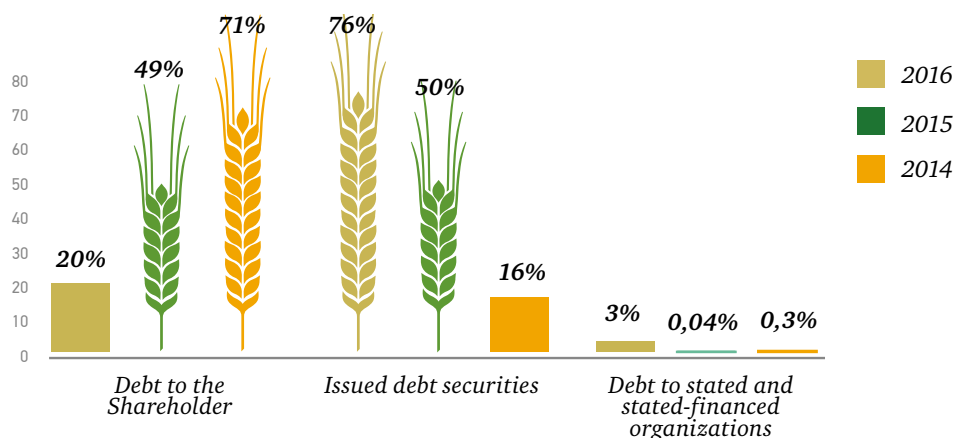
Equity capital as of 2016

69%

Share of liabilities and equity in the balance sheet structure



Major share in the liabilities structure

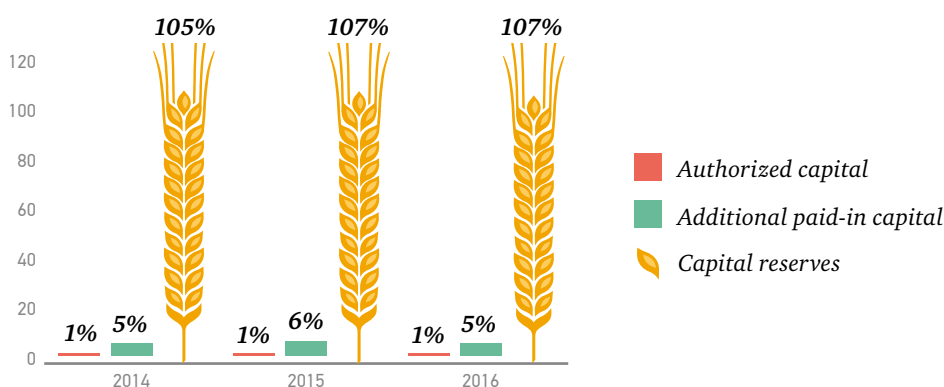


Item	2016	2015	2014	growth rate of 2015 to 2014		growth rate of 2016 to 2015	
	thous. tenge			thous. tenge	%	thous. tenge	%
Total equity, including:	150,372,288	88,463,854	87,904,230	559,624	101%	61,908,434	170%
Authorized capital	158,630,371	94,227,371	94,227,371	–	100%	64,403,000	168%
Additional paid-in capital	6,831,528	5,291,347	4,296,627	994,720	123%	1,540,181	129%
Capital reserves	1,086,111	1,086,111	1,036,490	49,621	105%	–	100%
Qualifying distribution reserve	– 15,008,072	– 8,594,957	– 7,521,118	– 1,073,839	114%	– 6,413,115	175%
Accumulated loss	– 1,167,650	– 3,546,018	– 4,135,140	589,122	86%	2,378,368	33%

Over the period of 2014-2016, the equity amount increased by 62.5 bln tenge. The equity increased mainly due to increase in the authorized capital by 64.4 bln tenge (43% of the equity), additional paid-up capital by 2.5 bln tenge (2% of the equity) and capital reserves by 49.6% mln tenge (1% of the

equity). During this period, the accumulated loss reduced by 20%. The positive dynamics of the equity has a favorable influence on further enhancement of the Corporation's financial stability. The optimal balance sheet structure provides a basis for effective performance.

Major share in the equity structure





5.4. AUTHORIZED CAPITAL OF THE CORPORATION

Budget investments the authorized capital.

The Corporation is a financial organization with 100% state participation in its authorized capital. Every year since 2005, the state allocated funds from the republican budget to increase the authorized capital of the Corporations for the implementation of lending programs. In 2016, the volume of allocated funds amounted to 157,640.7 mln tenge.

In the structure of funds received into the authorized capital of the Corporation the highest share is accounted for lending to CPs - 38% or 60,483.1 mln tenge, Sybaga program - 20% or 32,278.0 mln tenge and other programs - 42% or 64,879.6 mln tenge.

Наименование мероприятий	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2016	TOTAL
Birlik (lending to CSs)	5,394.8	5,347.5	6,508.9	6,966.9	1,000.0	5,000.0	8,000.0	1,500.0		11,000.0	9,765.0	60,483.1
Associations (agricultural production cooperatives)		3,541.6	2,000.0	2,000.0	700.0	1,500.0	500.0	500.0				10,741.6
Non-agricultural business			700.0	1,000.0	500.0	500.0						2,700.0
Processing enterprises						5,000.0		2,000.0				7,000.0
Sybaga							8,200.0		4,878.0	9,000.0	10,200.0	32,278.0
Altyn Assyk											3,185.0	3,185.0
Lending to export-oriented investment projects											41,253.0	41,253.0
TOTAL	8,889.1	8,889.1	9,966.9	9,966.9	2,200.0	12,000.0	16,700.0	4,000.0	4,878.0	20,000.0	64,403.0	157,640.7

In 2016, the Corporation raised budgetary funds from the republican budget to increase the authorized capital with the aim to implement Sybaga, Altyn Assyk, CP programs and the program of lending to export-oriented investment projects.

Publicly funded loans

Since 2010, in order to support agro-industrial complex entities in performing spring field and harvesting works (hereinafter – SFHW), the Corporation has been raising publicly funded loans on an annual basis. The amount allocated over the period of 2010-2016 was equal to 151,799.9 mln tenge, including 36,000 mln tenge in 2016. Credit resources allowed the Corporation to finance 288 borrowers (830 end borrowers), who annually process more than 1 mln ha.

Financial resources from other sources

During 2016, the Corporation raised borrowed capital in the amount of 72,236.7 mln tenge, including:

1. the funds of the Republican budget under the loan of KazAgro Holding JSC for further crediting of spring field and harvesting works in the amount of 36,000.0 mln tenge;
2. the funds of the National Fund under the loan of KazAgro Holding JSC for further crediting of spring field and harvesting works in the amount of 5,406.7 mln tenge;
3. the funds under the framework agreement of KazAgro Holding JSC No. 148 in the amount of 4,000.0 mln tenge;
4. the funds of local executive bodies of Almaty region for the subsequent implementation of the

- «Employment Road Map-2020» program in the amount of 500.0 mln tenge;
- the funds of local executive bodies of South-Kazakhstan region for the subsequent implementation of the « Employment Road Map-2020» program in the amount of 3,390.0 mln tenge;
 - the first issue of bond as part of the third bond program in the amount of 22,940.0 mln tenge.



Budget funds accommodated as a loan for sowing operations in 2016

36 000

KZT mln

Funds borrowed within 2016

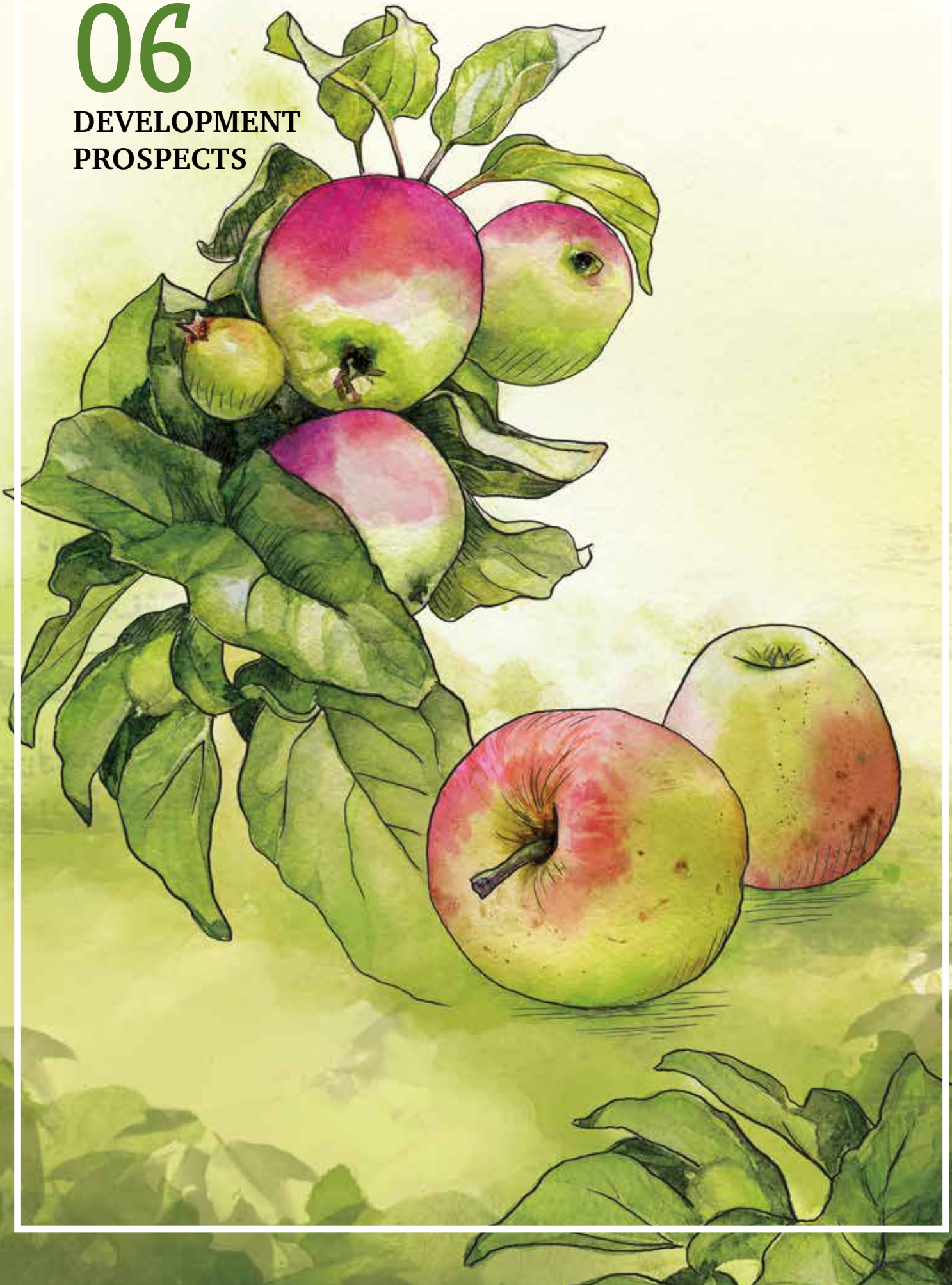
72 236,7

KZT mln



06

DEVELOPMENT
PROSPECTS



In accordance with the State Program of Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021, a mechanism of funding of financial institutions to support agriculture will be implemented on the basis of Agrarian Credit Corporation JSC. The Corporation will provide funds to CPs, MFIs, leasing companies, STBs and other financial institutions so that they could subsequently finance agro-industrial complex entities on reasonable terms.

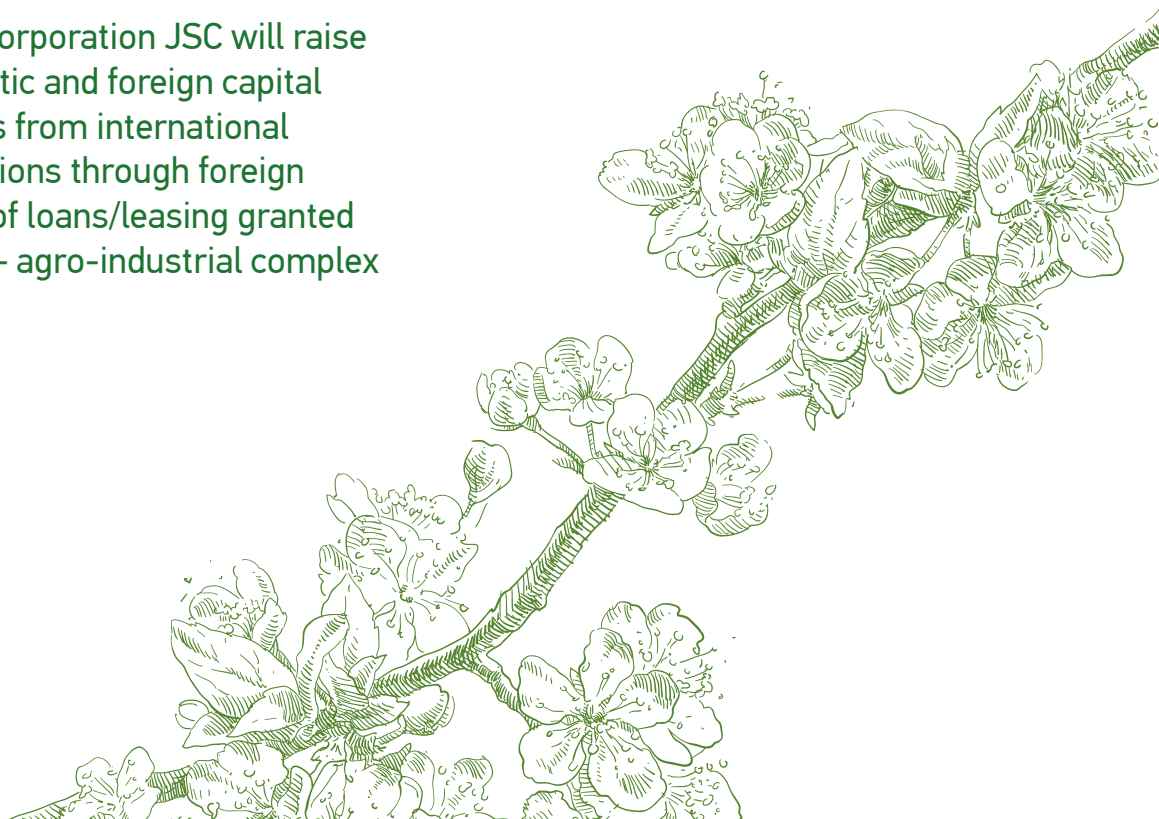
This will provide an opportunity to develop gradually the rural lending system by analogy with the OECD countries, in particular Germany, where the state Rentenbank raise funds from the capital markets with the governmental support and provide them to private financial institutions for subsequent crediting of the agro-industrial complex units. In pursuing this objective, Agrarian Credit Corporation will annually reduce direct lending on a step-by-step basis, while maintaining positive growth rates of lending to final borrowers through increase in the funding of private financial institutions.

