



ANNUAL REPORT





# About the report

This annual Report of the “Agrarian Credit Corporation” Joint Stock Company for 2020 (hereinafter referred to as the Report) contains the results of activities for the reporting period from January 1 to December 31, 2020.

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

The financial data are presented in the Report in accordance with the consolidated financial statements in accordance with IFRS.

This Report has been prepared in accordance with the standards of the Global Sustainability Reporting Initiative (GRI), the “main” disclosure option, which ensures the company’s information transparency.

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

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

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## BRIEF COMPANY PROFILE

Sole shareholder: JSC  
"National Managing Holding  
KazAgro".

The "Agrarian Credit Corporation" JSC, being a subsidiary of the national management holding "KazAgro", implements the state policy to form an affordable credit system that stimulates the development of competitive entrepreneurship in rural areas. The company organizes its work proceeding from the following axiom: the development of the agro-industrial complex is impossible without the provision of agricultural producers with accessible financial resources.

### KEY INDICATORS, (billion)

# 2018

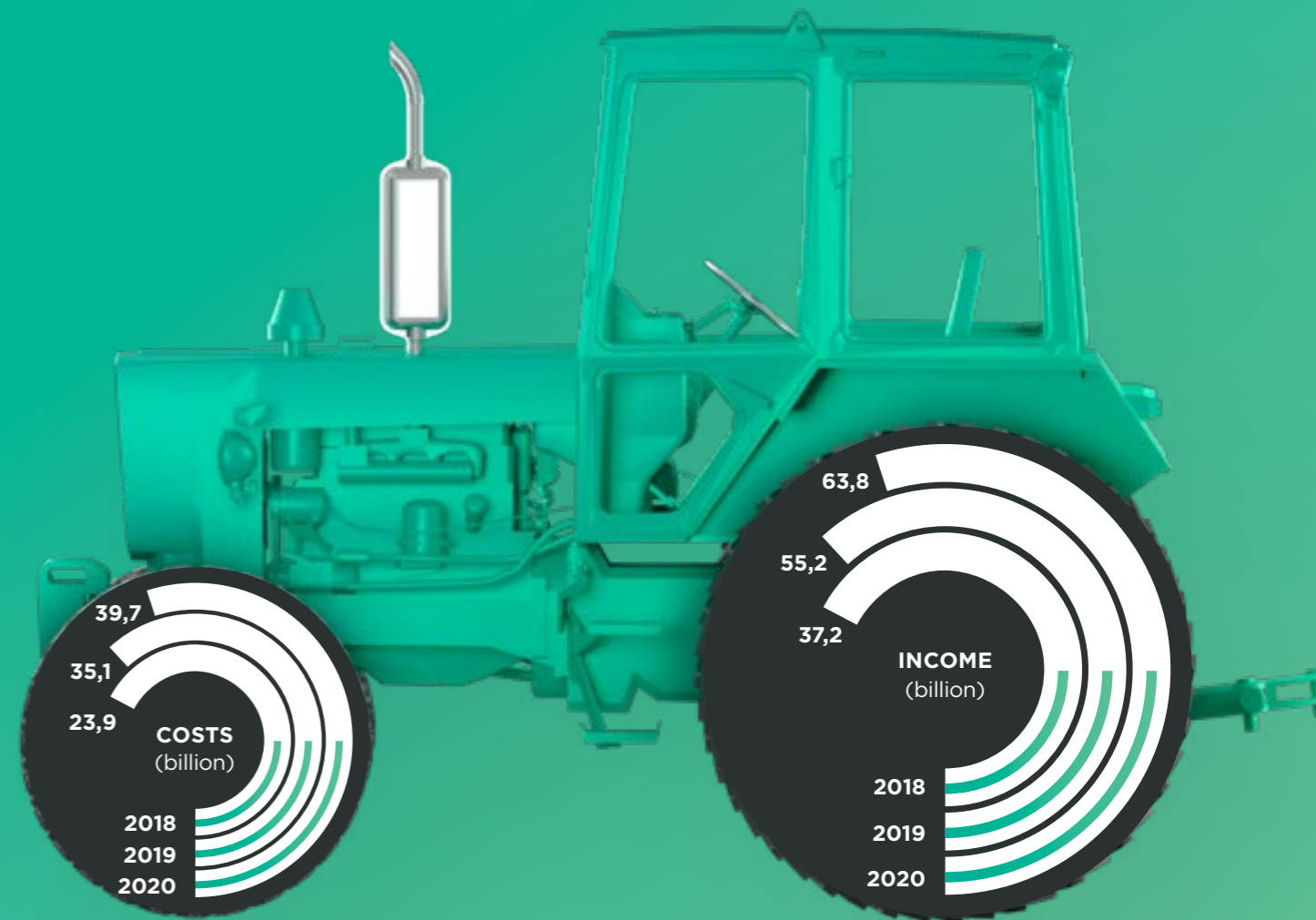
3,0	CIT
10,4	Net profit
151,3	Equity
158,6	Authorized capital
372,3	Assets
221,0	Commitments

# 2019

4,1	CIT
16,0	Net profit
168,8	Equity
167,8	Authorized capital
462,9	Assets
294,1	Commitments

# 2020

4,4	CIT
19,7	Net profit
167,1	Equity
167,8	Authorized capital
547,2	Assets
380,1	Commitments



## KEY EVENTS

### OPENING A BRANCH OF THE COMPANY IN THE CITY OF TURKESTAN

In connection with the receipt of Shymkent the status of a city of republican significance, the Board of Directors of the “Agrarian Credit Corporation” JSC decided to create a separate branch with a division of the geography of customer service according to the remoteness of districts and the location of agrarians of the Turkestan region. In 2020, the new branch took the second place among 17 branches of the Company, financing in the amount of 13.7 billion tenge.

### PERSONNEL CHANGES

Personnel changes have taken place in the “Agrarian Credit Corporation” JSC. Baglan Kulibayevich Kultayev was elected the Chairman of the Board of the “Agrarian Credit Corporation” JSC by the decision of the Board of Directors.

### NEW STRATEGY

On February 27, 2020, the development strategy of the “Agrarian Credit Corporation” JSC for 2020-2029 was approved.

### AGRICULTURAL INDUSTRY DURING A PANDEMIC

In 2020, the “Agrarian Credit Corporation” JSC, in a state of emergency due to the pandemic, mastered 70 billion tenge allocated for spring field work in a record 30 days, financing 2405 farmers across the country.

### SUPPORT TOOLS

During the pandemic, a deferral of loan payments was provided to borrowers experiencing difficulties in connection with the introduced state of emergency for a total amount of 7.3 billion tenge.

The company provided financial support to 100 medical workers working in a state of emergency in the country.

### RATING «STABLE»

The international rating agency Fitch Ratings has raised the long-term issuer default ratings (IDR) of the “Agrarian Credit Corporation” (ACC) in foreign and national currency from BB + to BBB-, with a stable outlook.

### THE PROGRAM «ECONOMICS OF SIMPLE THINGS» IS FULLY MASTERED

In 2019, on behalf of the Head of State of the Republic of Kazakhstan, the SME support program «Economy of Simple Things» was launched. For 2019-2020 the “Agrarian Credit Corporation” JSC received 1,569 applications for the amount of 77.6 billion tenge, of which 1,476 agricultural producers received preferential loans in the amount of 71.4 billion tenge.



**MESSAGE FROM THE  
CHAIRMAN OF THE  
BOARD OF DIRECTORS**

## Dear clients and partners!

The year 2020 became a tough test for the entire economy, and the Company saw timely support for its core business segment - agrarians - as one of its strategic objectives. Spring field work in Kazakhstan began at the peak of the global pandemic, in the face of a state of emergency declared in the country, RK Kassym-Zhomart Tokayev instructed the "Agrarian Credit Corporation" JSC to bring preferential funds to farmers on time. The food security of the country has become a priority for the state.

### **Erbol Tazhurekov**

*Chairman of the Board of Directors of the "Agrarian Credit Corporation" JSC*



In 2020, a budget loan in the amount of 70 billion tenge was allocated to the "Agrarian Credit Corporation" JSC to finance sowing and harvesting campaigns. This is 10 billion tenge more than last year. Loans were issued at a rate of no more than 5 percent. If we talk about the terms of development, then the loans were issued promptly. Already on April 24, budgetary funds were fully utilized. For comparison: last year the funds were disbursed only by August 15th. In total, 2405 agricultural producers were credited, which made it possible to cover 3.4 million hectares of farmland with sowing works.

At the end of 2019, the "Economy of Simple Things" business support program was launched, where the Company was an operator in the agro-industrial complex. For two years, under the program «Economy of Simple Things», 1476 agricultural producers were financed in the amount of 71.4 billion tenge.

**529,5**  
billion tenge

is the share of the "Agrarian Credit Corporation" JSC in the loan portfolio of "KazAgro NMH" JSC

The Corporation turns 20 next year. During its existence, the "Agrarian Credit Corporation" JSC has become one of the leading financial institutions and has achieved significant success in its activities, providing agricultural producers with affordable credit resources.