Agrarian Credit Corporation JSC will raise funds from domestic and foreign capital markets as well as from international financial organizations through foreign currency hedging of loans/leasing granted to end borrowers – agro-industrial complex entities. The issue of expanding the cooperation programs of the Government of the Republic of Kazakhstan

and international financial institutions will be elaborated with the aim to raise funds for the agro-industrial complex development.

For the purpose of financing the priority industry-specific areas of development of the agro-industrial complex and increasing the borrowing capacity (leverage level), financing from the republican budget for replenishment of the authorized capital of KazAgro NMH JSC will be continued. The volumes of budget financing will be determined depending on the republican budget capacity and parameters of financial stability of KazAgro National Management Holding JSC.

«Agrarian Credit Corporation JSC will raise funds from domestic and foreign capital markets as well as from international financial organizations through foreign currency hedging of loans/leasing granted to end borrowers – agro-industrial complex entities».



07

RISK MANAGEMENT



7.1. INFORMATION ON THE RISK MANAGEMENT SYSTEM

Corporation's risk management is an ongoing process that contributes to the timely identification, assessment, monitoring and control of risks, and provides the Executive Body and the Management Body of the Corporation with up-to-date information relating to risks and risk mitigation activities.

The main goal of the risk management system is to find an optimal balance between the profitability and risk levels, as well as to ensure sustainable development of the Corporation in implementing strategic plans and achieving the set objectives. With the aim to control the acceptable risk level, the Corporation approves annually risk-appetite and risk tolerance in the context of components. Risk appetite is a degree of risk that the Corporation considers to be the maximum possible to accept/retain in the course of achieving its goals. Risk appetite components are defined taking into account all key performance indicators (rating, profitability, loan portfolio quality, capital adequacy). All decisions

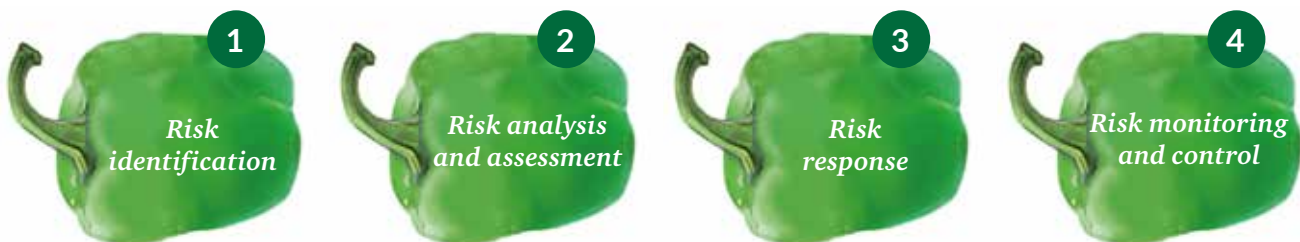
made by the Corporation management are analyzed for compliance with the approved risk appetite.

The organizational structure of the corporate risk management system consists of several levels and includes the following participants of the risk management process:

- Sole Shareholder;
- Board of Directors and its committees;
- Management Board;
- Credit Committee;
- Risk Committee of the Management Board;
- Internal Audit Service;
- Business unit engaged in risk management;
- Compliance Controller;
- Business units and employees of the Corporation.

The functions of the risk management process participants are determined by the Risk Management Policy of Agrarian Credit Corporation JSC, which is publicly available on the corporate website.

The risk management system is functioning on the basis of the following stages:



classification of all identified risks based on the Corporation's objectives and strategy; determination of their interrelation with external and internal factors; and assessment of a threat to continuous and sustained activities of the Corporation. All identified risks are recorded in a risk register that contains information on the factors and consequences of risk occurrence, as well as estimation of inherent and residual risks. The risk register is used as a basis for development of the Corporation's Risk Map indicating critical and significant risks, and Action

Plans aimed to minimize the current risk level. The Risk Map consists of 4 zones indicating the influence on the Corporation's activities: «critical zone», «substantial zone», «moderate zone» and «acceptable zone».

At the end of 2016, most of the risks were distributed over the moderate and acceptable zones of the Risk Map; the critical zone of the Risk Map included 3 risks associated with the core business of the Corporation.

7.2. KEY RISK MANAGEMENT

Credit risk management

Taking into account the performance features of the agrarian sector, the Corporation's activities are subject to the credit risk, which means the risks of losses resulted from non-repayment of loans issued.

In order to ensure effective management of credit risks, the Corporation has approved business processes that take into account the allocation of lending and risk management functions, and established collegial bodies and units involved in the assessment and management of credit risks.



Credit risk management is carried out in the Corporation through:

- carrying-out of initial credit risk analysis by the initiating business unit and analysis by the risk management unit;
- establishment of limits for counterparties depending on the terms of product-specific programs and rating of the borrower/branch;
- diversification of the loan portfolio with the aim to avoid excessive risk concentration;
- monitoring of the loan portfolio to identify deterioration of quality at an early stage;
- formation of an adequate level of provisions for possible losses.

The Corporation's loan portfolio structure is diversified by lending programs. In 2016, the following changes occurred in the loan portfolio structure: a share of loans under the «Lending of STBs» program increased from 6% to 14%; a share of loans under the «Lending of CSs» program reduced from 41% to 39% despite a 19% increase in debt. An overall growth in the loan portfolio amounted to 25%, mainly due to increase in the volume of loans issued to second-tier banks by 193% and direct lending under livestock breeding programs by 26%.

The Corporation is working on a continuous basis to improve the quality of the loan portfolio, as a result of which by the end of 2016 the NPL indicator decreased from 21% to 17% and it is expected to fall to 10% of the loan portfolio. In addition, in 2016, the level of NPL coverage with provisions increased by 16% to 77%, while the net profit of the Corporation increased 1.7 times.

Assets and liabilities management

The main share in the assets structure is accounted for the loan portfolio - by the end of 2016 it amounted to

74%. The growth in the loan portfolio for 2016 amounted to 25% or 39.5 bln tenge.

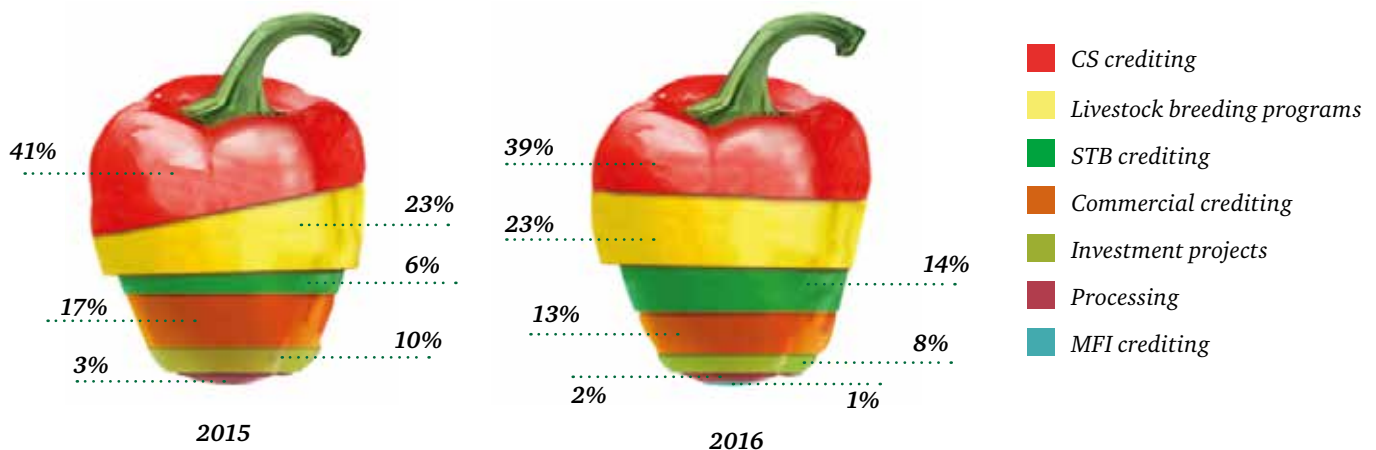
The Corporation's liabilities structure is composed mainly of the equity - 69% at the end of 2016. During 2016, the equity increased by 71% or 62.4 bln tenge. This growth was caused by increase in the authorized capital by 68%. By the end of 2016, the Corporation's capital adequacy indicator was 2 to 1, while an average indicator in the banking sector is 0.12 to 1. This fact evidences the stability of the Corporation's financial position, including due to support on the part of the shareholder.

The structure of the Corporation's liabilities does not include any foreign currency loans and loans with indexed interest rates. In this regard, financial risk management focuses on organization of effective liquidity management and liquidity risk minimization. For this purpose, the Corporation implements a system of early recognition and prevention of liquidity loss risks by taking timely adequate measures. In the process of liquidity management the Corporation uses combinations of liquidity management methods depending on the financial market situation as well as financial position and liquidity position of the Corporation.

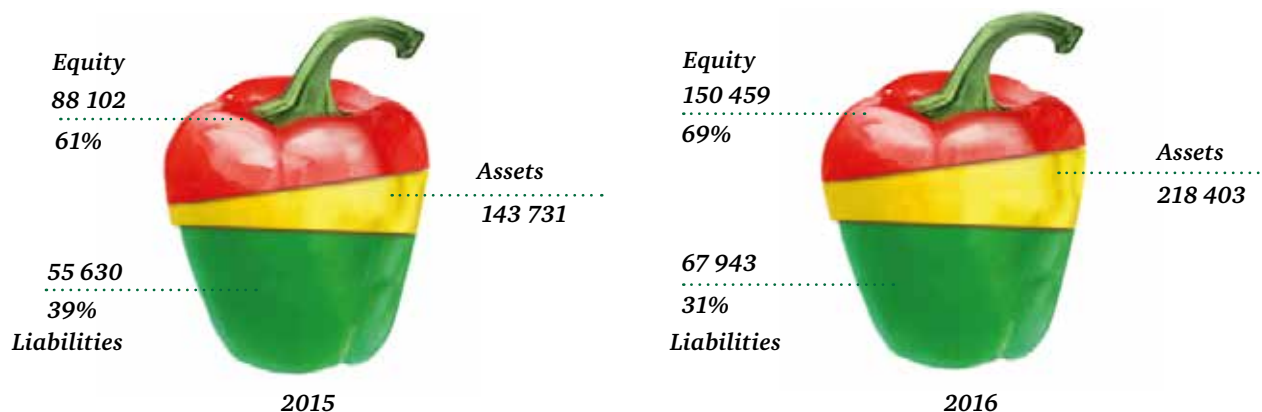
Operational risk management

The Corporation's activities are exposed to operational risks. Operational risks include a risk of losses arising from a human factor, a business process risk, information system risk and equipment, as well as a risk resulted from external events. Operational risk management involves a set of measures aimed at reducing the probability of occurrence of events or circumstances that lead to losses, and reducing the amount of potential operational risks.

Loan portfolio structure of Agrarian Credit Corporation JSC, %



Balance structure, mln tenge



Thus, in 2016, the Corporation continued working to improve the system for identifying and preventing the occurrence of operational risk factors, started working to automate the register of risk events, optimized and automated business processes within the framework of the approved development strategy, and developed key indicators for significant and critical risks.

The operational risk management process is regulated by internal normative documents of the Corporation and is implemented at all levels of the corporate risk management system. Participants of the operational risk management process identify and register potential risks, as well as take measures to minimize their level and prevent the occurrence of negative consequences of their occurrence.

Information security and compliance risk management

The Corporation has an information security service (ISS) and a compliance controller, who subordinates directly to Chairman of the Management Board of the Corporation, as well as approved internal documents «Compliance Risk Management Policy» and «Information Security Policy», the implementation of which is mandatory for all employees.

The ISS carries out information integrity monitoring on an ongoing basis, implements preventive measures and works aimed to improve automated systems for protection of confidential information. In addition, each employee of the Corporation bears personal responsibility for information integrity and is obliged to comply with the rules of work with information technologies.

In 2016, the Corporation approved the Register of Information Security Assets and the methodology for assessment of information security risks, and performed regular works in accordance with the information protection plan, including data backup, inspection of server equipment, air conditioning and fire fighting systems in the server room, inspection of employees' personal computers for unlicensed software.

In addition, the Corporation operates on a permanent basis a system to control access to office premises, a system for restriction of access to information databases and the ability to use information output ports depending on the functional responsibilities. Applications for granting access rights are subject to multilevel approval and verification with the aim to confirm the need and reasonableness of access to information.

Within the framework of compliance risk management the Corporation carries out regular monitoring of changes in legislation and communicate its results to all employees of the Corporation, as well as monitoring of compliance with the requirements of the anti-money laundering/terrorism financing law and inspections for compliance with the legislative requirements and internal regulations of the Corporation.

08

CORPORATE GOVERNANCE



8.1. MANAGEMENT STRUCTURE

The managerial bodies of the Corporation include:

1. Supreme body - the Sole Shareholder;
2. Management body - the Board of Directors;
3. Executive body - the Management Board;
4. A body engaged in monitoring of the Corporation's financial and economic activities, assessment in the field of internal control,
5. Other bodies established in compliance with the risk management, execution of corporate governance documents and providing advice to improve the Corporation's activities - the Internal Audit Service;
5. Other bodies established in compliance with the legislation of the Republic of Kazakhstan.

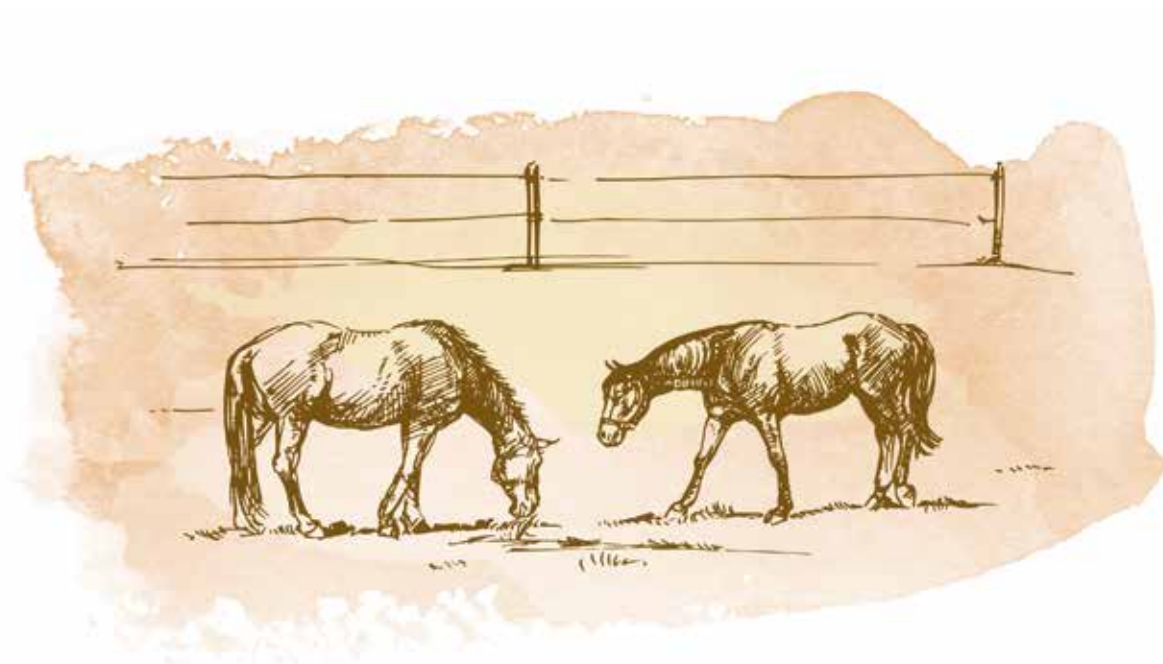
8.2. SOLE SHAREHOLDER

The Sole Shareholder of the Corporation is KazAgro National Management Holding JSC.

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

The key decisions made by the Sole Shareholder in 2016 concerned the placement of the Corporation's

shares, approval of the Regulations on the Board of Directors, election of members to the Board of Directors and determination of the amount of their remuneration, determination of the audit organization and approval of internal corporate documents.





8.3. MEMBERS OF THE BOARD OF DIRECTORS

AIGUL MUKHAMADIYEVA

Chairman of the Board of Directors of Agrarian Credit Corporation JSC (since June 26, 2015).

Deputy Chairman of the Management Board of KazAgro National Management Holding JSC.

Born on August 5, 1976.

Education:

1. East-Kazakhstan State University;
2. Kazakh Academy of Transport and Communications named after M. Tynyshpayev.
3. Master of Mathematics.

Work experience:

- 2015 – Deputy Chairman of the Management Board of KazAgro NMH JSC;
- 2015 – Managing Director of KazAgro NMH JSC;
- 2014-2015 – Deputy Chief Director for Business Development of Samruk-Kazyna National Welfare Fund JSC;
- 2011-2014 – Managing Director, First Deputy Chairman of the Management Board of Agrarian Credit Corporation JSC.

A.S. Mukhamadiyeva is also Chairman of the Board of Directors of Fund of Financial Support of Agriculture JSC.



GULNAZ ATAMKULOVA

Member of the Board of Directors of Agrarian Credit Corporation JSC

Chairman of the Management Board of Agrarian Credit Corporation JSC.

Born on September 9, 1968.

Education:

1. Kazakh State University named after S.M. Kirov, Faculty of Philosophy and Economics (Philosophy Teacher), Diploma with honours;
2. Eurasian Market Institute under the Kazakh State Economic Faculty named after T. Ryskulov, 1998, Finance and Credit Department;
3. London school of business and finance, Great Britain, traineeship, 2013;
4. Kazakh Humanitarian Law University, 2014;

Master of Business Administration. Financial Management.

Work experience:

- 2015 - Chairman of the Management Board of Agrarian Credit Corporation JSC;
- 2014 - acting Chairman of the Management Board at KazAgroFinance JSC;
- 2014 – First Deputy Chairman of the Management Board of KazAgroFinance JSC;
- 2013-2014 – Advisor to Chairman of the Management Board of KazAgroFinance JSC;
- 2010-2012 – Chairman of the Management Board of the Fund of Financial Support of Agriculture JSC;
- 2007-2010 – Deputy Chairman of the Management Board of the Fund of Financial Support of Agriculture JSC.



KAIRAT MAKAYEV

Member of the Board of Directors of Agrarian Credit Corporation JSC.

Director of the Department of Internal Control in Subsidiaries and Affiliates of KazAgro National Management Holding JSC.

Born on April 23, 1980.

Education:

1. Kazakh Agrotechnical University named after S. Seifullin (Astana). Agronomy Faculty.
2. Eurasian Market Institute (Almaty). Finance and Credit Faculty.

Work experience:

- 2015 - Director of the Department of Internal Control Organization in Subsidiaries and Affiliates of KazAgro Holding JSC;
- 2014–2015 – member of the Board of Directors of Kazagromarketing JSC;
- 2013-2015 – Director of the Subsidiary Support Department of KazAgro Holding JSC;
- 2014-2014 – Chairman of the Supervisory Board of KazMeat LLP (a subsidiary of KazAgroProduct JSC);
- 2012-2013–Director of the Internal Lending and Investing Activities Control Department of KazAgro Holding JSC.



ZHANAR ABDYKARIMOVA

Independent Director - Member of the Board of Directors of Agrarian Credit Corporation JSC.

Deputy Chairman of the Board of Directors of the Kazakhstan Association of Financiers. Managing Director.

Born on February 25, 1966.

Education:

1. Pavlodar Industrial Institute, specialization in Production of Construction Goods and Structures (Civil Production Engineer).
2. Karaganda State Technical University named after Ye.A. Buketov, specialization in Accounting and Audit (Economist).
3. Kazakh Humanitarian Law University (Bachelor of Jurisprudence).
4. Agence de Transfert de Technologie Financial, Luxembourg. Certificate Seminars, from 03 to 06 September 2007 on the subject Prevention of money laundering.
5. Certificate of Completion Corporate Governance Certificate Program-Has successfully completed the course: International practices of the Corporate Governance. The Singapore Experience. 25 academic hours, November 2013. - Certified Corporate Governance Director (CCGD™).
6. Certificate No. AST/0056/12-13 - Certified Corporate Governance Professional (CCGP™).

Work experience:

- Since 2009 – Deputy Chairman of the Board of Directors of the Kazakhstan Association of Financiers - Managing Director.
- 2006-2011 – Advisor to Chairman of the Management Board of BTA Bank JSC.





YELENA ZAVGORODNYAYA

Independent Director - Member of the Board of Directors of Agrarian Credit Corporation JSC (since August 31, 2016).

Deputy Chairman of the Management Board, Member of the Management Board of Tsesna Corporation JSC

Born on June 26, 1969.

Education:

1. Karaganda State Technical University named after Buketov (Accounting and Audit of Economic Activities).
2. Professional corporate governance certification program “Unlimited horizons”; assigned degree - Certified Corporate Governance Director
3. IFRS amendments (KPMG).
4. Testing according to the DipIFR program
5. Completion of the second stage of advanced training under USAID program (“Audit”, “Management Accounting-2”)
6. Advanced training at the Institute of Professional Accountants and Auditors under USAID program. CAP qualification.

Work experience:

- 2013 - Deputy Chairman of the Management Board, Member of the Management Board of Tsesna Corporation JSC.
- 2011-2013 – Executive Director/Managing Director of Tsesna Corporation JSC;
- 2005-2011 – Director of the Department for Finance and Economy of Tsesna Corporation JSC.



SATYBALDY ZHUMAGATOV

Independent Director - Member of the Board of Directors of Agrarian Credit Corporation JSC.

Deputy President - Chairman of Kazakhstan Farmers Union, the Republican Public Association

Born on June 3, 1952.

Education:

1. Alma-Ata Agricultural Institute (agricultural scientist).
2. Alma-Ata Institute of Political Science and Management (theory of socio-political relations, political analyst, lecturer in socio-political disciplines).

Work experience:

- 2015 - Deputy President - Chairman of the Republican Public Association “Kazakhstan Farmers Union”, Astana.
- 2013-2014 – Managing Director for agriculture of Kazakhstan Industrial Corporation LLP, Astana;
- 2011-2013 – Director of the Land Relations Department and Agricultural Departments of Atbassar district of Akmola region.

8.4. PROGRESS REPORTS OF THE BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD OF DIRECTORS

In 2016, the Board of Directors of Agrarian Credit Corporation JSC held 18 meetings, including 15 meetings in presentia and 3 meetings in absentia. In 2016, the Board of Directors addressed 159 issues, on which 403 decisions were made.

The main issues addressed were the review of implementation of the Annual Audit Plan of the Internal Audit Service, including the assessment of the corporate risk management system, reports on

risks accepted, consummation of interested-party transactions, introduction of amendments and additions to the lending conditions under Product Programs, to the Collateral Policy and other internal regulatory documents of the Corporation, personnel issues, approval of the Development Plan for 2016-2020 and the Budget of the Corporation.

18

Board of Directors
meetings in 2016

15

In-presentia meetings

3

In-absentia meetings

Internal Audit Committee of the Board of Directors

In 2016, the Internal Audit Committee of the Board of Directors of Agrarian Credit Corporation JSC held 10 meetings and addressed 27 issues.

The competence of this Committee includes the review of the following issues:

1. on financial reporting;
2. on external audit;
3. on internal audit;
4. on statutory compliance;
5. on reporting and performance assessment;
6. other functions.

Заседания Комитетов Совета директоров проводятся только в очной форме.

Meetings of the Committees of the Board of Directors are held only in the form of meetings in presentia.

In addition, in accordance with the Regulations on the committee of the Board of Directors, members of the committee shall notify the Board of Directors of the Company of any changes in their status of an independent director or about the occurrence of a conflict of interest in connection with decisions to be taken by the committee.

During the reporting period, neither member of the Board of Directors' Committee reported any changes in his/her status of an independent director or a conflict of interest.

10

MEETINGS

Internal Audit Committee of
the Board of Directors

27

ISSUES

Considered



Strategic Planning and Risk Committee of the Board of Directors

In 2016, the Strategic Planning and Risk Committee of the Board of Directors of Agrarian Credit Corporation JSC held 13 meetings and addressed 54 issues.

The competence of this Committee includes the review of the following issues:

1. on strategic planning;
2. on investment activities;
3. on innovation activities;
4. on internal control and risk management;
5. on reporting and performance assessment;
6. other functions.

13

MEETINGS

Strategic Planning and Risk Committee of the Board of Directors

54

ISSUES

Considered

Activities of the Credit Policy and Non-Performing Loans Committee of the Board of Directors

In 2016, the Credit Policy and Non-Performing Loans Committee of the Board of Directors of Agrarian Credit Corporation JSC held 12 meetings and addressed 20 issues.

The competence of this Committee includes review of the following issues:

1. approval of internal regulatory documents that govern the Corporation's activities taking into account the classifier;
2. making decisions on consummation of major transactions and related-party transactions of the Company;
3. determination of basic strategies and principles of control, regulation and unification of credit

12

MEETINGS

Activities of the Credit Policy and Non-Performing Loans Committee of the Board of Directors

20

ISSUES

Considered

activities and work with non-performing loans of the Corporation.

Activities of the Social Affairs, Nomination and Remuneration Committee of the Board of Directors

In 2016, the Social Affairs, Nomination and Remuneration Committee of the Board of Directors of Agrarian Credit Corporation JSC held 14 meetings and addressed 58 issues.

The competence of this Committee includes review of the following issues:

1. on qualification requirements;
2. on appraisal of candidates;
3. on succession planning;
4. on performance assessment;
5. on the remuneration system;
6. on development;
7. on disciplinary sanctions;
8. on termination of powers;
9. preliminary consideration of issues related to the staff size, payroll fund, training costs and organizational structure;
10. preliminary approval of the personnel policy, internal regulatory documents related to social support of the Company's employees;
11. preliminary consideration of issues related to the Company's corporate social responsibility;

14

MEETINGS

Activities of the Social Affairs, Nomination and Remuneration Committee of the Board of Directors

58

ISSUES

Considered

8.5. MANAGEMENT BOARD



Gulnaz Atamkulova

Date of birth: 09.09.1968

Position held: Chairman of the Management Board

Positions held by each member of a collegial executive body over the last three years and at the present time:

- 17.06.2015 - Chairman of the Management Board of Agrarian Credit Corporation JSC, Astana;
- 29.11.2014 - acting Chairman of the Management Board at KazAgroFinance JSC, Astana;
- 07.04.2014 – First Deputy Chairman of the Management Board of AstanaAgroFinance JSC, Astana;
- 02.09.2013 – Advisor to Chairman of the Management Board of AstanaAgroFinance JSC, Astana.



Nurzhan Seisenbayev

Date of birth: 22.05.1981

Position held: First Deputy Chairman of the Management Board

Positions held by each member of a collegial executive body over the last three years and at the present time:

- 03.11.2014 – First Deputy Chairman of the Management Board of Agrarian Credit Corporation JSC;
- 07.10.2013 - Managing Director of Agrarian Credit Corporation JSC;
- 04.12.2012 – Director of the Corporate Crediting Department of Agrarian Credit Corporation JSC.



Kuat Akhmetov

Date of birth: 14.10.1964

Position held: Deputy Chairman of the Management Board

Positions held by each member of a collegial executive body over the last three years and at the present time:

- 11.05.2010 – Deputy Chairman of the Management Board of Agrarian Credit Corporation JSC.