To date, the share of the "Agrarian Credit Corporation" JSC in the loan portfolio of "KazAgro NMH" JSC is 529.5 billion tenge, which is 75.5%. Every year, the line of loan products with favorable conditions is expanding, which enable villagers to start agribusiness or take funds for its development. Over the years of work on continuous improvement of operating activities and lending programs, the "Agrarian Credit Corporation" JSC managed to achieve significant results, which have become a visiting card among the country's farmers.

On behalf of the Board of Directors, I would like to thank the management and employees of the Company for their dedication, hard work and professionalism, which made it possible to achieve high results in 2020.

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

In the reporting period, the Board of Directors fully fulfilled the goals, objectives and functional responsibilities established by the Corporate Governance Code, the Company's Charter, as well as the work plan of the Board of Directors for 2020.

The results of activities for 2020 correspond to the adopted development strategy and the identified work priorities. The company intends to continue to adhere to the best global corporate governance practices, as well as to direct all its efforts in order to be a reliable conductor of state support for the agricultural sector.



ADDRESS BY THE  
CHAIRMAN OF THE BOARD

# We are facing ambitious tasks to support the sustainable development of the Company as a reliable financial institution

**Baglan Kultaev**

*Chairman of the Board  
of the “Agrarian Credit  
Corporation” JSC*



## Dear clients and partners!

*2020 was a challenging year, but we delivered on our commitments, made progress on development and growth projects, and, most importantly, provided support to employees and their families during this challenging time.*

Restrictions on movements, risks associated with close contacts of employees and borrowers have made their own adjustments to business processes. Our front office had to rebuild the mechanisms for reviewing funding applications. A procedure was approved for express lending to agribusiness entities for spring sowing and harvesting under the “Ken Dala” program. The term for consideration of applications was reduced to 2-4 days, provided that there were no comments on pledges and financial documents. And under the “Economy of Simple Things” program, it was decided to reduce the terms of consideration of loan applications from 30 calendar days to 10 working days.

*In 2020, the Company financed 7817 agricultural producers for a total amount of 277.3 billion tenge, of which 6,152 agricultural producers for the amount of 149.2 billion tenge through financial institutions.*

These figures indicate that the “Agrarian Credit Corporation” JSC is the flagship of the financial infrastructure in the countryside. Possessing impressive capital and all the necessary tools in the form of a wide branch network, 212 established credit partnerships throughout Kazakhstan, cooperation with second-tier banks, leasing companies and microfinance organizations, the Company creates all conditions for affordable financing to cover both as many subjects of the agro-industrial complex as possible.

Thanks to the well-built lending system, the Company managed to expand its product line, which satisfies all the needs of both small and medium-sized businesses. Loans are provided for livestock raising, spring sowing and harvesting, purchase of agricultural machinery, financial resources are provided for large processing enterprises that produce finished products.

We are facing ambitious tasks to support the sustainable development of the Company as a reliable financial institution. Active work will be continued within the framework of the state policy on the development of processing enterprises to increase the share of finished products. I am sure that thanks to the synergy of the government’s efforts in agriculture, the coordinated work of the Sole Shareholder and the executive body, the Company will be able to achieve even better results.



# COMPANY DEVELOPMENT STRATEGY

## The mission

**The mission** of the Company is to contribute to the sustainable development of the agro-industrial complex of the Republic of Kazakhstan by creating an affordable and effective financing system through the involvement of private financial institutions.

## Vision

By 2025, the “Agrarian Credit Corporation” JSC is a key institution for the development of the agro-industrial complex with an effective model of activity, contributing to the industrialization, intensification and diversification of the agro-industrial complex through the development of a stable and affordable system of financing.

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

## Strategic directions of activity:

# 01

Increasing the coverage of funding for agribusiness entities, promoting the institutional maturity of financial institutions and the growth of labor productivity in agriculture.

The first strategic area of activity includes direct lending, followed by its reduction to zero by 2025, and an increase in indirect lending through funding of financial institutions (credit partnerships, second-tier banks, leasing companies and microfinance organizations) as their institutional development in terms of financing the agro-industrial complex.

# 02

Improving the efficiency of activities.

The second strategic area of activity is aimed at forming an effective model of the Company’s activity, increasing the transparency of corporate governance and the speed of decision-making, which will ensure the financial stability of the Company.

*The company operates in accordance with the following principles:*

- 01** Transparency;
- 02** Availability;
- 03** Timeliness;
- 04** Efficiency;
- 05** Break-even. Analysis of the current situation.

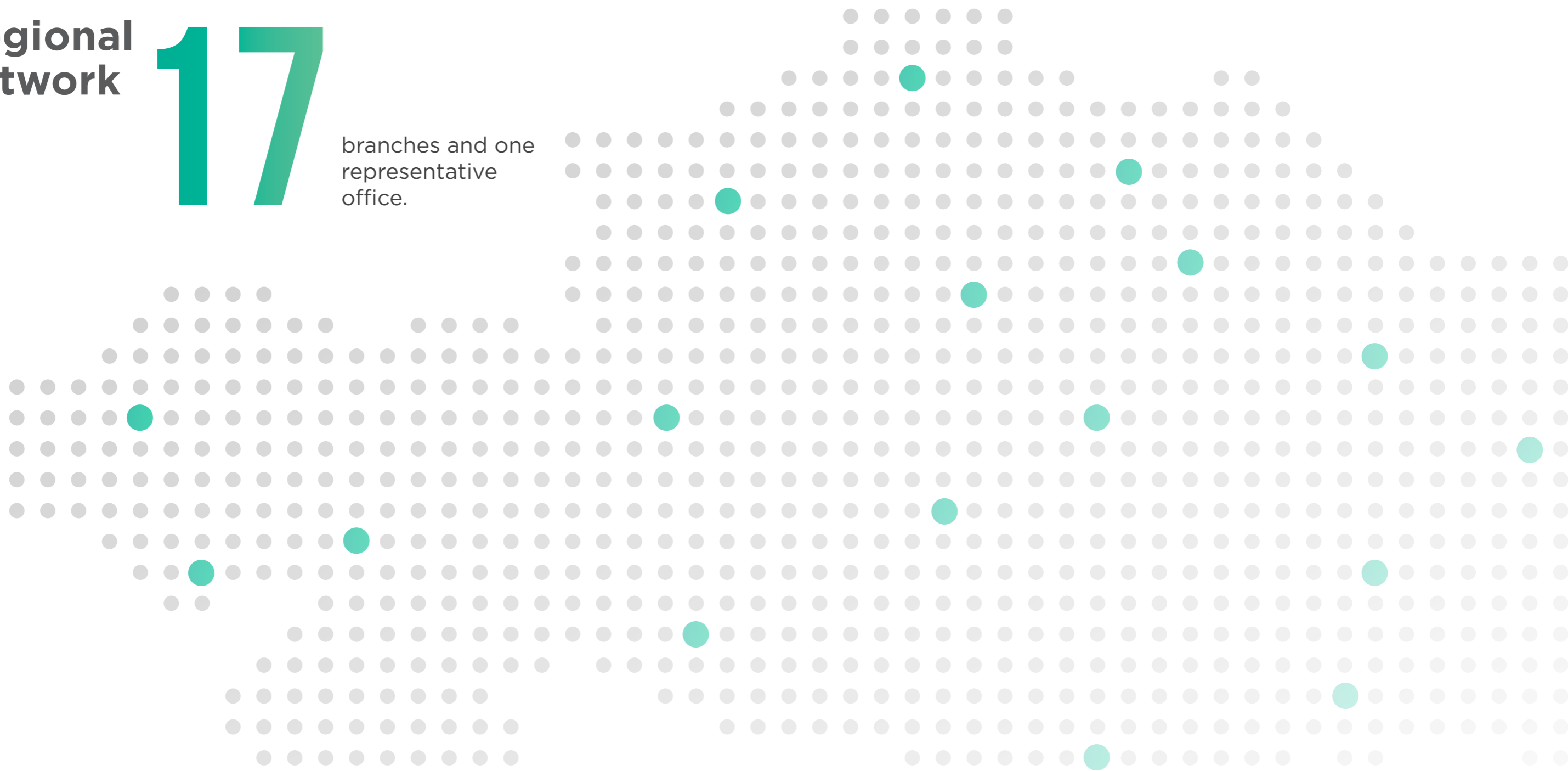


# ABOUT THE COMPANY.

Regional network

# 17

branches and one representative office.



## License

License of the Committee for Control and Supervision of the Financial Market and Financial Organizations of the NB RK No. 5.2.24 dated November 5, 2013.

## Ratings

On March 11, 2020, the international rating agency Moody's Investors Service confirmed the credit ratings of the Company at the «Ba1» level.

On April 03, 2020 the international rating agency Fitch Ratings raised the Company's long-term credit rating in foreign and national currencies from «BB +» to «BBB-» and the national scale rating «AA + (kaz)». The outlook on the ratings is Stable.

# Brief history of the company

The “Agrarian Credit Corporation” JSC was established in accordance with the Decree of the Government of the Republic of Kazakhstan dated January 25, 2001 No. 137 “On issues of lending to the agricultural sector”.