Azhar Kabylova

Date of birth: 14.05.1963

Position held: Managing Director - Member of the Management Board

Positions held by each member of a collegial executive body over the last three years and at the present time:

- 20.01.2009 - Managing Director - Member of the Management Board of Agrarian Credit Corporation JSC.



Sholpan Aitkazina

Date of birth: 28.11.1981

Position held: Managing Director - Member of the Management Board

Positions held by each member of a collegial executive body over the last three years and at the present time:

- 21.10.2014 - Managing Director of Agrarian Credit Corporation JSC;
- 01.12.2012 – Director of the Law Department of Agrarian Credit Corporation JSC;
- 10.06.2011 – Chief of the Law Department.



12. preliminary consideration of issues related to labor disputes and conflicts in case of applying to the Committee or to the Board of Directors;
13. on reporting and performance assessment.

8.6. REPORT ON ACTIVITIES OF THE MANAGEMENT BOARD

The Management Board is a collegial body engaged in management of day-to-day activities of the Corporation. In 2016, the Management Board held 55 meetings in presentia. In 2016, the Management Board addressed a total of 376 issues, including 87 issues initiated at the meeting of the Board of Directors, of which decisions were made and orders were issued.

The main blocks of issues addressed:

- introduction of amendments to the Methodology for determining and assigning a credit rating to credit societies, which allowed setting a single credit limit, increasing the ratio with a minimum value of 12 to the CP's equity to a maximum value of 1 to 20 the CP's equity. This measure provided a possibility to avoid considering an increase in the limit for each CP lending program;
- the Risk Committee was established under the Management Board and its composition was approved;
- in connection with the expansion of the Corporation's product line and in accordance

55

MEETINGS

In-presentia

376

ISSUES

Considered

with the IFRS requirements the Methodology for calculating the provisions of Agrarian Credit Corporation JSC was approved;

- for the purpose of determining basic requirements for improvement of quality and formation of highly qualified human resources of the Corporation, the Regulations on selection, employment, adaptation, transfer and dismissal of employees of Agrarian Credit Corporation JSC were approved;
- to determine the procedure for funding of microfinance organizations under the spring field work program, a standard form of the Framework Agreement was developed on the basis of previously approved standard forms;
- in connection with the introduction of new lending conditions under the Employment Road Map-2020, the Regulations on selection and lending of CPs and MFIs were approved;
- to strengthen the attractiveness for potential customers, unified standards for external and internal design of office premises of the central office and branches were approved.

8.7. FUNDAMENTAL PRINCIPLES OF REMUNERATION OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The remuneration to members of the Corporation's Board of Directors is established in accordance with internal regulations taking into account the expected positive effect for the Corporation from membership of a certain person in the Board of Directors.

The remuneration is paid to independent directors, unless otherwise provided by the law, regulatory documents of the Corporation and organizations such directors work for. Chairman of the Management Board of the Corporation does not receive remuneration for working in the Board of Directors. The amount of fixed annual remuneration is determined by the decision of the Sole Shareholder.

The remuneration is not paid in case of causing damage to the Corporation as a result of making a decision by the Board of Directors, for which, among other things, an independent director voted.

Regulations on the terms of remuneration, bonus payment and social security of Chairman and members of the Management Board of the Corporation are approved by the Board of Directors of the Corporation. The Regulations determine the amount of official salaries, working conditions and bonus payment terms for Chairman and members of the Management Board. The remuneration is differentiated on the basis of an individual approach depending on the complexity of works performed and positions held. The system of remuneration of

Chairman and members of the Management Board provides for remuneration based on the performance results for the year. The remuneration based on the performance results for the year is paid once a year, depending on the results of achievement by

Chairman and members of the Management Board of strategic key performance indicators and the results of their activities as evaluated by the Board of Directors.

8.8. PERFORMANCE ASSESSMENT OF THE BOARD OF DIRECTORS

Performance assessment of the Board of Directors of Agrarian Credit Corporation JSC for 2016 was carried out taking into account the international practice in the field of corporate governance, as well as in accordance with the Charter of Agrarian Credit Corporation JSC, the Regulations on the Board of Directors and the Code of Corporate Governance.

Based on the results of the assessment, the Board of Directors made a conclusion that the overall work of the Board of Directors and its committees can be considered «effective». Professionalism of members of the Board of Directors was assessed at a high level, and their qualification meets the set goals and objectives. Activities carried out by committees of the Board of Directors are effective and promote the work of the Board of Directors.

However, the Board of Directors determined the areas for further development of the Company's

activities, in particular, active participation of the Board of Directors in the following issues:

- updating of the Company's Development Strategy;
- monitoring of implementation of the Company's strategic objectives.
- improvement of the remuneration system for members of the Management Board;
- control over execution of the Company's budget;
- control over automation of the Company;
- control over investment projects;
- improvement of the internal control system, including issues of external security.
- control over funding of financial organizations;
- addressing the issue of decentralization of powers (strengthening the role of branch directors at the local level).

8.9. INFORMATION ON THE CORPORATE GOVERNANCE CODE

The revised Corporate Governance Code was approved by the decision of the Management Board of KazAgro Holding JSC No. 49 dated July 29, 2015.

The objectives of the Corporate Governance Code are to improve corporate governance in Agrarian Credit Corporation JSC, ensure transparency of the Corporation governance, and demonstrate commitment to the good corporate governance standards.

The Corporation considers corporate governance as a tool of increasing the performance efficiency, strengthening reputation and reducing the cost of capital raising.

The corporate governance system of the Corporation is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. An effective corporate governance structure implies respect for the rights and interests of all stakeholders and promotes successful activities, including the growth of the Corporation's values, maintenance of financial stability and profitability of the Corporation.

The Corporation carries out its activities in strict compliance with the provisions of the Corporate Governance Code and other regulations of the Corporation, which ensure effective operations.



09

**QUALITY MANAGEMENT
SYSTEM**



The quality management system (hereinafter - QMS) of the Corporation has been developed and implemented in accordance with the requirements of the international standard ISO 9001-2008 «Quality management systems. Requirements». The system has been implemented to confirm the Corporation's ability to provide financial services that meet the requirements of consumer, legislative and other regulatory acts with the aim to increase the level of borrowers' satisfaction through the effective implementation of the QMS, including the use of processes ensuring continuous improvement of the QMS.

On November 7, 2007, the Corporation received a quality certificate confirming the compliance of its activities with the standards of the Republic of Kazakhstan ST RK ISO 9001-2008.

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

On August 27, 2013, the Corporation's QMS was re-certified with prolongation of the certificate until August 27, 2016. According to the requirements of ISO 9001-2008, the Corporation is audited annually by external auditors in order to confirm the certificate.

In 2016, a re-certification audit was conducted, as a result of which the Corporation received a new Certificate of Conformity of QMS to ISO 9001: 2008.

Pursuant to the requirements of ISO 9001-2008, the Corporation implemented the following measures in accordance with the Plan for QMS development and improvement, namely:

- approval of the quality policy and objectives;
- carrying out of QMS analysis by the management;
- conduct of internal quality audits;
- passing of an annual inspection audit.

According to the re-certification audit findings, the Corporation's QMS is maintained in good working order, is developing in accordance with the principles of continuous improvement, and as a whole, is effective and meets the requirements of ISO 9001-2008.

The quality management system (hereinafter - QMS) of the Corporation has been developed and implemented in accordance with the requirements of the international standard ISO 9001-2008 «Quality management systems. Requirements».



10

PERSONNEL AND SOCIAL WORK



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

The key priorities of the Personnel Policy are the involvement, development and retention of highly professional employees; introduction of advanced

methods of personnel management; establishment of effective HR departments in the Corporation; management of the pool of high-potential employees of the Corporation; support of innovations and transformations in the Corporation; creation and development of joint values, social norms and standards of behaviour that regulate employees' behaviour.

10.1. FUNDAMENTAL PRINCIPLES OF THE PERSONNEL POLICY

- long-term relationship;
- correspondence employees' qualifications to their positions;
- interrelation of interests and goals of the Corporation and employees;
- continuity of knowledge and experience, emphasis on personnel development and training;
- reward and promotion based on merits and achieved results.

Over the last three years, the total headcount of the Corporation has not changed and is equal to 318 staffing positions.

The Corporation's employees remuneration is based on the principles of fairness (correspondence of wage to the scope and quality of work of an individual employee), confidentiality (information

on individual wage is a commercial secret) and timeliness. Over the period of 2014-2016 the payroll fund has not changed.

The questionnaire survey conducted in 2016 among the Corporation employees for defining the level of personnel involvement revealed that the majority of employees were interested in continuing work for the Corporation due to good prospects and opportunities for professional growth. In addition, most of correspondents expressed their satisfaction with the interesting work and professionalism of their colleagues. Thus, it was revealed that the level of personnel involvement was equal to 86%, which was 6% higher than the planned efficiency indicator for 2016. This indicator means that the working atmosphere in the Corporation is stable and positive and does not require any interventions.

Gender statistics, including a share of women in managerial positions of the Corporation, %

	2014	2015	2016
Share of men in the staff composition	57	54	60
Share of women in the staff composition	43	46	40
Share of women in the total number of managerial positions	40	60	60
Share of women in the total number of line managers	29	42	36

10.2. SOCIAL WORK

The Corporation provides its employees the most favourable socio-economic conditions and social support, which promotes labour productivity.

The Corporation maintains compulsory employer liability insurance for causing harm to employee's life and health in the performance of his/her labour (official) duties. Employees are provided with quality additional medical services and the possibility of restorative treatment at the cost of the Corporation through a system of voluntary medical insurance.

The Corporation supports a healthy lifestyle among its employees. With the aim to promote a healthy lifestyle, the Corporation may allocate funds so that its employees could visit gyms, swimming pools and sports grounds.

To encourage high-quality work of personnel, the Corporation applies financial (bonus payment, memorable gifts, material aid) and non-financial incentives (declaration of gratitude, awarding of certificate of honour).



The Corporation has adopted a system of financial aid to employees in case of delivery of a child, marriage and death of close relatives.

Employees are granted annual paid leave with a total duration of 30 (thirty) calendar days for rest, efficiency restoration, health improvement and other personal needs.

Employees, who have passed the probationary period, or who are employed without a probationary period, are paid a health improvement benefit in the amount of 2 (two) official salaries when granting annual paid leave in accordance with a procedure established by the Corporation's internal regulations. Annual paid leave may be granted in parts at any time of the year at the employee's request and by agreement of the parties.

The Corporation applies a system of granting social vacations to employees, which they need to pass exams and defence their theses as well as for any other objective reasons of each employee in the form of leave without pay, educational leave, maternity leave, unpaid leave for child care or in connection with adoption of a newborn child (children).

In addition, the Corporation has adopted a time-bonus system. Besides the competitive wage, the Corporation provides compensatory and incentive payments.

One of the key factors of personnel development management is the provision of additional remuneration to employees for the final results in solving certain tasks in the form of bonus payment based on the evaluation of their performance results.



The Corporation ensures the observance of all guarantees and compensatory payments when employees work on weekends, holidays and on business trips.

One of the areas of personnel development is the improvement of employees' qualifications in the form of on-job and off-job training. As a rule, employees are trained in the areas that are specific to the Corporation's activities. Employees have the opportunity to improve their qualifications both within the country and abroad.

10.3. PERSONNEL TRAINING

The Corporation provides annually refresher courses for at least 25% of its full-time employees on such topics as "IFRS 9: New standard for financial instrument accounting"; "Modern technologies of livestock breeding,

10.4. LABOUR PROTECTION

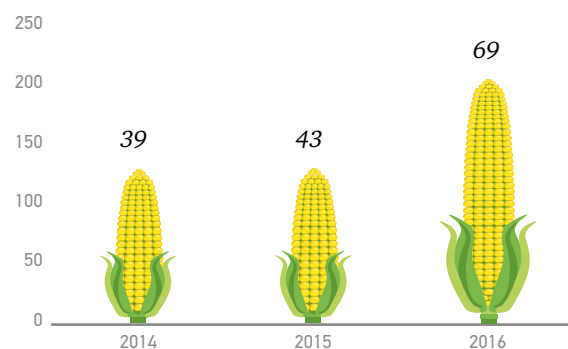
The Corporation provides its employees with working conditions that meet the requirements of occupational health and safety standards. The monitoring of occupational health and safety aspects is carried out and employees are timely informed on the results thereof. When concluding employment contracts the Corporation takes an obligation to ensure healthy and safe working conditions, allocates necessary funds for this and implements other powers that ensure employees' occupational health and safety rights provided for by the law.

Within the framework of the Social Policy the Corporation being a socially responsible organization pays great attention to the provision of charity and sponsorship assistance to citizens of the country affected by natural disasters and other circumstances as well as to needy poor citizens of the Republic of Kazakhstan.

The Corporation annually conducts team building and corporate events aimed at maintaining the corporate spirit among employees.

crop growing and crop production mechanization"; "Risks of investment projects: evaluation and computer simulation", "Transformation and new approaches to forming internal audit and compliance functions", etc.

Share of staff trained (%)



11

MARKETING ACTIVITY AND PR



With the aim to highlight its activities and communicate necessary information to the end customer the Corporation applies all modern communication channels and tools.

The Corporation prepares and distributes to mass media regular press releases containing data on the implementation of budget programs, credit products and achievements. The materials are published in the republican print media such as «Kazakhstanskaya Pravda», «Yegemen Kazakhstan», «Express-K», «Liter», «Aikyn», «Izvestiya-Kazakhstan», «Expert Kazakhstan», as well as at web portals of information agencies - KazInform, Kazakhstan Today, Nomad, Interfax Kazakhstan. Video about the Corporation's activities is shown in the news on TV channels such as Khabar, Khabar 24, Kazakhstan, Astana, STV, as well as in specialized TV programs - ProdVopros (Khabar), Agrobusiness (Kazakhstan), Energy Agro (STV).

The Corporation uses direct advertising over the radio, at the aircraft, and actively uses outdoor advertising tools such as banners along busy roads of republican subordination.

The Corporation is striving to create trust and open relations with its customers, partners and mass media. Top managers regularly take part in press conferences, briefings, forums, «round table» discussions and TV programs. Thus, the public has the opportunity to send questions directly to the Corporation's management, and the Corporation receives timely feedback on the existing problematic issues, that are solved jointly with customers or mass media representatives during the open dialogue discussions.

With the aim to maximize public awareness of the Corporation's activities, the Corporation maintains a corporate website that contains all necessary information in accordance with the legislation of the Republic of Kazakhstan. The website includes a news block, which contains all the latest events; the blog of Chairman of the Management Board, which is used as feedback for citizens' applications; a section describing credit products of the Corporation; photo and video gallery; contacts of branches and credit societies, etc.

In order to improve a feedback system and raise public awareness, in 2016 the Corporation created its official pages in popular social networks such as Facebook and Instagram. The number of subscribers to the Corporation's accounts is increasing every day due to useful and interesting content and the tools used to promote publications. For example, at the end of the years the number of Instagram subscribers was about 800 people, which is a quite good result. The number of Facebook subscribers increased by several hundred people. For all time of existence of the official Facebook page the response rate has reached 100%. Users have the opportunity to write a message in order to address all the issues of interest.

In 2016, the number of references to the Corporation's activities in mass media amounted to 1,384 and increased by 46% as compared to the same period of 2015 - 946 references.



Briefing on the topic of "KazAgro" NMH" JSC Activity Aimed at Support of the Kazakhstan ABI".



In IV quarter of 2016, the Corporation developed a PR strategy, pursuant to which all premises of the central office and branches of the Corporation should be decorated in a single external style. The Corporation's website was also upgraded and became more informative and interesting for users. In accordance with the PR strategy, the Corporation intends to implement measures in the near future in order to improve its image among all segments of the population. In 2016, two successful campaigns were held: «Our borrowers at the fair!» and «Success stories».

«Our borrowers at the fair!» campaign (October-November 2016)

In autumn, fairs were held in Astana as part of the campaign «Strong regions - strong Kazakhstan», at which local farmers presented their products to Astana residents. Borrowers of the Corporation also took part in this large-scale event, and their products could be recognized by the «ACC» logo.

«Success stories» campaign for students (November 2016)

The «Success stories» campaign dedicated to the 25th anniversary of the Independence of the Republic of Kazakhstan was held in the Kazakh Agricultural University named after Saken Seifullin. The event was organized by Agrarian Credit Corporation Joint-Stock Company jointly with the University.

As part of the campaign, domestic farmers being successful borrowers of Agrarian Credit Corporation shared their experience with students in the form of open lectures.

Gulnaz Atamkulova, Chairman of the Management Board of Agrarian Credit Corporation JSC, noted that the agro-industrial complex was one of the priority sectors in the economy of Kazakhstan, therefore, it was very important to train highly qualified personnel. She expressed her hope that the students would obtain a lot of knowledge that would be helpful in their future profession.

This event was very interesting for the students: they asked the farmers questions and participated in the discussion. Everyone was admired with video clips that were broadcast before the speakers gave their speeches and allowed the students to make a virtual trip to the farms and learn about the success of domestic farmers.



The Corporation took the 3rd place in the Design and Polygraphy nomination of the 4th Annual Reports Contest held by the RAEX Rating Agency (Expert RA Kazakhstan)



Awarding the Corporation's employees with the jubilee medals "25th Anniversary of the Republic of Kazakhstan Independence"



SUCCESS STORIES





**SUCCESS
STORY**

Aibek APC

Thanks to the funds provided by the JSC «Agrarian Credit Corporation», Aibek integrated meat processing and packing plant put a new canned meat production workshop into operation in the city of Atkobe in 2016. Aibek Agricultural Production Cooperative (APC) was founded in 2007 based on ten owner-operated farms of the Algin rural district of the Aktobe region. This cooperative has its own production bases with land plots and a slaughterhouse of the capacity of 8 tons of meat per a shift.

DESIGN CAPACITY:	Sausage products	Canned products	Semi-finished products
	1500_T	350_{ha}	300_T

Samat Kaldygulov, the CEO, said that the design capacity is 1,500 tons of sausage products, 4,680 tons of canned food and 300 tons of semi-finished products per a year.

The canned meat production workshop will produce approximately 5,000 cans of various canned products such as stewed beef, horse meat, mutton, porridges and other products, per a shift. The new workshop was put into operation to satisfy the needs of the region in canned food and to contribute to market saturation with the products made by national manufacturers; it will also be helpful in solving the issue of food products processing in the Aktobe region.

“In order to fulfill the instructions of the Head of State to ensure food security in our region, measures are taken to support business entities and to assist commodity producers. As a result, new production facilities are being set up in the region that will allow for import reduction and for supply of high quality domestic products to inhabitants of Aktobe city and region”, said Berdybek Saparbayev, the head of the Aktobe region administration.

In 2008, Agrarian Credit Corporation JSC financed the first stage of the meat processing and packing plant - construction of slaughterhouse. The company also plans to set up a sausage making workshop. The project implementation resulted in creation of 50 new jobs.

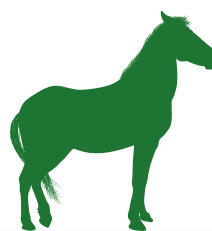



**BREED
BACKGROUNDS**
BREED: Mugalzhar**TYPE:** dual-purpose cattle

BRIEF DESCRIPTION: Mugaljar breed was tested in 1998. This breed is so far the only dual purpose horse breed that was developed by pure breeding method and improvement of Kazakh horses line of Zhabe type and acquisition of local populations from various regions of the Republic by this type of horse breed manufacturers. Exterior of the Mugaljar breed animals is characterized by the following features: head of a medium size, straight thin neck of medium length, strong straight back, the trunk quite developed in length, short croup, often goose-like, not wide, with a well-developed musculature, rather narrow chest, thoracic cage is quite girthy, clean thin legs with well-marked tendons. This breed is also noted for massive, harmonious constitution, cast-iron physique, sufficiently developed and strong bones, normal setting and structure of limbs, excellent overgrowth.

HABITAT: Kazakhstan, mainly Aktobe, Kyzylorda and Karaganda regions.

PRODUCTIVITY: the current population of stallions and mares of Mugaljar breed differs from ancestors in the best meat forms and higher live weight. The live weight of stallions reaches on the average 545-555kg; that of mares is within the range of 490-510kg, the same color (light-bay, light brown, red, bay, iron-grey). Slaughter yield of meat and fat of Mugaljar breed is 52-58%. Daily milk yield is 8-15 liters.



Weight	545-555 KG	490-510 KG
Slaughter yield	52-58 %	Daily milk yield 8-15 L





SUCCESS
STORY

Petropavlovsk Bakery Products Factory LLP

Petropavlovsk Bakery Products Factory LLP is the largest bread producer in the North Kazakhtan region. The factory's range of baked products consists of more than 50 items. Its daily output of finished products is 25 tons. The factory was established based on the Bread Baking Plant No.1. Later on, a confectionery department, a rolls, bun and doughnut workshop and a shop for rye-and-bran types of bakery products were added to it. The factory was modernized in 2011. Germany, Czech and Sweden equipment was purchased with the funds provided as a loan by the Agrarian Credit Corporation (ACC). Thanks to modernization, the range of products manufactured by the factory was expanded and quality of the products improved. The factory's operations are automated to the maximum extent possible. The quality is closely monitored at the factory. All products manufactured by the factory are environmentally safe. The finished products contain neither preservatives nor stabilizing agents. Residents of Petropavlovks are very much satisfied with the quality and range of baked products. Currently, the factory uninterruptedly delivers its products to the counters of grocery stores and provides about 300 jobs.

< 50

Product items

300

Number of
jobs places

25 T

Products per day




**BREED
BACKGROUND**


BREED: Kazakh fine-wooled

Intra-breed types:

- Sarybulak (2008);
- Zharkent (2016);
- Karatal (2016).

TYPE: meat and wool

Developed under the supervision of V.A. Balmont in 1946, the Kazakh fine-wool breed of sheep retained a huge potential for growing the new highly productive stud flocks, lines and intra-breed types. All intra-breed types of Kazakh fine-wool sheep retain its main economic traits: high meat yield, high live weight, high slaughter yield, all allowing for production of competitive lamb and mutton of excellent gustatory quality. The breed was improved by mating with Australian Merino breed, American Rambouillet, Dorset and South Africa meat Merino breeds. Competitive strength of the breed is ensured through breeding new type species of higher productivity. High-quality merino wool of 64-70% (19.5-20.5um) production in the leading breeding flocks reached 65-70%.

Kazakh fine-wool sheep are large with strong skeleton and good exterior. Chest is wide and deep, back and loins are wide and even. Even withers. The thighs are well filled. Poll ewes, rams are with horns and without. Incomplete wrinkle on neck. Belly wool cover is well developed. The animals are highly mobile. The main feature of the breed is that it is stronger and bigger than other fine-wool breeds in combination with fine wool and adaptation that allows for withstanding the overlanding over distances exceeding 400 km. Satisfactory fertility and high slaughter yield. Fast fattening. The Kazakh fine-

wool breed sheep are used for improvement of the local breeds in Kazakhstan.

Merino wool of equal degree of fineness (mostly 64 and 70% quality), staple and fleece length with high technological properties: elastic, with white and lustrous wool grease with clearly pronounced crimp from the base to the end of the staple, sturdy. Whole fleece.

Productivity: live weight of rams is within 100-120kg; that of ewes – 55-75kg; wool production is equal to 8-12kg and 4.5-5.5kg correspondingly. Washed wool yield is 55-63%, wool length – 9-12cm and 8-10cm. Wool fineness is of 60 to 70% quality. Fertility – 125%. Animals of this breed are noted for high early maturing rate: live weight of lambs of 4 months of age reaches 30-40kg when grazing at pasture. Under intensive fattening conditions, daily average weight gain is 300g and more. Early maturity is satisfactory and fast fattening.



Weight **55-75** KG **100-120** KG

Amount of wool shorn **4,5-5,5** KG **8-12** KG



Issyk Fruit Cannery LLP produces tomato paste, apple and apricot souse as well as clarified apple concentrate. In addition to buying raw materials from local gardeners and farmers, the company grows its own tomatoes, apricots and apples at its own fields and in its own gardens.

The company provide jobs to 140 people from the nearby villages.

The company operates up-to-date equipment allowing reaching the high productivity rate. For example, tomato workshop's daily output is 80 tons of finished products.



**SUCCESS
STORY**

Issyk Fruit Cannery LLP

After mandatory laboratory quality control, the finished products are packed in aseptic bags impermeable for humidity and sun rays and thus shelf life of up to two years is ensured.

The company's products are in great demand as raw materials among manufacturers of baby food, juice, ketchup because they are natural and fresh. For example, just 1 kilo of nutritious puree can be made of 3kg of apples and apricots and just 1kg of tomato paste of 7 kilos of tomatoes. It should be mentioned that the raw materials produced by the company are purchased not only by the local manufacturers but by the companies from Russia and Belarus.

Area of fields for
tomatoes growing

1000 ha

Apricot
gardens

350 ha

Apple
gardens

200 ha



APPLE VARIETIES

Golden Delicious (Golden Excellent)

Mid-size trees with compact oval crown. Branches are gradually lowered under the weight of the fruits and the crown assumes a weeping (drooping) shape; fruits become smaller with time, so, regular shaping trimming is needed. Late winter American spurt variety. Fruits are firmly attached to the tree. The fruits are of yellow color, oblong, slightly ribbed, of medium size of 100-120g.

Early maturing variety that reaches the fruit-bearing period on the 5th year. The calendar time for harvesting is the end of September. Upon harvesting, the pulp of fruit is greenish, dense, sweet, fine-grained, very juicy; during storage it becomes creamy or yellow, tender, fragrant or more spicy, the taste is sweet dessert one (4.5 points).

Pollenizers: Aport, Candil-Sinap, Landsberg's Renet, Zailiyskoye varieties.

During the first years, the fruit bearing is regular while with mature trees it depends on agricultural equipment used and weather conditions. Fruits are stored till May. In gardens where swarding (grassing) is used, preservation capacity and juiciness of fruits intended for storage improves.

Aidared

Tree is quite strong, with a somewhat thickened globular shape crown. The late-winter American variety (Jonathan x Wagner).

Fruits are rounded, one-dimensional, large enough – from 140 to 190g. The main color of the fruit is light green, over which a deep dark crimson flush with thick strips spreads.

Apples picking maturity – end of September. Pulp is juicy of light cream color with sweet and sour taste. Moderately expressed aroma. Taste assessment score 4.2 points.

Autosterile variety. The best pollenizers: Wagner, Kuban spur, Red Delicious, Zailiyskiy, Landsberg Renet, Gloster, Candil-Sinap varieties.

Weakly grown seedling stock reaches the fruit-bearing period on the 3rd-4th year; as for the medium height stock – on the 5th-6th year. Fruit bearing is regular. Fruits are stored till April. During the storage period, fruits can be affected by subcutaneous spotting.

Alatau Dawn

Medium-height tree with wide pyramidal crown. Winter intensive growth variety developed by the KazFGGRI (Kazakh Fruit and Grapes Growing Research Institute).

Fruits are of medium size (90-100g), oxheart shape, greenish-yellow color with orange and red erubescence.

Fruit picking maturity time – end of September. If autumn is rainy, fruits dehisce. Pulp is juicy, dense and of sweet and sour taste (4.4 points).

Early maturing variety that reaches the fruit-bearing period on the 5th year.

Fruits become smaller with time. Fruit bearing frequency is not pronounced. Crop yield is approximately 100kg per a tree. Fruits are stored till February-March.



High resistance to oidium



Drought resistance is medium; fruits become much smaller during drought seasons



Winter resistance – medium

Crop yield per a tree **180-100 KG**
At the age of 10-12 years



This variety is of medium resistance to powdery mildew, not resistant to scab and resistant to brown spots.



High degree of drought resistance



Winter resistance – medium

Crop yield per a tree **90 KG**
At the age of 10-12 years



Insignificantly resistant to scab and powdery mildew.



Good winter resistance, promising variety for Ural and Siberia.