## The pilot project included two phases.

The first is the creation of a specialized institute of the “Agrarian Credit Corporation” JSC with one hundred percent participation of the state.

At the second stage, it was envisaged to create a network of regional financial institutions - rural credit partnerships (hereinafter - CP). The main goal of the Company was to build a CP system, including by entering into their authorized capital with a participation share of no more than 35%, as well as providing access to agricultural producers (hereinafter referred to as agricultural producers) to concessional credit resources from the republican budget. The pilot project was successfully implemented, a unique system of lending to agricultural producers through CP was created, which ensured the availability of credit resources for small and medium-sized agricultural producers - participants in the KT system. Since 2006, the activities of the Company have been expanded with the adoption of the Law of the Republic of Kazakhstan «On State Regulation of the Development of the Agroindustrial Complex and Rural Areas» dated July 8, 2005 No. 66III LRK.

At present, the Company is a large financial institution carrying out activities in the development of the agro-industrial complex, which implements lending programs in priority areas of agricultural production. This production is determined within the framework of the State program for the 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 dated February 14, 2017 No. 42.

## 2001

- Company formation. The main goal is to build a system of credit partnerships, thanks to which the access of agricultural producers to concessional credit resources from the republican budget was provided. In 2001, 7 CPs were credited for the amount of 0.1 billion tenge, the number of end borrowers was 172.

## 2002

- The first 18 CPs were created, which included 833 participants. In 2002, 14 CPs were credited for the amount of 0.9 billion tenge, the number of end borrowers was 344.

## 2005

- The portfolio of the Company increased to 9.2 billion tenge.

## 2006

- The company started financing the program of lending to associations of agricultural producers and rural population for joint production, procurement, marketing, processing, storage, transportation of agricultural products, supply of goods and materials. During the year, 147 SECs were financed for a total amount of 12,250.1 million tenge.

## 2009

- In order to increase the independence of CP, the Company announced its withdrawal from the founders of CP.
- The company has launched a program for lending investment projects at the expense of the National Fund of the Republic of Kazakhstan. As a result, 52 investment projects were financed in the amount of 23,490.9 million tenge.

## 2010

- The company has launched a program to finance the processing of agricultural raw materials.

## 2011

- The company becomes the operator of the “Sybaga” program, under which lending to agribusiness entities is carried out for the purchase of breeding stock of cattle and breeding bulls for the reproduction of young meat breed. Since the beginning of the implementation of the program, over 4 thousand agricultural producers have been financed for a total of 50.6 billion tenge, intended for the purchase of 272.3 thousand heads of cattle.

## 2014

- As part of the implementation of the Master plans for the development of horse breeding and sheep breeding, the Company launched new lending programs “Ulan” and “Al-tyn Asyk”.

## 2016

- The company received the status of a single operator of the “Ken dala” spring field and harvest lending program.
- The certificate of conformity of the QMS was obtained according to MS ISO 9001: 2008.
- The Company’s product line was adapted taking into account a client-oriented approach, and sales channels were expanded. Lending programs have been developed: «Enbek», within the framework of the program for the development of productive employment in the countryside, «Isker» and «Agrotekhnik» - by analogy with the credit products of second-tier banks for car loans.

## 2017

- A new Development Strategy of the Company for 2017-2026 was developed.
- The lending processes have been optimized: the list of documents has been reduced, the terms of consideration of loan applications have been reduced. The funding limit for the branch network was increased to 1 billion tenge.
- On September 22, 2017, the «1st Forum of Credit Companies» was held in Shymkent. The organizers of the forum were the Ministry of Agriculture of the Republic of Kazakhstan, the Company and the ALE «Association of Agricultural Credit Partnerships».

## 2018

- As part of the Livestock Development Program for 2018-2027, the Company becomes the operator of the “Sybaga” loan program. During the year the purchase of 31 384 head of cattle was financed. The line of credit products of the Company reaches 7 positions, covering all areas of business in the countryside.
- An algorithm for receiving subsidies has been introduced.

## 2019

- In 2019, for the first time in the country’s history, the Company assigned an AAA rating to two credit partnerships: CP Tselinogradskoye and CP Yassy. The AAA rating gives the right to self-financing end borrowers and post-loan services, limited only by the size of the credit line, as well as to reduce the interest rate by 1%, increase the liquidity ratio by 0.1 for collateral in the form of real estate.

An Agribusiness Support Center was opened on the basis of the Karaganda branch. In addition to providing affordable lending, the Company provides

- information, consulting and educational support to agribusiness entities and financial institutions (credit partnerships, microfinance organizations, second-tier banks, leasing companies) as part of the Company’s non-financial support measures.

By Decree of the Government of the Republic of Kazakhstan No. 459 dated June 28, 2019, the Company was included in the operators of the «Economy of Simple

- Things» program in the direction of financing the development of industries: crop production, horticulture, livestock, including poultry and pig breeding, aqua culture, fishing, production malt.

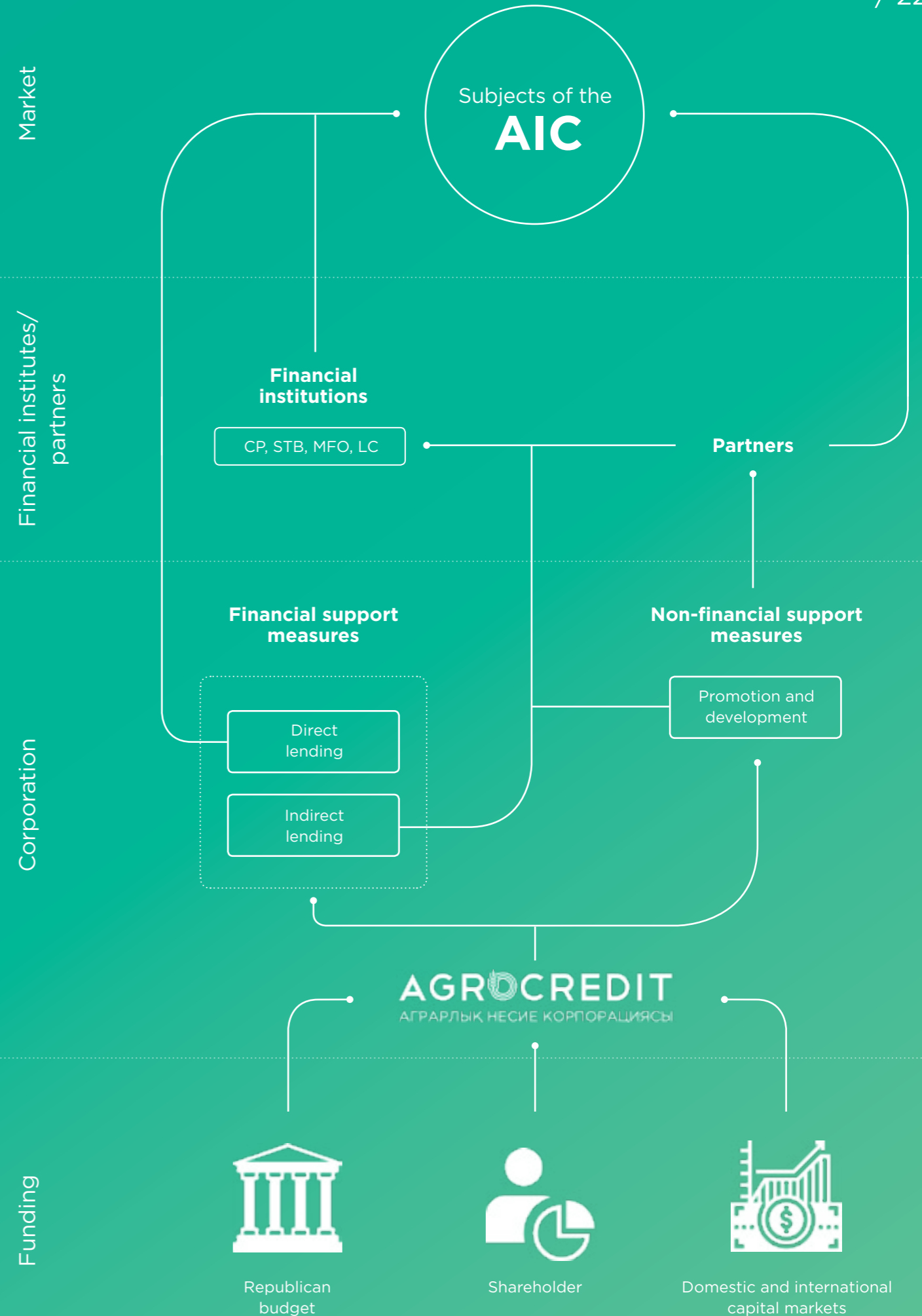
## BUSINESS MODEL

The company is a financial operator of agro-industrial complex development programs and implements them through lending programs provided directly and through financial institutions (CP, MFO, STB, LC, RIC). Lending through MFOs and LCs began to be implemented in 2016 and requires further development. The company also takes part in the implementation of investment projects in the agro-industrial complex.