SUCCESS
STORY



«Emil» Company

Emil Company located in the East Kazakhstan region is one of the largest milk processing and dairy products manufacturing companies. The company not only contributes significantly to development of the region's economy but, being a large partner, provides opportunity of stable development to the owner-operated farms of the region such as: Kamyshinskoye, Pilot oil-producing crop Farm, Vorobiyev & Co., Shemonaikhinskoye, Shipulin, Glubochanka, Dorodnitsa and Sredigornenskoye. Emil Company provided more than 500 people with decent jobs and opened up an opportunity for them not only to work but also to develop, grow professionally and to fulfill their potential. The company was founded in 1993. Ice-cream production workshop was put into operation the first. Over the 22 years period of operation, technologies have been many times changed and improved; the level of product control and quality has been increased, and the range has been expanded.

Starting from 2013, Emil Company has been credited by Agrarian Credit Corporation JSC under the Processing Enterprises Crediting program.

In July 2013, a large-scale rebranding project was launched for complete retooling and modernization of the enterprise, expansion of its range and lines of the manufactured products. In October 2014, the Company presented a renewed brand – Emil. Modern packages meeting the customer requirements, new laconic design – the first market response proved that the rebranding brought forth positive results. Employees of the company pay much attention to processing the customers' suggestions and complaints. An extensive research work is carried out with consumers resulting in improvement of packages and

introduction of new flavors in the product lines. The final result – an impeccable flavor, depends, first of all, on the production process. That is why all products, starting from acceptance of raw materials and to the moment of shipping to the trading network, undergo multilevel control. Laboratory specialists inspect raw materials and finished products for compliance with the requirements of safety and nutritious value for men. The high quality of Emil Company's products is the result of a perfect combination of quality raw materials, modern technologies and high qualification of employees: technology-and-mechanics service, materials-and-technical department, procurement specialists, dispatch department, sales department and management personnel. All employees of Emil Company regularly improve their professional level and have the opportunity to apply the acquired skills in production process. Currently, the products of the company «Emil» enjoy well-deserved recognition of customers and were highly esteemed by experts in the field of processing industry. Emil LLP's products have been many times rewarded at various city, region, national and international exhibitions. But recognition and love of buyers is, of course, the best award.

500
PEOPLE

Number of jobs

22
YEARS

The Company was
founded in 1993



BREED: South-Kazakhstan Merino

TYPE: мясо-шерстное

BRIEF DESCRIPTION: South-Kazakhstan Merino breed is the first in Kazakhstan breed of sheep of wool and meat type. It was tested in 1966. Development of this breed solved the problem of more rational use of the southern regions of Kazakhstan for Merino sheep breeding. At the initial stage, the breed perfection was carried out within the framework of pure breeding; and since 1971 – it was carried out by the South Kazakh ewes mating with rams of Australian Merino breed and the subsequent breeding of the cross-breeds of the desired type. Meat qualities of the South Kazakhstan Merinos are expressed way better than in any other fine-wool breeds of the similar type. High fertility rate (110-120%), well-expressed maternal instinct, allows for provision of high business yield of lambs in conditions of predominantly grazing maintenance.

South Kazakhstan Merinos are the well-built animals noted for increased endurance adapted to grazing in semideserts and in dry steppes. Strong skeleton. There are 1-2 wrinkles or a longitudinal

wrinkle on the neck and sometimes – an “apron”. Poll ewes and rams with well developed horns.

Dense fleece, tight, staple structure with well pronounced crimpiness. White true wool of up to 8.4cm length. Oilproof wool grease.

High endurance, good wool yield, high fertility rate. Adaptation for desert and dry steppe conditions, high quality of fleece.

HABITAT: main area – steppe areas of Kazakhstan, the best flocks are bred by stud farms of Zhambyl and South Kazakhstan regions.

PRODUCTIVITY: live weight of stud rams is 90-98 kg, wool yield is 10-12 kg, washed wool yield is 5.3-5.7%, wool length is 9-10.5 cm. As for the ewes, it is correspondingly: 52-55 kg, 5.3-5.7 kg at the yield of 57-58%, wool length – 8-9.5 cm, fiber fineness quality – 64-70%. Fertility: 110-120%.



Weight

52-55 KG

90-98 KG

Amount of wool shorn

5,3-5,7 KG

10-12 KG





SUCCESS
STORY

Zhaksylyk Owner-operated Farm

The head of the Zhaksylyk OOF is a legendary wrestler - the first Kazakh Olympic champion, Zhaksylyk Ushkempirov, got involved in agricultural business in 1995. Initially, he was breeding sheep and goats at a farm located in Balkhash district of Almaty region.

In 2006, Ushkempirov got his own land in the village of Mynbayevo where his farm is currently located. There were totally 2,000 residents in that village at the moment. 17 years later, population of the village tripled and is currently equal to 6,000 people.

First, Zhaksylyk Amiralyuly arranged for a gas pipeline of the total span of 15km laying to the village at his own expense. Later on, he restored old Soviet-time warehouses for feed-stuff, garages for agricultural machines, built a kindergarten for 100 children, restored a sports center where more than 200 children are engaged in sports activity.

In 2010, Agrarian Credit Corporation JSC financed the project of a feed yard construction. And in 2015 it financed purchase of 1,657 horses under the Kulan program. Currently, the total number of cattle in the Zhaksylyk OOF is 5,000 heads including 3,000 horses. 70 local residents are employed by the farm.

Ushkempirov says that it is far from being easy to practice agriculture but this business brings forth good fruit and provides opportunity to not only make money but also to develop rural area.

3000
HEADS

Cattle stock

70
EMPLOYEES

Local residents



Zhaksylyk Ushkempirov





SUCCESS
STORY

«Sweet Fairytale»

Alexey Novikov and Alexandr Ratsin have been involved in the confectionary business for 20 years already. The friends set up a factory under the “Sweet Fairytale” name. The products of this factory are well-known to the Petropavlovks city residents. The factory produced approximately 300 items of confectionary products and employs approximately 50 people.

Product items

120

Number of jobs places

25

They literally approached the Sweet Fairytale factory’s production processes intelligently. In addition to Swiss stoves, Italian and Russian machines, many equipment items used in the production process of the factory were made by the founders themselves. This was the case when engineering education came useful for them.

In 2013, Alexey and Alexandr decided to buy their business rival - Max Confectioner Company. Their own funds were not enough, so they took out a loan from Agrarian Credit Corporation on very favorable terms. They re-energized the acquired company. Nowadays, Max Confectioner CK Company produces approximately 120 confectionary products and provides jobs to 25 employees.



Alexandr Ratsin



 **BREED
BACKGROUNDS**

BREED: Kushumskaya

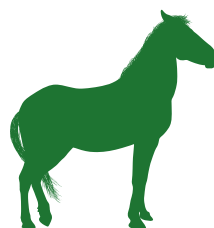
TYPE: dual-purpose cattle

BRIEF DESCRIPTION: Kushumskaya breed was developed based on the composite cross breeding of local Kazakh mares with fine harness, pure-blooded riding and Donskoi stallions in the stud farms and collective farms of Uralsk and Aktobe regions of Kazakh SSR in 1976. It was named after Kushum River running in the Western Kazakhstan. Kushum breed horses were developed in pasture grazing conditions for a full year at the absinthial-saltwort-grass pasture. Hay was given to the horses only during the hard days of wintering over when winter grazing was impossible.

HABITAT: Kazakhstan and Russia. Horses of the given breed are kept in the West Kazakhstan and Aktobe regions. Collective farm named after Sergaziyev with 408 horses is the leading company, followed by Kushum LLP with 200 horses, Sabit collective farm with 180 horses, TS-AGRO LLP, Kos-Istek-Agro LLP, Zhan-Kanat-C collective farm with the total number of 339 horses.



PRODUCTIVITY: dimensions and live weight of Kushum stallions over the period of the breed testing was as follows: height at crest 160.1cm; oblique body length – 162.8cm; chest girth – 192.2cm; pastern - 20.9cm, and live weight – 540kg; as for the mares, the figures are as follows: 154.1–156.8–183.5–19.3cm and 492.0kg. Average daily milk yield of this breed ranges from thirteen to fourteen liters.



Weight	540 KG	492 KG
Height at crest	160,1 CM	154,1 CM





**SUCCESS
STORY**

K-oil LLP (city of Kostanai)

Vegetable oil production plant is located in the territory of an industrial district of 4.7 hectares area of the Kostanai region. K-oil LLP was founded in 2012. From the very beginning, the company began to take out loans from Agrarian Credit Corporation. The funds were raised to supplement floating assets for purchase of raw materials. The raw materials are supplied by farmers from Kostanai, North Kazakhstan and Akmola regions. Seeds storage warehouse is designed for 20 thousand tons of coleseed and 14 thousand tons of sunflower seeds. 4 silos made by Spanish company - Prado, are installed at the plant. Every silo's capacity is 5.5 thousand cubic meters. Real volume of processing is 25 thousand tons. The system is automated. German, Turkish, Russian, China and other countries equipment is operated at the plant. Pressing workshop production capacity is 150 tons of seeds per a day. The finished product is mainly sold in the domestic market. Oil is exported to China and oilseed meal is exported to Russia, Iran and Middle Asia countries.

25
thousand tons

Real volume of
processing

4,7
ha

Vegetable oil
production plant




**BREED
BACKGROUNDS**
BREED: Yedilbay
TYPE: meat and wool

BRIEF DESCRIPTION: Yedilbay breed was developed by means of people's selection. It was developed in the west of Kazakhstan. Thanks to marvelous pasturelands and flood grassland meadows located at the two large rivers - Big and Little Uzen, dividing line, Yedilbay breed sheep developed into a large-size breed with inherent differential characteristics.

Second to none in terms of meat and fat, Yedilbay breed is the national pride of the Kazakh people and the national sheep breeding brand. Yedilbay sheep invariably participated in breeding of new high-yielding breeds of meat-and-fat sheep of Kazakhstan, such as Saryarka, Kazakh fat-rumped medium-wool breed, Degeress breed, etc.

Yedilbay breed sheep are large animals of sound constitution. They are characterized by a harmonious physique, strong bones, dense skin, a fairly wide and long body, medium length of the neck, deep muscular chest, straight back. Head size is medium and sometimes larger, poll, slightly hawk-nosed, strong legs of medium length. The animals are well adapted to yearlong pasture grazing. Color: black, dark-brown and red. Fat tail of rams is large, tight or slightly lowered; ewes have large tight fat tail of large or medium size.

Wool has sharply pronounced large and middle braids, awn, mostly of medium thickness, considerably protruding above the down.

Yedilbay breed sheep are enduring, unpretentious as to forage or management conditions. They adapt well to any weather conditions. Lamb livability over the suckling period is high - 96-98%.

Yedilbay sheep are of great value for gene pool of the global sheep breeding and can be successfully used for improvement of meat and fat qualities not only of the steatopygous breeds of our Republic but also of all the other similar breeds of the world.



Habitat: the best flocks of these sheep are kept by the stud farms of West Kazakhstan, Atarau, Akmola and Zhambyl regions. This breed of sheep is raised throughout the territory of Kazakhstan.

Productivity: Yedilbay sheep are characterized by high rate of early maturity, high yield of meat, fat and wool, ample size and weight. Live weight of rams is 95-120kg and 140-160kg of the best species, as for the ewes, it is 70-75kg and 90-120kg, correspondingly, that of lamb hogs - 38-42kg, 50-60kg, ewe lambs - 36-40, 46-52kg. Slaughter yield of the lambs at the age of 4-5 months is 52-54% and 54-56% at the age of 16-18 months; meat on the carcass - 80-82%. Rams wool yield is within the range of 3-3.4kg, and that of ewes - 1.8-2.2kg.

Sheep of this breed are characterized by high yield of gustatory quality meat and broadtail fat and it is one of the most important sources of meat. Mixed coarse wool of these breed is used for production of carpets and felt products and skins are good for production of high quality sheepskin items.



Weight	70-75 KG	95-120 KG
Amount of wool shorn	1,8-2,2 KG	3-3,4 KG



SUCCESS
STORY

NK APS

There is the North Kazakhstan Agricultural Pilot Station in the village of Shagalaly. It is a large manufacturer of agricultural products. It was founded in 1956. Its main task in the sphere of production is to produce higher reproduction level seeds. Cattle breeding is developed in the following two fields: dairy and meat. In 2011, the company purchased 79 animals using the funds provided by the Agrarian Credit Corporation (ACC) to increase the number of its meat production cattle stock. Currently, the pilot station has over 270 nondescript meat production cattle. It also has pedigree stock of Kazakh white-head breed. It prepares forage and succulent food for all types of livestock. Approximately 12 people are involved in beef cattle production.

They have been involved in milk production since Soviet Union time.

BREED: black-and-white. There are 320 caws in the milking herd. Currently, milk yield is approximately 3.5 thousand liters.

Within the framework of “Slaughtering Houses Network Setting-up” budget supported program, a slaughterhouse of 5-7 animals per a shift capacity was built in 2012 using the funds provided by the Agrarian Credit Corporation. By the moment, approximately 680 cattle have been slaughtered at the slaughter house. They are planning to set up a feeding station.

There is a scientific department in the company that works on development of new breeds of agricultural crops and studies effect of weather conditions on crop yielding capacity. It is a successful borrower of Agrarian Credit Corporation.

320
COWS

Milking herd

270
HEADS

Meat production
cattle

12

Number of jobs places





BREED BACKGROUNDS

BREED: Auliyekol

TYPE: beef cattle breeding

BRIEF DESCRIPTION: the breed was developed resulting from a purposeful selection and organization efforts of the All-Union Cattle Breeding Research Institute (AUCBRI), Kazakh Scientific Research Institute of Cattle Breeding Technology (KazSRICBT) along with the specialists of Moskalevskiy stud farm of Kostanai region by means of complex cross-breeding of three special meat breed – Kazakh white-head, Sharolez breed and Berdin-Anguss breed. In accordance with international classification, it is referred to the category of large breeds of meat cattle.