To reduce dependence on budget funds, the Company will diversify its funding sources. Raising funds in domestic capital markets can be carried out mainly through the issuance of corporate bonds. The company will also raise funds from international financial institutions. The target business model defines two main areas of the Company's activities: financial and non-financial support measures.

The first direction will include direct lending with its subsequent reduction to zero by 2025 and indirect lending to improve the institutional development of financial institutions in terms of financing the agro-industrial complex.

The company will also finance investment projects that have the greatest socio-economic impact on the agro-industrial complex.



## COMPETITIVE ADVANTAGES

- 01** Low interest rate for the final borrower, no more than 10% per annum (at the expense of budgetary funds).
- 02** Sparing conditions when accepting the property of agricultural producers as collateral.
- 03** The presence of an operating ramified network of credit partnerships for the provision of financial services in rural areas.
- 04** Convenience in servicing the participants of credit partnerships at the place of their activities.
- 05** Expansion of financial services provided by the Company, bringing them to villages and townships.
- 06** Granting to borrowers a grace period for repayment of remuneration and principal.
- 07** Dynamic growth of the Company's assets.
- 08** The presence of a formed client base in the agricultural sector of the republic.
- 09** A wide range of banking services.
- 10** High level of service.

## ACTIVITIES

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

### 01

Carrying out bank loan operations on the basis of an appropriate license.

### 02

Participation in the implementation of programs to support the agricultural sector through loans.

### 03

Attracting domestic and foreign investment.

### 04

Participation in the development and implementation of investment projects in the agro-industrial complex.

### 05

Implementation of leasing activities.

### 06

Funding of financial institutions.

## PRODUCT LINE IN 2020



### «AGROTECHNICS» PROGRAM

Lending to agribusiness entities for the purchase of new trailed and mounted tillage, forage equipment, equipment for the processing and drying of agricultural crops, equipment for domestic production of animal husbandry.



### «AGROBUSINESS» PROGRAM

Lending to agricultural producers to replenish working capital, purchase fixed assets and refinance loans.



### «AGROEXPORT» PROGRAM»

Lending to projects with export potential.



### «AGROCOMMERCE» PROGRAM

Lending to agricultural producers to replenish working capital.



### «KEN DALA» PROGRAM

Lending to agricultural producers and agro-industrial complex entities for carrying out spring field and harvesting works.



### «ISKER» PROGRAM

Loans for the production and processing of agricultural products; lending to agricultural cooperatives for the organization of procurement services for meat, dairy and fruit and vegetable products, for the development of non-agricultural business in rural areas.



### THE PROGRAM FOR LENDING INVESTMENT AREAS AT THE EXPENSE OF FUNDS BORROWED FROM THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

Financing for priority investment areas for the acquisition of fixed assets, replenishment of working capital and refinancing of loans owed to subsidiaries of JSC NMH KazAgro.



### “SYBAGA” PROGRAM

Lending for the purchase of cattle / small cattle broodstock, the purchase of agricultural machinery and / or attached / trailed machinery / equipment, a trailed / self-propelled feed distributor, a machine for cattle.



### «YRYS» PROGRAM

Lending for the purchase of breeding cattle for dairy production, as well as replenishment of working capital and the purchase of agricultural machinery.



### THE PROGRAM «ECONOMY OF SIMPLE THINGS»

Loans for the development of the industry: crop production, horticulture, livestock, including poultry and pig breeding, aquaculture, fishing, malt production.

# MANAGEMENT REPORT

## Analysis of the agro-industrial complex

**22,7**  
million hectares

*The sown area of all agricultural crops in 2020, which is 0.5 million hectares more than the level of 2019.*

The coronavirus pandemic, which has forced almost the entire world to face a crisis, has affected all spheres of human life. The crisis and the agricultural sector in Kazakhstan did not pass by. However, despite the restriction of movement between regions within the country, difficulties with the import and export of agricultural products in conditions of closed borders, difficulties with the import of agricultural machinery and equipment, Kazakhstani farmers still managed to carry out sowing and harvesting works, launch new enterprises for the production of raw materials and finished products. Thus, the sowing campaign of 2020 in the republic was carried out in difficult conditions, when the state of emergency was in effect everywhere. Nevertheless, Kazakh agronomists conducted the sowing of agricultural crops in an organized manner and at the optimum time. In total, in 2020, rural workers harvested more than 20.8 million tons of grain in original weight. This made it possible to fully meet the internal needs of the republic, as well as to increase the export potential.

The Ministry of Agriculture of the Republic of Kazakhstan (hereinafter referred to as the Ministry of Agriculture) took the necessary measures aimed at ensuring the timely and high-quality conduct of spring field work. During the coronavirus pandemic, an algorithm for the movement of agricultural producers was developed and sent to local executive bodies. The measures taken made it easier for agricultural producers to pass checkpoints for the supply of fuels and lubricants, mineral fertilizers, plant protection products, spare parts for agricultural machinery, livestock and food, which made it possible to timely carry out spring field work. Thanks to the above measures, in 2020 the sown area of all agricultural crops amounted to 22.7 million hectares, which is 0.5 million hectares more than the level of 2019. Of them:



**Cereals and legumes**  
15.9 million hectares, including wheat - 12.2 million hectares;



**Oilseeds**  
are located on an area of 2.9 million hectares;



**Cotton plant**  
by 125.7 thousand hectares;



**Sugar beet**  
by 20.9 thousand hectares;



**Potatoes**  
by 192.8 thousand hectares;



**Vegetables**  
by 162.7 thousand hectares;



**Melons and gourds**  
by 101.9 thousand hectares;



**Forage crops**  
3.3 million hectares.

**366**  
billion tenge

*The volume of state support last year, taking into account anti-crisis measures, which is 13% more than in 2019.*

The total sown area was increased to 22.5 million hectares, and the area under highly profitable and fodder crops increased by 238 thousand hectares.

In addition to the above measures, a loan of 70 billion tenge was allocated from the republican budget to support the subjects of the agro-industrial complex of the "Agrarian Credit Corporation" JSC, which is 10 billion more than usual. The interest rate for end borrowers did not exceed 5% per annum. In addition, as part of the execution of the order of the Head of State K. Tokayev, an additional 100 billion tenge was allocated to carry out spring field work under the program «Economy of Simple Things». The final interest rate, taking into account subsidies, was 6% per annum for borrowers. Also, the farmers were provided with a postponement and restructuring for loans and leasing in accordance with the line of JSC "NMH "KazAgro". At the request of the regions, about 387 thousand tons of diesel fuel were allocated at a price 15% lower than the market price. At the end of 2020, due to an increase in crop production by 7.8%, the rural industry showed steady growth in almost all macro indicators. The volume of gross agricultural production increased by 5.6% and amounted to 6.3 trillion tenge. The volume of gross livestock production for the specified period increased by 3% and amounted to 2.6 trillion tenge. Investments in fixed assets in agriculture for 12 months of 2020 increased by 15% and amounted to 573.2 billion tenge, investments in food production facilities - by 13.5% and amounted to 104 billion tenge.

Also, the growth of the rural sector was facilitated by: the systematic implementation of indicators of the current state agrarian policy, well-coordinated work and the timely adoption of emergency anti-crisis decisions during the fight against the pandemic last spring.

The volume of state support last year, taking into account anti-crisis measures, was brought to 366 billion tenge, which is 13% more than the level of 2019. At the same time, subsidizing was simplified and fully automated, its mechanisms were revised, providing for a single approach, without an emphasis on a specific industry.

As part of the improvement of financial instruments, the rate of subsidizing interest rates on loans to replenish working capital was increased from 5% to 7%. 9% of the remuneration rate is now subsidized for sowing and harvesting.

To increase the interest of Kazakhstani cattle breeders to engage in dairy farming and increase the share of dairy cattle, the Ministry of Agriculture has made changes to the rules for subsidizing the development of livestock breeding, increasing the productivity and quality of livestock products.

Subsidizing standards for the purchase of imported breeding stock



increased from 225 to 400 thousand tenge per head, domestic - from 150 to 200 thousand tenge per head. To reduce the cost of milk, the subsidy standard for one kilogram of manufactured products now varies from 20 to 45 tenge. Previously, a farmer could count on support in the range of 10-35 tenge per kilogram of milk. Also, a 25% reimbursement was introduced for the purchase of machinery and equipment, for construction and installation work. By the end of 2020, 48 industrial and family dairy farms were commissioned with a total livestock of 16.2 thousand head of cattle cows, with a production capacity of up to 93 thousand tons of milk per year.

For the development of animal husbandry, the collateral policy has been optimized when crediting the purchase of livestock. The terms of consideration of applications for crediting farms and feedlots were reduced. Subsidies cover 15% of the collateral, and the remaining 85% is provided by purchased livestock. The standards for conducting selection and breeding work with breeding breeding stock of sheep have been increased from 2500 to 4000 tenge, with a commodity - from 1500 to 2500 tenge. The standards for the purchase of domestic breeding (from 8 to 15 thousand tenge) and imported sheep (up to 150 thousand tenge per head) were increased, and the subsidy for milk production increased by 10 tenge.

86

insurance contracts

*financed  
in crop production.*

In 2020, a new agricultural insurance system began to operate, which, unlike the previous one, is now voluntary. Now the state subsidizes 50% of insurance premiums. Growers can insure crops against lack and excess of moisture in the soil. Grain (wheat, barley, corn, oats) and oilseeds (sunflower, rapeseed, flax) crops are subject to insurance.

In crop production, 86 insurance contracts have been financed. 99 million tenge was spent on their subsidies, that is, 50% of the total amount of

37,7  
billion tenge

*Was allocated for the program of subsidizing interest rates for lending to the agro-industrial complex, as well as leasing for the purchase of farm animals, machinery and technological equipment in 2020.*

insurance premiums in the amount of 198 million tenge. In 2020, 518.2 million tenge was paid for insured events.

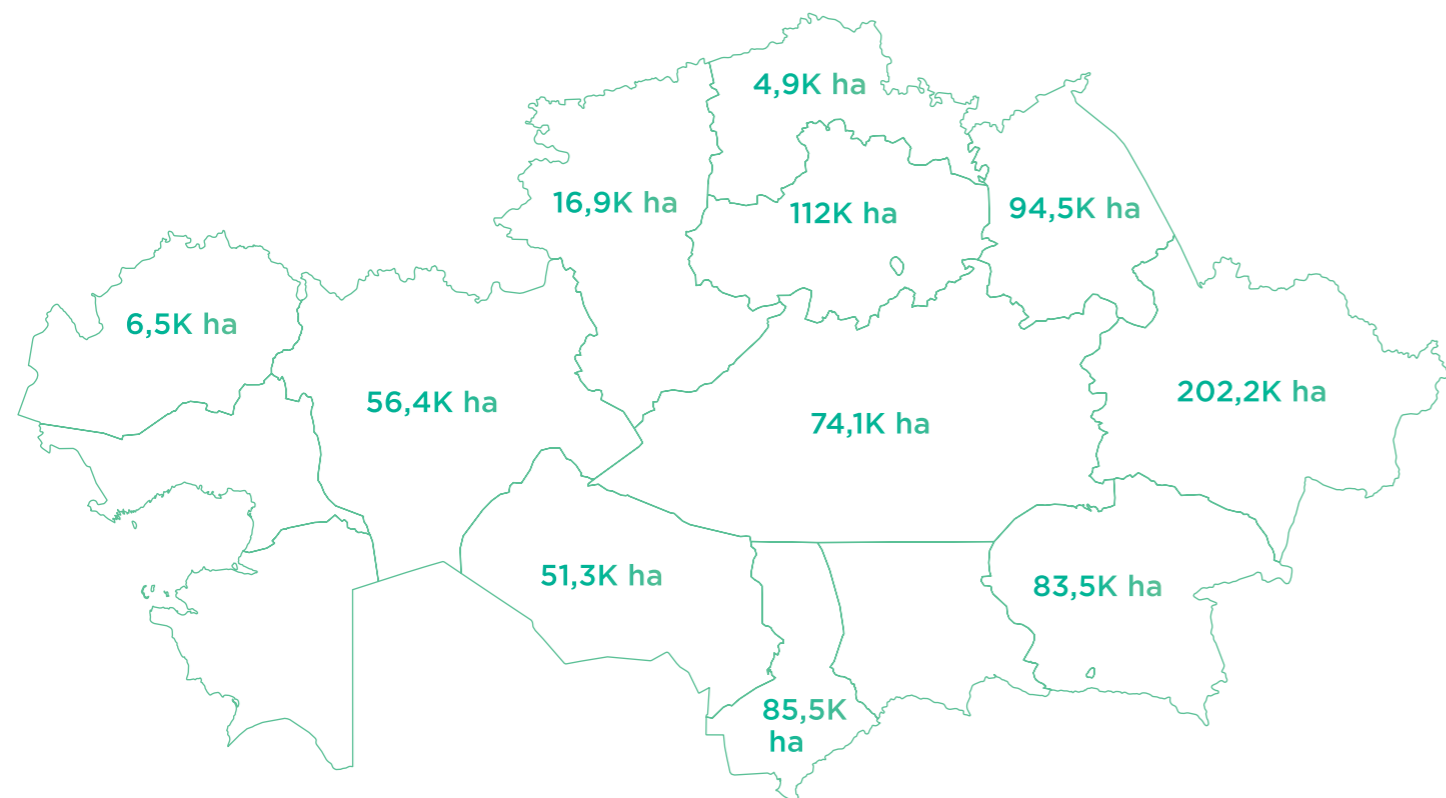
In 2020, 37.7 billion tenge was allocated for the program of subsidizing interest rates for lending to the agro-industrial complex, as well as leasing for the purchase of farm animals, machinery and technological equipment, which made it possible to attract 343.1 billion tenge of credit to the industry.

According to the model of development of the agro-industrial complex of Kazakhstan, the State Program for the Development of the Agro-Industrial Complex of the Republic of Kazakhstan for 2017-2021 is currently being implemented, the purpose of which is to increase the competitiveness of the agro-industrial complex. The measures provided for by this state program are aimed at further developing the country's agro-industrial complex, including ensuring food security, increasing the availability of financing for agribusiness entities, increasing the efficiency of land and water resources use, ensuring the availability of sales markets, developing exports, and others. Considering that the end of the implementation period of the state program is set for 2021, the Ministry of Agriculture of Kazakhstan has begun to develop a new National Project for the development of the agro-industrial complex until 2026. For the qualitative development of the new National Project, FAO experts in the field of agriculture were involved. When developing a long-term policy in the agro-industrial complex, Kazakhstan uses the experience of the developed countries of the world, which occupy leading positions in one or another sub-sector of agriculture. For example, in the field of crop production, the development model of such countries as Canada, Ukraine and Russia is used, since they are similar in natural and climatic conditions. As for individual crops, for example, soybeans, the experience of the leading countries - the USA, Brazil and Argentina - is used for its cultivation. The experience of these countries is used and successfully operates in the field of beef production. Argentina, by the way, is an example in the development of agricultural science and the dissemination of knowledge as a country that has made a breakthrough in the innovative and technological development of the agro-industrial complex in a short period.

One of the most priority areas of crop production development is the formation of ecosystems around large investment projects. This will allow local producers of goods and services, based on the specialization of regions and the availability of resources (land plots, raw materials base, climatic conditions), to participate in creating the value of the final export product throughout the entire production in the following areas: production and deep processing grains, seed oil, fruit and sugar production. In order to enlarge the farms, the principle of vertical cooperation will be mainly applied, which implies the provision of its own material and technical base, sustainable sales. This solution will benefit both farmers and processors.

The area of irrigated land in the republic will grow. By order of the President of the Republic of Kazakhstan Kassym-Zhomart Tokayev on a phased increase in irrigated land to 3 million hectares by 2030, the regional akimats plan to bring this value within 787 thousand hectares, of which:

*Akmola region — by 112 тыс. га,*  
*Almaty region — on 83,5 тыс. га,*  
*Aktobe region — by 56,4 тыс. га,*  
*East Kazakhstan region — by 202,2 тыс. га,*  
*West Kazakhstan region — on 6,5 тыс. га,*  
*Kostanay region — by 16,9 тыс. га,*  
*Karaganda region — by 74,1 тыс. га,*  
*Kyzylorda region — by 51,3 тыс. га,*  
*Pavlodar region — by 94,5 тыс. га,*  
*North Kazakhstan region — by 4,9 тыс. га,*  
*Turkestan region — by 85,5 тыс. га.*



# 2,2

million hectares

*Irrigated lands in 2020  
 (according to the  
 Ministry of Agriculture  
 of the Republic of  
 Kazakhstan)*

According to the Ministry of Agriculture of the Republic of Kazakhstan, in 2020 there are 2.251.1 million hectares of irrigated land in the republic, of which 1.715 million hectares are arable land, which is 26.6 thousand hectares more than the level of 2019. In the developed draft of the State Program for Water Resources Management until 2030, indicators are provided for an increase in irrigated land, including the construction

of irrigation and drainage systems and 38 new reservoirs. Work in this direction continues.

Within the framework of the State Program for the Development of the Agro-Industrial Complex for 2017-2021, in order to expand the area of irrigated land, it is envisaged to restore the irrigation and drainage infrastructure of the demanded irrigated lands on an area of 610 thousand hectares. In 2016, the area of irrigated land, where the water infrastructure was installed, amounted to 1400 thousand hectares. Taking into account the restoration of water infrastructure for water supply in 2017-2019. at the beginning of 2020, the area of irrigated land, where the water infrastructure is functioning, is 1546 thousand hectares.

## Import substitution

The global economic situation caused by the coronavirus pandemic has exposed serious problems in food security for many countries of the world, and a general understanding of the role of agriculture in ensuring the country's security and well-being has increased. In this regard, for the majority of states, the issue of import substitution has become a priority. In Kazakhstan, a set of measures was taken to solve certain problems in this direction.