HABITAT: mainly in Kostanai region; animals were also brought to the farms of Pavlodar, North-Kazakhstan, Almaty and Karaganda regions. The main multiplication (reproduction) and breeding herds of Auliyekol stock are currently kept by Moskalevskiy breeding farm, Diyevskiy and Ramazan pedigree-cattle breeding farms of Kostanai

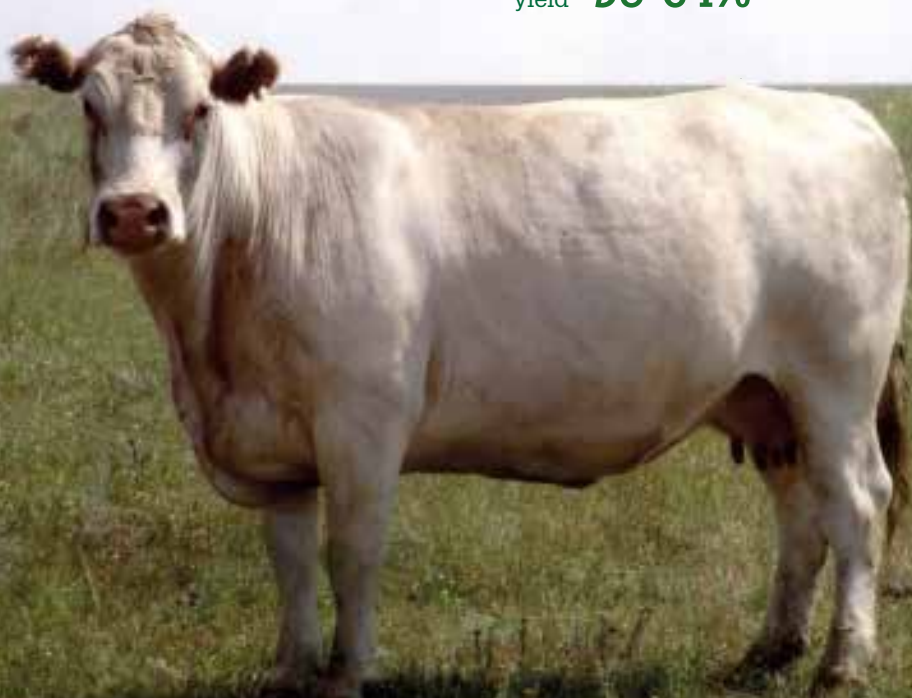
region, Shanyrak, Kerege farms of Almaty region and Yeskene farm of Karaganda region.

PRODUCTIVITY: Auliekol cattle – poll, pale (light-pale, sometimes with a cream shade) color, characterized by high growth speed, excellent meat qualities, with slaughter yield of the young of 58-64%. The zootechnical parameters of the animals of this breed are as follows: average live weight of bulls is within 900-1000kg, of cows - 530-560kg; breeding bull calves at 18 months - 550-600kg; milk yield of cows is 200-220 kg; an average daily growth in the live weight of young animals on fattening is 960-1200g.

At present, work is continued on consolidation and improvement of the breed and intra-breed lines are being created.



Weight	900-1000 KG	530-560 KG
Slaughter yield	58-64%	





SUCCESS
STORY

Danilovskoye & Co. LLP

In 2016, 15 years have passed since the appearance of the Agrarian Credit Corporation. During this time, access to preferential financial resources in the amount of KZT 700 billion was provided to about 70 thousand agricultural producers received. The corporation under the direct supervision of the KazAgro National Management Holding made a significant contribution in development of agribusiness industry. Among borrowers there are a lot of those who achieved success thanks to cheap financing, and today produces and exports products under the «Made in Kazakhstan» trademark.

Danilovskoye & Co. LLP (Akmola region) was initially involved in plant growing but recently it got involved in the cattle breeding. In 2015, the company purchased 140 cows and 6 breeding bulls of Hereford breed under the Sabyga program. The company mastered European technology of haylage preparation thanks to which the feed-stuff retains all its useful properties even in strong frost conditions. The results of such approach to fodder base formation are as follows: good weight gain and animal yield.

According to Aibat Yessenturov, director of Danilovskoye & Co. LLP, decision to get involved in cattle breeding offers prospects of not only high income but also of year long work for local residents who, by the way, were involved in construction of two cattle-breeding bases in the territory of the farm.

140
COWS

Purchased under
the Sybaga
program

6
BULLS

Purchased under
the Sybaga
program



Aibat Yessenturov, Director of Danilovskoye & Co. LLP





**BREED
BACKGROUNDS**

BREED: Hereford

TYPE: beef cattle breeding



BRIEF DESCRIPTION: Hereford breed of meat cattle. Was first developed in England (Herefordshire County) by picking and selection of local cattle.

Animals with barrel-shape, squat, broad and deep body, a strongly protruding submersion, well muscled shoulders. The fur is short in summer and long and curly in winter. The body color is dark-red; the color of head, withers, dewlap, belly, the lower part of the limbs and the tail brush is white. Live weight of bulls - 850-1000kg; that of cows - 550-600kg.

HABITAT: animals of this breed are widespread in Great Britain, USA, Canada, Australia, New Zealand, etc. It is used for cattle breeding in many south-east regions of the European part of Russian Federation, Far East and Kazakhstan.

PRODUCTIVITY: cattle is well fed and gains weight and yields high-quality marbled meat. Slaughter yield is 60-65% and sometimes reaches 70%. The animals are early maturing, enduring, well-adapted to various weather conditions, long pasture grazing and endure long overlandings well. The animals of this breed are used for improvement of the Kazakh white-head breed.



Weight	850-1000 KG	550-600 KG
Slaughter yield	60-65%	





Cattle stock

<9000
HEADS



**SUCCESS
STORY**

KazBeef LTD LLP

KazBeef LTD LLP is well known to many people. In 2010, when this Kazakh-American joint venture was launched, its founders heard a lot of criticism. People were wondering why an expensive pedigree stock was imported in Kazakhstan where there were plenty of cows there.

Agrarian Credit Corporation funded purchase by the company of 2,000 pedigree stock of Aberdeen-Angus and Herford breeds and also construction of all the necessary infrastructure. KazBeef is the true Kazakh brand now. The company is vertically integrated, which means that it includes all stages from feed-stuff preparation, young growing, bulls feeding and all the way to meat and sausage products manufacturing.

Herford and Angus breeds are well adapted to the local weather conditions. They could stay outside even in the most severe winter. Currently, there are more than 9,000 animals in the Mamai village of Akmola region. There are 3,000 bulls at the feeding yard of the aul (village) named after Malik Gabdullin. 15 to 20 cattle are supplied by the company to the slaughtering and meat processing plant of Schuchinsk city. Marbled meat used to make steaks in restaurants in Kazakhstan and Russia is the main source of pride of KazBeef LTD LLP.



 **BREED
BACKGROUNDS**



BREED: Aberdeen-Angus

TYPE: beef cattle breeding

BRIEF DESCRIPTION: Aberdeen-Angus breed of beef cattle was developed in Scotland (Aberdeen and Angus counties) by means of improvement of the local black polled cattle. The body is deep and round, on short legs, the neck is short, imperceptibly merging with the shoulder and head, the loins and the sacrum are well built, the ham musculature descends to the hock joint. The skeleton is thin; the skin is loose, thin, and elastic. Polled animals. Black color. Live weight of bulls - 750-800kg, sometimes to 1,000kg; that of cows - 500-550kg sometimes reaching 700kg.

HABITAT: animals of this breed are widespread in Great Britain, USA, Canada, New Zealand, Argentina, Australia, etc. It will be used for improvement of Auliekol breed's meet taste quality.

Animals of this breed are used in the CIS countries for cross-breeding with Kalmyk cattle (cross-breeds have meat of high quality) and also for industrial-level cross-breeding with milk and meat-and-milk breeds.

PRODUCTIVITY: Aberdeen-Angus breed was used for Auliyekol breed development and for improvement of meat quality. Subject to an intensive feeding, steerling gain 450-460kg of live weight by the 15-16 months of age. Slaughter yield of about 60%. Meat is noted for its marble structure. Upon mating with other breeds, this breed animals transmit the meat qualities to the offspring well.



Weight	750-800 KG	500-550 KG
Slaughter yield	60%	





SPRING BARLEY

VARIETY: spring barley Astana 2000 variety

TYPE:
high-quality grain production

BRIEF DESCRIPTION:

This variety was developed under the supervision of the Agricultural Science Candidate – N.A. Kravchenko, by means of individual family selection from hybrid population of Tselinny 213 x Eagle (USA). Medicum variety.



responsive to humidification



resistant to drought



is resistive to smut

medium crop yield

35,3
c/ha

13,65 –
17,11%

grain protein



1,000 grains weight
47-50 g.

The grain is elliptical, of large size, yellow, the base of the grain is bare, the bristle at the base of the grain is short-haired

Head

Rigid, double-rowed, pyramidal, yellow, medium-long and of density (on 11 cm of the spine rod there are 11-12 segments), spinous, slightly drooping, not brittle

Awn

Awns are long (1.5 longer than the head length), smooth, yellow, connivent to the head, slight anthocyanin shade on the ends.

Stalk

60–84cm.

Upright shape. Productive bushiness is 1.3-2.6 pcs, grains per a head is 16-19 pcs.



middle-early type

Area under crops:

341 795 ha

Kostanai region



North-Kazakhstan region



Akmola region



East-Kazakhstan region



FEEDING MILLET

VARIETY: Feeding millet 89

TYPE:
high-quality grain production

BRIEF DESCRIPTION:

Variety authors: E.G. Bekk, L.A. Korobkina, T.P. Bludshaya. Variety – Aureum. Ripeness – on the 34th day

vegetation period

85-89
DAYS

Ripeness

39th-43th
DAY

1,000 grains weight
5,5–7,1 g.

Yellow, oval shape, medium size.



Head of 21 to 28cm long

Compressed, drooping, with slightly pronounced pads at the base of the lower branches.

Leaves

Green, long acuminate leaves, 30-35cm long, 1.6-1.8cm wide. Remain green till ripening.

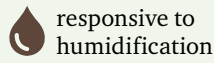
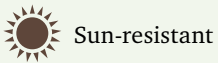
Area under crops:

North-Kazakhstan region



Akmola region





hay yield

45-50
c/ha

seeds yield

22-23
c/ha



SUMMER WHEAT



VARIETY: summer soft wheat - Astana

TYPE: high-quality grain production

BRIEF DESCRIPTION:

The variety was developed by means of cross-breeding Lyutescence I-2959 with Tselinnaya 90. Sort of lyutescence (white bald ear, red grain).

vegetation period

80-84
DAYS

maximum crop yield

37,5
c/ha

medium crop yield

20,8
c/ha



is resistive to smut

1,000 grains weight
30,0 –35,1 g.



35,9%

crude gluten

16,1%

protein

Semi-circular shape, red color, glassy, bare base, deep notch, medium-size grain.

Head

The ear on the stem is erect. Shape of the ear is prism-like Medium ear density. Glumes are rough, lanceolar, medium length of 9-10mm, medium width of 4-5mm, pronounced nervation.



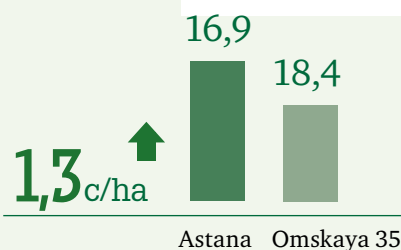
middle-early type

Shape of a bush over the period of bushing - erect

Area under crops:

1,2
mln. ha

Environmental test of crop yield in 2016 in the North Kazakhstan APS.



Akmola region



North- Kazakhstan region



Pavlodar region



Kostanai region



Stalk

During the ordinary years, plants are medium-sized 80-100cm, and reach 140-170cm, in favorable years in terms of moisturizing; they are resistant to lodging.

Medium thickness, well folious.





ABOUT THE REPORT

Every year, the Corporation prepares an annual report on its performance results. The Report highlights basic operating and financial performance results, implementation of key objectives, provides information on the company's corporate governance, including the activities of the Board of Directors and the Management Board, and discloses risk management issues and social policy aspects. In addition, the Report highlights issues relating to marketing and quality management system.

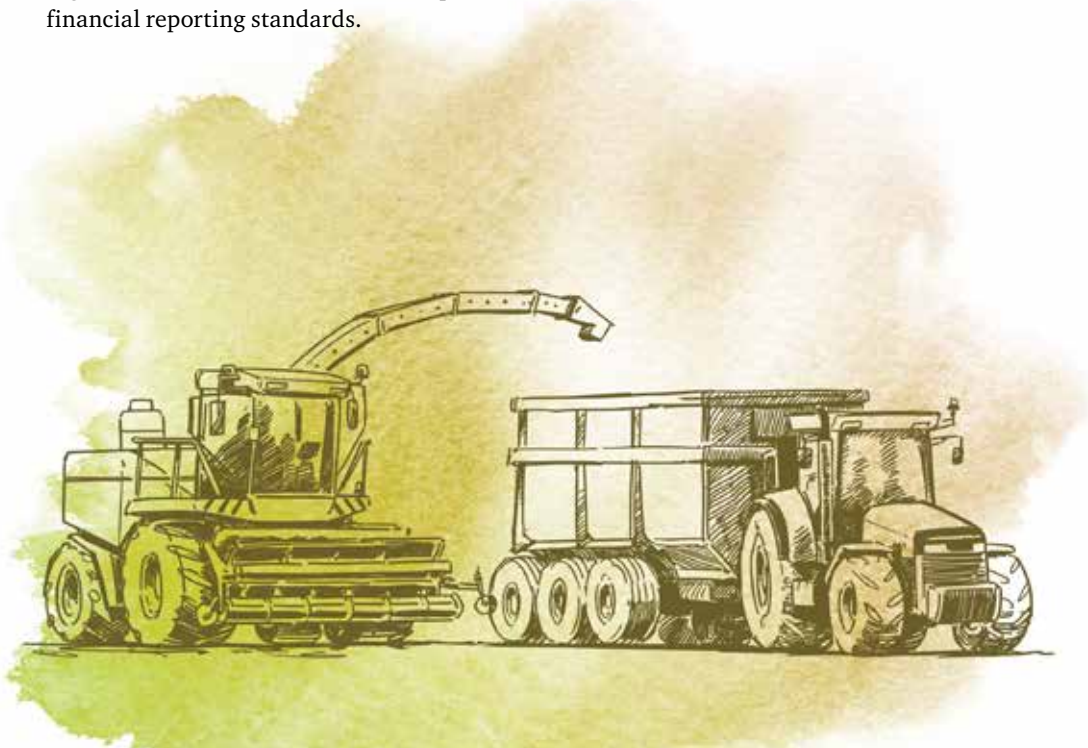
The reporting period is a period from January 1 to December 31, 2016. The Company's performance indicators are presented in dynamics over several years.