For example, in 2020, 48 dairy farms with a total capacity of 93.1 thousand tons of milk were launched, 1,800 hectares of orchards with a total capacity of 63 thousand tons of apples per year were planted, 3 meat processing plants with a total capacity of 33 thousand tons of meat products, 8 poultry factories with a total capacity of 95 thousand tons of poultry meat, 3 fish production facilities with a total capacity of 2.2 thousand tons of fish.

According to the regions, as of December 31, 2020, the republic has stocks in the total volume of 2.4 million tons of various foodstuffs, including: at manufacturing enterprises - 1.6 million tons, in warehouses - 547 thousand tons, in trade networks - 177.6 thousand tons, in stabilization funds - 35.9 thousand tons. In addition, the reserves include 363.7 million eggs and 11 million tons of milling wheat. The availability of available stocks of foodstuffs for various types of products, based on actual consumption, ranges from a week to several months. The volume of reserves is constantly replenished and therefore there is no deficit for agricultural products. Domestic production covers the needs of the population of Kazakhstan in terms of food security by an average of 80%. The exception is 6 types of foodstuffs, including poultry meat, sausages, cheese and cottage cheese, apples, sugar, fish. To solve import dependence on these goods, a Comprehensive Plan for Saturation of the Domestic Market with Domestic Products for 2021-2023 was adopted, according to which the provision for these goods will be about 100%, and for sugar - 80% by the end of 2023.

As part of a long-term program for the development of dairy farming aimed at import substitution of dairy products, the volume of milk production for the period of 2020 (according to preliminary data) increased by 3.2% compared to the same period last year and amounted to 6.0 million tons. In agricultural formations, the growth in production amounted to 7.3% or 1.7 million tons. The volume of poultry meat production in live weight at the end of 2020 (according to preliminary data) increased by 5.1% compared to the same period last year and amounted to 294.1 thousand tons. Despite this, the import dependence on poultry meat in the country is significant.

It is planned that by the end of 2023 the domestic market will be provided by 100% due to the commissioning of 19 new poultry farms with a capacity of 285 thousand tons of poultry meat, as well as additional loading of existing poultry farms by 20%. Such measures will make it possible to bring the annual production of poultry meat up to 400 thousand tons or to the level of self-sufficiency.

In particular, by the end of 2020, 8 poultry factories for meat production were commissioned with a total production capacity of 94.5 thousand tons of poultry meat per year. At the end of 2020, 48 industrial and family MTPs were put into operation with a total livestock of 16.2 thousand head of cattle cows and a production capacity of up to 93.1 thousand tons of milk per year. Of these, 17 industrial MTPs were commissioned with a total livestock of 12.5 thousand heads of cattle and a production capacity of up to 87.8 thousand tons of milk per year.

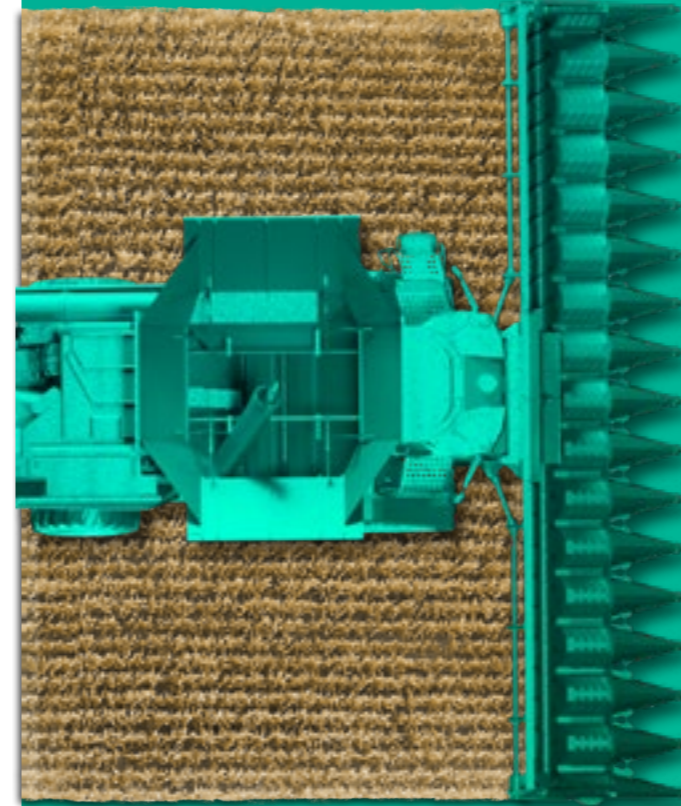
**At the end of 2020, 3 projects for the development of fish farms for 2,250 tons were implemented:**

- 01 In Aktobe region «Murager» LLP - for 1500 tons of marketable fish;
- 02 In the Zhambyl region, “Kordai Fish” LLP - by 500 tons of marketable fish capacity;
- 03 In the Zhambyl region, “Arnur” LLP - for 250 tons of marketable fish.

By 2022, it is planned to commission 4 more enterprises with a total capacity of 9.4 thousand tons.

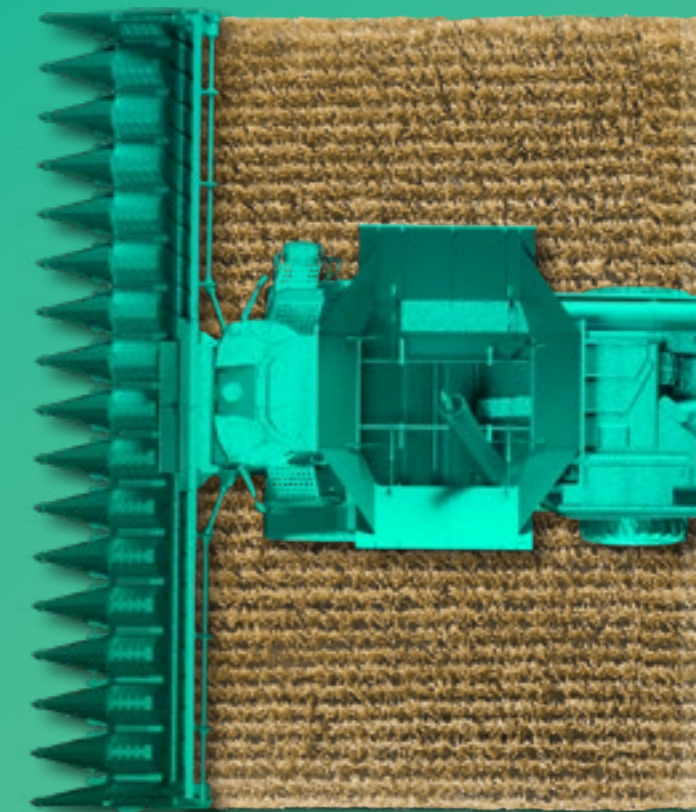
## Import and export

To open new sales markets, the Ministry of Agriculture of the Republic of Kazakhstan is systematically working to harmonize phytosanitary and veterinary requirements of importing countries, expanding the list of Kazakhstani enterprises in foreign supplier registers.



# EXPORT

Beef — **7254,2 tons,**  
 Horse meat — **4,06 tons,**  
 Lamb — **1303,8 tons,**  
 Pork — **1275,8 tons,**  
 Camel meat — **0,003 tons,**  
 Poultry meat — **11073,8 tons,**  
 Meat semi-finished products — **923 tons,**  
 Canned meat — **1119,06 tons,**  
 Sausages — **314,7 tons,**  
 Fish and fish products — **25031 tons,**  
 Milk and dairy products — **20937,2 tons,**  
 Beekeeping products — **824,5 tons,**  
 Edible eggs — **228 452 437 pcs.**



# IMPORT

Horse meat — **1963,6 tons,**  
 Beef — **10918,6 tons,**  
 Pork — **732,7 tons,**  
 Lamb — **10 tons,**  
 Poultry meat — **108438,9 tons,**  
 Fish and fish products — **26497,1 tons,**  
 Milk and dairy products — **56986,08 tons,**  
 Meat products — **1102,8 tons,**  
 Sausages — **14952,7 tons,**  
 Honey — **24,5 tons.**

To open new sales markets, the Ministry of Agriculture of the Republic of Kazakhstan is systematically working to harmonize the veterinary requirements of the importing countries. The restrictions on foot and mouth disease and lumpy skin disease, introduced by the PRC several years ago, were removed, which, in turn, opened up access for Kazakhstani meat products to the PRC market. Veterinary requirements for the export from Kazakhstan to Iran of live cattle for slaughter, beef, and by-products of small cattle have been agreed. On May 25, 2020, a veterinary certificate for the export of horse meat from Kazakhstan to Japan was agreed. Export of horse meat from 34 Kazakhstani enterprises was approved. During 2021, the Ministry of Health of the Republic of Kazakhstan plans to continue expanding the product line, as well as opening new markets: the European Union, Turkey, and the countries of Southeast Asia.

## Livestock

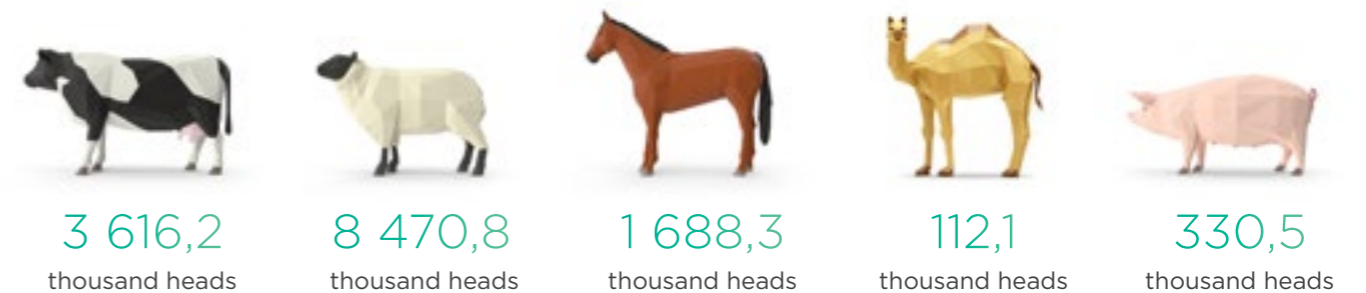
In 2020, 1,423.6 thousand heads of breeding stock of cattle or 37.76% of the total number of cows (3 769.76 thousand heads) were involved in the breed transformation. To date, due to the import of foreign breeding stock of cattle, the share of breeding stock in the republic has significantly increased and amounted to 12% of the total cattle stock. Along with this, there is an increase in the number of farms participating in the program of selection and breeding work with breeding stock of cattle (breed transformation) using bulls-producers of the meat production direction. So, in 2020, 25.3 thousand farms were engaged in breed transformation, while in 2016 the number of farms engaged in breed transformation of cattle was 15.8 thousand units. At the end of 2020, the volume of gross livestock production amounted to 2 624.3 billion tenge, which is 3.0% more than the same period last year. As statistics show, in January-December 2020, the number of cattle in all categories of farms in the republic increased by 5.5% and amounted to 7 848.5 thousand heads. The dynamics of growth in the number of cattle over the past 10 years amounted to 35.5%. On average, the annual growth in the number of livestock increased by 3.3%. Within the framework of the Rules for subsidizing the development of livestock breeding, increasing the productivity and quality of livestock products, approved by order of the Minister of Agriculture of the Republic of Kazakhstan No. 108 dated March 15, 2019, the cost of feed costs for all types of animals is subsidized: cattle of dairy and meat-and-milk direction productivity, cattle for meat and dairy production, sheep, horses and camels. These steps were taken in order to stimulate producers engaged in animal husbandry. By the end of 2020, "NMH "KazAgro" JSC financed: 91 farms in the amount of 10,132 million tenge for the purchase of 15,556 head of cattle, of which 123 farms imported 14,279 head of cattle for the amount of 9 415 million tenge; 722 farms in the amount of 11,828 million tenge for the purchase of 285,679 heads of small cattle. In total, in 2020, JSC «NMH "KazAgro» financed the construction of 5 feedlots for the amount of 3 270 million tenge.

**2 624,3**  
billion tenge

*It was the volume of gross livestock production at the end of 2020.*

According to statistics for 12 months of 2020, the number of livestock in organized farms (agricultural enterprises and peasant / farms) has increased in the republic. The increase in the number was:

- 01** Cattle by 8.2% and amounted to 3 616.2 thousand heads;
- 02** Sheep by 9.1% and amounted to 8 470.8 thousand heads;
- 03** Horses by 12.4% and 1,688.3 thousand heads;
- 04** Camels by 9.3% and amounted to 112.1 thousand heads;
- 05** Pigs by 3.4% and amounted to 330.5 thousand heads.



Modern high-tech enterprises for slaughtering and primary processing of livestock are being created in the country. Within the framework of the State Program for the Development of the Agro-Industrial Complex for 2017-2021, there are the following types of state support for meat processors:

- 01** Reimbursement of part of the costs (up to 25%) of processing enterprises with investment investments for the modernization of existing and construction of new plants;
- 02** Subsidizing the interest rate on loans for working and fixed assets;
- 03** Subsidizing the amount of value added tax to procurement organizations in the amount of calculated VAT;
- 04** Implementation of concessional lending within the framework of the Economy of Simple Things, incl. producers of meat and poultry meat.

In addition, there are concessional loans to agricultural commodity producers through subsidiaries of the holding JSC "NMH "KazAgro". The maximum loan amount is up to 70 million tenge, the lending rate is from 4% per annum, the loan term is up to 15 years.

Sheep breeding:

- 1.** For the purchase of breeding stock of small cattle;
- 2.** To replenish working capital;
- 3.** For the purchase of agricultural machinery.

*The maximum loan amount is up to 30 million tenge, the lending rate is from 6% per annum, the loan term is up to 10 years.*

# IMPLEMENTATION OF THE STRATEGY

The Development Strategy of "Agrarian Credit Corporation" JSC for 2020-2029 includes 2 strategic directions of development with specific goals, 14 objectives and 14 key performance indicators.

## Strategic direction 1.

Increasing the coverage of funding for agribusiness entities, promoting the institutional maturity of financial institutions and the growth of labor productivity in agriculture.

Key indicators Strategic direction 1.	Unit of measurement	Implementation in 2020		
		Plan	Fact	Implementation, %
The volume of lending to the agro-industrial complex within the framework of the Corporation's financing programs, KZT bln.	Billion tenge	266,7	277,3	104%
The volume of loans for the purchase of fixed assets in agriculture and food production, including:	Billion tenge	124,1	155,3	125%
- the volume of lending for the purchase of fixed assets in agriculture	Billion tenge	115,3	146,1	127%
- volume of crediting for the purchase of fixed assets for food production	Billion tenge	8,8	9,2	104%
Increase in the number of users of services under the Company's financing programs,%	%	3%	2,9%	95,2%
The share of funding of financial institutions in the total volume of lending to the Corporation, at least,%	%	52,0	54,0	103%
Labor productivity for financed investment projects	Thousand tenge	3400	3593	106%
Export volume of products for projects financed by the Company	Mln.US dollars	24,5	25,2	103%
NPL for CP portfolio	%	3,3	2,7	within normal limits

## Goal 1.

*Increase in the share of agribusiness entities that received financing through CP, MFO, RIC, STB, LC under the Company's programs and at the expense of financial institutions.*

In 2020, 7,817 agricultural producers (hereinafter referred to as agricultural producers) were financed for a total amount of 277.3 billion tenge, of which 6,152 agricultural producers were funded through financial institutions in the amount of 149.2 billion tenge, of which:

- 01** Through CP - 4924 agricultural enterprises in the amount of 110.0 billion tenge;
- 02** STB - 128 borrowers in the amount of 31.0 billion tenge;
- 03** MFO (including RIC) - 1073 agricultural enterprises for 3.5 billion tenge;
- 04** LC - 27 agricultural producers for 4.5 billion tenge.

## Goal 2.

*Expansion and development of financing instruments for agribusiness entities.*

In 2019, the Company was identified as one of the operators of the «Economy of Simple Things» program in the direction of financing production in the agro-industrial complex. The program finances loans for the development of the industry: crop production, horticulture, livestock, including poultry and pig breeding, fishing, fish farming and others. At the end of 2020, 933 agricultural producers were financed in the amount of 48,486.1 million tenge. In addition, in 2020, in order to finance spring field and harvesting works, within the framework of the Economy of Simple Things program, the Company additionally financed 591 agricultural enterprises in the amount of 24,998.3 million tenge at the expense of the National Bank.

## Goal 3.

*Financing anchor projects involving the introduction of advanced innovative technologies.*

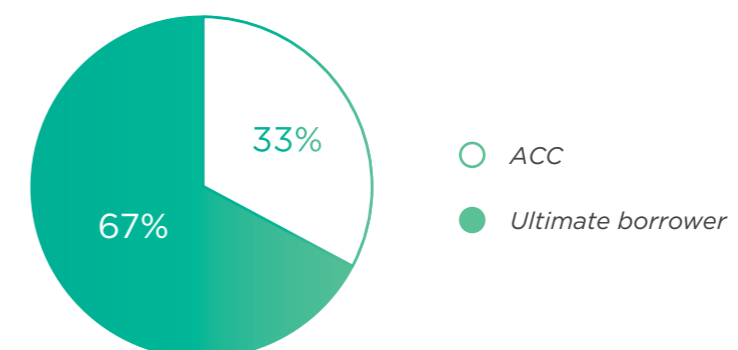
In 2020, the company financed 50 anchor projects.

## Goal 4.

*Co-financing and support of investment projects.*

In 2020, financing of 2 second-tier banks (hereinafter referred to as STB) was approved for the subsequent financing of 3 investment projects for a total of 1.8 billion tenge. The total cost of projects is 5.6 billion tenge (diagram 1).

At the same time, the share of financing by the Company amounted to 33% or 1.8 billion tenge, the share of equity investments by end borrowers of second-tier banks amounted to 67% or 3.8 billion tenge.