The Corporation is striving to introduce the principles of sustainable development into its activities. We are working towards effective management of economic, social and environmental impacts and this work will be reflected in our corporate reporting. The «Personnel and Social Policy» section of the annual report for the current year was prepared with due account for GRI Standards. GRI (Global Reporting Initiative) is currently one of the world's leading organizations in the field of development of non-financial reporting standards.

We will continue working on the development of annual reporting and expanding the application of GRI standards so that all stakeholders could receive necessary and relevant information regarding our activities.

The Annual Report was prepared on the basis of materials of the Committee on Statistics of the Republic of Kazakhstan, Kazakh Research Institute of Livestock Breeding and Fodder Production LLP, the Branch of Research Institute of Sheep Breeding - Kazakh Research Institute of Livestock Breeding and Fodder Production LLP, and Scientific and Production Center of Grain Farm named after A.I. Barayev.

If you have any questions regarding the information contained in this Report, please, contact the central office of the Corporation by phone +7 (7172) 55-99-90 or by e-mail: info@agrocredit.kz. We will also be grateful to you for feedback regarding the content of this Report: you can inform us what other information you would be interested in. This information will be taken into account in preparation of subsequent annual reports of the company.





ANNUAL FINANCIAL STATEMENTS





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Independent auditor's report

To the Shareholder and Management of
 Agrarian Credit Corporation Joint Stock Company

Opinion

We have audited the financial statements of Agrarian Credit Corporation Joint Stock Company (the "Corporation"), which comprise the statement of financial position as at 31 December 2016 and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Corporation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Adequacy of impairment allowance for loans to customers

The assessment of allowance for impairment of loans to customers is a key area of judgement for the Corporation's management. Identification of impairment evidence and measurement of the recoverable value is a process involving a significant use of subjective judgment, use of assumptions and analysis of various factors, including the financial condition of the borrower, estimated future cash flows and value of the collateral. The use of various models and assumptions can significantly affect the amount of allowance for impairment of loans to customers.

Due to the substantial amounts of loans to customers, which in aggregate equal to 62% of the Corporation's total assets as at 31 December 2016, and significant judgments used by management, estimation of allowance for impairment was a key audit matter.

Our audit procedures included analysis of the methodology estimation of allowance for impairment of loans to customers, and assessment and testing of the design and operating effectiveness of controls over the processes of impairment identification and estimation. As part of the audit procedures, we analysed assumptions and tested the accuracy of inputs used by the Corporation in its assessment of impairment of loans to customers on a collective basis, such as loss rates, probability of default rates and the level of non-recoverable losses. We analysed the sequence of the Corporation's management judgements used in assessment of the statistical information on the losses incurred, as well as conformity of the applied impairment model with general practice and our professional judgment. With regard to assessment of impairment of loans to customers on an individual basis, we performed the analysis of the Corporation's management expectations on future cash flows, including the cash flows that may result from foreclosure of collateral, based on our professional judgment and information available in the market.

We have performed the procedures on the information on allowance for impairment of loans to customers disclosed in Note 8 to the financial statements.

Other information included in the Corporation's 2016 Annual report

Other information consists of the information included in the Annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of the management and the Board of Directors for the financial statements

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

In preparing the financial statements, the management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting, unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control;
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;



- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern;
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The partner in charge of the audit resulting in this independent auditor's report is Bakhtiyor Eshonkulov.

Ernst & Young LLP


Bakhtiyor Eshonkulov
Auditor / audit partner



Auditor qualification certificate
No. MF-0000099 dated 27 August 2012

050060, Kazakhstan, Almaty
Al Farabi Ave, 77/7

18 March 2017


Gulmira Turmagambetova
General Director



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

STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

(thousands of Tenge)

	Note	2016	2015
Assets			
Cash and cash equivalents	5	30,072,378	7,414,124
Amounts due from credit institutions	6	26,053,315	9,243,167
Loans to customers	8	135,725,198	124,504,541
Assets held for sale		—	5,250
Held-to-maturity investment securities	7	23,306,474	—
Investment property	10	348,631	359,573
Property and equipment	9	208,369	244,758
Intangible assets	11	193,681	175,247
Current corporate income tax prepaid	17	205,713	233,574
Deferred corporate income tax assets	17	1,459,287	427,022
Other assets	12	795,526	1,362,163
Total assets		218,368,572	143,969,419
Liabilities			
Amounts due to the Shareholder	13	13,361,704	27,360,358
Debt securities issued	14	51,648,620	27,742,150
Amounts due to state and budget organizations	15	2,192,352	19,942
Short-term accrued liabilities		171,045	152,885
Other liabilities	16	622,563	230,230
Total liabilities		67,996,284	55,505,565
Equity			
Share capital	18	158,630,371	94,227,371
Additional paid-in capital	18	6,831,528	5,291,347
Reserve funds	18	1,086,111	1,086,111
Reserve for notional distribution	18	(15,008,072)	(8,594,957)
Accumulated deficit		(1,167,650)	(3,546,018)
Total equity		150,372,288	88,463,854
Total liabilities and equity		218,368,572	143,969,419
Book value per common share (in Tenge)	18	946.72	936.97

Signed and authorized for issue on behalf of the Management Board of the Corporation:

Atamkulova Gulnaz Turekhanovna

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

18 March 2017



STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

(thousands of Tenge)

	<i>Note</i>	<i>2016</i>	<i>2015</i>
Interest income			
Cash and cash equivalents		2,668,972	575,443
Amounts due from credit institutions		1,836,697	540,437
Loans to customers		14,224,721	10,088,673
Held-to-maturity investment securities		80,096	–
		<u>18,810,486</u>	<u>11,204,553</u>
Interest expenses			
Amounts due to the Shareholder		(1,552,760)	(1,889,074)
Debt securities issued		(3,572,108)	(1,414,937)
Amounts due to state and budget organizations		(120,111)	(3,056)
Amounts due to credit institutions		–	(55,155)
		<u>(5,244,979)</u>	<u>(3,362,222)</u>
Net interest income		<u>13,565,507</u>	<u>7,842,331</u>
Allowance for impairment of interest bearing assets	6, 8	<u>(6,629,690)</u>	<u>(3,557,741)</u>
Net interest income, net of allowance for impairment of interest bearing assets		<u>6,935,817</u>	<u>4,284,590</u>
Net (loss)/gain from foreign currency transactions		(234)	14,129
Other income		248,092	397,608
Other expenses		(196,552)	(541)
Non-interest income		<u>51,306</u>	<u>411,196</u>
Personnel expenses	19	(1,950,581)	(1,861,433)
Other operating expenses	19	(1,288,657)	(1,243,335)
Non-interest expenses		<u>(3,239,238)</u>	<u>(3,104,768)</u>
Profit before corporate income tax expenses		<u>3,747,885</u>	<u>1,591,018</u>
Corporate income tax expenses	17	(826,853)	(505,689)
Profit for the year		<u>2,921,032</u>	<u>1,085,329</u>
Basic and diluted earnings per common share (in Tenge)		<u>26.25</u>	<u>11.52</u>

Signed and authorized for issue on behalf of the Management Board of the Corporation:

Atamkulova Gulnaz Turekhanovna



Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

18 March 2017

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

(thousands of Tenge)

	<i>Note</i>	<i>2016</i>	<i>2015</i>
Profit for the year		2,921,032	1,085,329
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>2,921,032</u>	<u>1,085,329</u>

Signed and authorized for issue on behalf of the Management Board of the Corporation:

Atamkulova Gulnaz Turekhanovna



Chairman of the Management Board

Zaitullayeva Irina Nikolayevna



Chief Accountant

18 March 2017

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

(thousands of Tenge)

	Share capital	Additional paid-in capital	Reserve funds	Reserve for notional distribution	Accumulated deficit	Total equity
As at 31 December 2014	94,227,371	4,296,627	1,036,490	(7,521,118)	(4,135,140)	87,904,230
Total comprehensive income for the year	-	-	-	-	1,085,329	1,085,329
Gain on initial recognition of loans from the Shareholder at fair value, net of tax (Note 18)	-	994,720	-	-	-	994,720
Reserve for notional distribution for the year, net of tax (Note 18)	-	-	-	(1,073,839)	-	(1,073,839)
Transfer to reserve funds	-	-	49,621	-	(49,621)	-
Dividends declared	-	-	-	-	(446,586)	(446,586)
As at 31 December 2015	94,227,371	5,291,347	1,086,111	(8,594,957)	(3,546,018)	88,463,854
Total comprehensive income for the year	-	-	-	-	2,921,032	2,921,032
Gain on initial recognition of loans from the Shareholder at fair value, net of tax (Note 18)	-	1,540,181	-	-	-	1,540,181
Reserve for notional distribution for the year, net of tax (Note 18)	-	-	-	(6,413,115)	-	(6,413,115)
Increase in share capital (Note 18)	64,403,000	-	-	-	-	64,403,000
Dividends declared (Note 18)	-	-	-	-	(542,664)	(542,664)
As at 31 December 2016	158,630,371	6,831,528	1,086,111	(15,008,072)	(1,167,650)	150,372,288

Signed and authorized for issue on behalf of the Management Board of the Corporation:

Atamkulova Gulnaz Turekhanovna

Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

18 March 2017



STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

(thousands of Tenge)

	Note	2016	2015
Cash flows from operating activities			
Interest received		15,057,565	6,971,177
Interest paid		(3,708,767)	(1,750,287)
Realized gain on derivative financial instruments		79,913	24,129
Realized (loss)/gain on operations with foreign currencies		(234)	14,129
Personnel expenses paid		(1,922,446)	(1,759,300)
Other operating expenses paid		(1,221,603)	(1,087,908)
Cash flows from operating activities before changes in operating assets and liabilities		8,284,428	2,411,940
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(16,681,137)	(8,985,859)
Loans to customers		(22,808,806)	(25,016,196)
Other assets		685,404	598,657
<i>Net increase/(decrease) in operating liabilities</i>			
Other liabilities		757,589	337,341
Net cash flows used in operating activities before corporate income tax		(29,762,522)	(30,654,117)
Corporate income tax paid		(584,864)	(158,453)
Net cash flows used in operating activities		(30,347,386)	(30,812,570)
Cash flows from investing activities			
Acquisition of held-to-maturity investment securities	7	(23,238,497)	–
Purchase of property and equipment	9	(20,325)	(94,157)
Purchase of intangible assets	11	(71,672)	(22,018)
Sale of assets held for sale		–	5,250
Net cash flows used in investing activities		(23,330,494)	(110,925)
Cash flows from financing activities			
Proceeds from borrowings from the Shareholder		45,519,031	31,587,143
Repayment of borrowings from the Shareholder		(59,739,473)	(16,821,274)
Proceeds from debt securities issued		22,826,050	27,412,689
Repayment of debt securities		–	(2,870,000)
Proceeds from borrowings from state and budget organizations	15	3,890,000	–
Repayment of borrowings from state and budget organizations	15	(19,810)	(42,471)
Proceeds from increase in share capital	18	64,403,000	–
Repayment of loans received from credit institutions		–	(2,000,000)
Dividends paid to the Shareholder	18	(542,664)	(446,586)
Net cash flows received from financing activities		76,336,134	36,819,501
Net increase in cash and cash equivalents		22,658,254	5,896,006
Cash and cash equivalents, beginning of the year	5	7,414,124	1,518,118
Cash and cash equivalents, end of the year	5	30,072,378	7,414,124

Signed and authorized for issue on behalf of the Management Board of the Corporation:

Atamkulova Gulnaz Turekhanovna



Chairman of the Management Board

Zaitullayeva Irina Nikolayevna

Chief Accountant

18 March 2017

ADDRESSES OF THE CORPORATION BRANCHES

REGION	ADDRESS	PHONE
AKMOLA REGION	City of Kokshetau, 96 Abai Str. offices 608–612	8 (7162) 55-10-96 (97,98,99)
	City of Astana, 11 Imanov Str. Nursaulat 1 Business Center, 4th floor, office 405	8 (7172) 55-99-69
AKTOBE REGION	City of Aktobe 51/1 Abilkaiyr khan ave., left wing	8 (7132) 70-47-13 (14)
ALMATY REGION	City of Talgykorgan, 125 Abylaikhan ave.	8 (7282) 55-86-51 (52)
	City of Almaty, 404/67 Seifullin ave.	8 (727) 330-75-04
ATYRAU REGION	City of Atyrau, 13A Satpayev Str. 4th floor	8 (7122) 30-61-61, 30-72-27, 30-72-22, 55-69-93
EAST KAZAKHSTAN REGION	City of Ust-Kamenogorsk, 87/2 Kabanbai batyr str., 3rd floor	8 (7232) 56-02-10 (11,12,13)
ZHAMBYL REGION	City of Taraz, 93A Tole bi Str., 4th floor	8 (7262) 99-90-00 (01,02); 99-98-98, 99-98-73
WEST KAZAKHSTAN REGION	City of Uralsk, 38 Ihsanov Str., 3rd floor	8(7112) 55- 47- 09 (10); 55-49-97
KARAGANDA REGION	City of Karaganda, Buhar Zhyrau ave. building 51/1, offices 101-106	8 (7212) 55-99-91, 55-99-87
KOSTANAI REGION	City of Kostanai, 1A Bauman str., BOSS Business Center, 3rd floor, offices 32, 33, 37; 4th floor, offices 42, 43, 44	8 (7142) 99-97-19 (26, 27); 99-09-89 (91, 94)
KYZYLORDA REGION	City of Kyzylorda, 33 Konayev Str., 1st floor	(7242) 55-17-99
PAVLODAR REGION	City of Pavlodar, 71B Krupskaya Str., 1st access way, Tarlan Business Center	8 (7182) 70-47-06 (07); 70-38-19
NORTH KAZAKHSTAN REGION	City of Petropavlovsk, 31a Buketov Str., offices 201-205	8 (7152) 55-97-26 (04, 06)
SOUTH KAZAKHSTAN REGION	City of Shymkent, Yenbekshi district, micro-district North-East, building 303B	8 (7252) 99-89-72 (90)