## Goal 5.

*Increasing the institutional maturity of credit partnerships.*

In 2020, there is a positive trend in coverage in the provision of financial services to participants of credit partnerships (hereinafter referred to as CP) and an improvement in the quality of the loan portfolio of CP:

- 01** An increase in the volume of financing for CP by 13% (from 97 to 110 billion tenge);
- 02** Growth of the loan portfolio of CP by 2.4% (from 172.2 to 213.8 billion tenge);
- 03** Increase in the number of ultimate borrowers with liabilities to the Company by 8.3% (from 14,461 to 15,696).

The company has updated and operates the CP internal rating system, contributing to the development of the system of credit partnerships and increasing the financial stability of CP. In addition, amendments have been made to the internal regulatory documents, where the main direction of the audit is checking the intended use of credit resources and the implementation of decisions of the Authorized Body of the Company. Due to the fact that the Company is the operator of the State programs of the Republic of Kazakhstan and is accountable to state bodies, including the Accounts Committee for Control over the Execution of the Republican Budget, to control the intended use, a limitation was introduced on the maximum possible amount of cash when confirming the intended use of credit resources no more than 1000 MCI for the loan, except for the «Ken dala» program.

## Strategic direction 2.

Improving the efficiency of activities.  
Improving operating activities.  
Improving the quality and transparency of corporate governance.  
Ensuring financial stability.

Key indicators <i>Strategic direction 2.</i>	Unit of measurement	Implementation in 2020		
		Plan	Fact	Implementation, %
ROA	indicator	≥ 2,8	3,89	within normal limits
ROE	indicator	≥ 9,0	11,71	within normal limits
The ratio of the volume of budgetary funds to attracted extrabudgetary funds	ratio per year	1 : 0,6	1 : 0,65	within normal limits
NPL	%	6,0	5,4	within normal limits
Maintaining the optimal level of formed reserves for the loan portfolio at the level, no more	%	12,5	12,1	within normal limits
The level of automation of the main lending processes	%	40	40	100
Corporate governance rating of the Company, not less	%	-	-	-

## Goal 1.

*Maintaining an optimal level of profitability*

According to the audited financial statements of the Company for 2020:

- ROA - 3.89%,
- ROE - 11.71%.

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

As part of maintaining the optimal level of profitability, temporarily free

funds are placed, including on current accounts with STBs, as well as on term bank deposits (Overnight). The weighted average rate on current accounts for 2020 was 7.48% per annum.

The Company also took measures to place funds in government securities by purchasing short-term notes of the National Bank of the Republic of Kazakhstan. The weighted average rate of return on short-term notes for 2020 was 9.50% per annum.

## Goal 2.

### *Raising funds in the domestic and international capital markets.*

In order to fulfill lending plans during 2020, the Company raised borrowed capital in the total amount of 192.6 billion tenge, including through:

- 01** Funds of the Republican budget for a loan from the Ministry of Finance of the Republic of Kazakhstan for subsequent lending for spring field and harvesting works in the amount of 70 billion tenge;
- 02** Funds of the National Fund of the Republic of Kazakhstan on a loan to JSC Holding "KazAgro" for subsequent lending to investment projects in the amount of 19.2 billion tenge;
- 03** Funds of local executive bodies within the framework of the Program for the Development of Productive Employment and Mass Entrepreneurship for 2017-2021. in the amount of 12.9 billion tenge;
- 04** Funds from the republican budget for a loan from "KazAgro" NMH JSC for subsequent lending to agribusiness entities in the amount of 14.3 billion tenge;
- 05** Commercial funds in the amount of 76.2 billion tenge (funds of the National Bank of the Republic of Kazakhstan were attracted under the EPV program in the amount of 66.7 billion tenge and under the program of concessional lending to small and medium-sized businesses, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan dated 19 March 2020 No. 39, in the amount of 9 billion tenge, as well as from the stock market in the amount of 0.5 billion tenge).

## Goal 3.

### *Carrying out activities to reduce the number of problem projects.*

At the end of 2020, the execution of the repayment plan amounted to 11.358 billion tenge or 116.4%.

Based on the results of the measures taken in 2020, 82 projects were fully repaid, 7 projects were written off for the amount of 1,240 million tenge, 90 projects were transferred to the current portfolio for the amount of 6,678.8 million tenge. As part of the work with idle problem projects of subsidiaries of "KazAgro" NMH" JSC, the Company on an ongoing basis takes measures

to rehabilitate idle problem investment projects to attract potential investors.

## Goal 4.

### *Improving the efficiency of key business processes and organizational structure.*

**During 2020, as part of the functioning of the corporate risk management system, internal regulatory documents were updated and developed:**

- 01** Amendments and additions were made to the register and the Risk Map of the Company for 2020 in terms of determining IT risks, risk compliance and risk for personnel management in the critical zone of the Risk Map, as well as work was carried out to update the register and Risk Map for 2021 ... Within the framework of the register of risks, measures were developed to minimize risks with deadlines and responsible departments;
- 02** A plan has been developed to ensure the continuity of the Company's activities in order to prevent the spread of coronavirus infection under quarantine conditions;
- 03** The new version of the rules for setting limits on direct and contingent liabilities of the Company's counterparty banks was approved;
- 04** Changes were made to the methodology for determining the risks of projects and assigning a credit rating to the borrower of the Company in terms of the requirements for determining the assessment by the structure of the loan, and the requirements for assessing the borrower's management system.

**At the same time, in order to identify risks / assumptions in the current business processes of the Company:**

- 01** Work was carried out to analyze the automated system for reviewing loan applications (CRM system), the results of the analysis were presented to the authorized body as part of the quarterly Risk Assessment Report;
- 02** A random check of KIS 1C was carried out for the presence, completeness and correctness of the entered information on borrowers and their affiliation with a group of interrelated borrowers / lessees, based on the results of the check, the Risk Management Department gave recommendations to credit departments to work out a unified concept for -building / formation of a base for groups of related companies.

*All purchases by the Company, as well as the subsequent conclusion of purchase agreements from January 1, 2020, are carried out only*

electronically through the procurement web portal.

## Goal 5.

### *Participation in the creation of a mobile and compact Holding.*

By the decision of the Sole Shareholder of the Company, the "Agrarian Credit Corporation" JSC was reorganized by joining "KazAgroProduct" JSC.

According to the order of NJSC "State Corporation" Government for Citizens "No. 3621 dated March 17, 2020" On registration of termination of activities of "KazAgroProduct" JSC (BIN 010940000122) by merging with "Agrarian Credit Corporation" JSC, "KazAgroProduct" JSC ceased its activities, and the certificate of state re-registration of a legal entity No. 4708-1900-AO dated 10.09.2001 was canceled.

## Goal 6.

### *Automation of key business processes*

In 2020, the Company has developed an online application system and an automated lending process (BPM system). A lot of analytical and methodological work has been done to optimize processes. By integrating the Company's system with state and other databases, information about a potential participant is processed automatically. The system checks whether the borrower meets the minimum requirements of the Company, including reliability and creditworthiness, by automatically analyzing his data obtained from state databases. In parallel, a local system for considering loan applications was developed, based on the industrial BPM Camunda system, the purpose of which is to increase the transparency, quality and speed of service provision.

The information systems of the Company and credit partnerships were integrated with the CUCTUS system (a credit conveyor system for credit partnerships, developed jointly with First Credit Bureau LLP), systems of the Company and credit partnerships, as well as in connection with changes in the legislation on microfinance organizations, a service was created for uploading data by credit goods to JSC "State Credit Bureau" and LLP "First Credit Bureau".

## Goal 7.

### *Upgrading the corporate governance rating.*

Based on the results of the analysis of management quality, Dostyk Advisory LLP assigned the Company a G.SOE-A rating - «High level of management quality» as of 31.12.2019. By the decision of the Board of Directors of the Company No. 7 dated May 22, 2020, the rating assignment report was approved.

## Goal 8.

### *Human resource development*

In order to develop human resources and motivate employees, as well as to develop the corporate spirit in the Company, in 2020, the approaches

to performing the main functions have changed, namely, the principles of personnel management and human resource development:

- 01** The principle of recruiting employees based on their business and personal qualities - interviews with each candidate for a vacant position;
- 02** The principle of continuity;
- 03** The principle of conformity;
- 04** The principle of advanced training;
- 05** The principle of official and professional promotion of employees based on the use of reasonable criteria for assessing their activities and providing conditions for continuous career growth;
- 06** The principle of combining trust and control over the performance of labor duties;
- 07** The principle of open competition between employees;
- 08** The principle of legal protection.

In 2020, an independent company assessed the involvement of personnel in the Company. According to the results of the study, the level of involvement corresponds to the Development Zone and the Success Zone, which is an average-high indicator.

The key factor that has a positive effect on the involvement of the Company's employees is the system within collective relations (satisfaction by factor is 93%). There is a high level of trust between ordinary employees and management, the importance of support from colleagues and the ability of management to motivate employees to perform well.

## Goal 9.

### *Enhancing the «performance management system».*

As part of improving the «performance management system», the Management Reporting Card of the Company was approved, in which there are only 301 reports, of which 57 are provided to the Sole Shareholder, 17 in the National. The bank, 77 reports to the statistics authorities, 15 reports to the KASE, to the state authorities. income of 97 reports, to the information and accounting center - 28 reports.



# Operating results

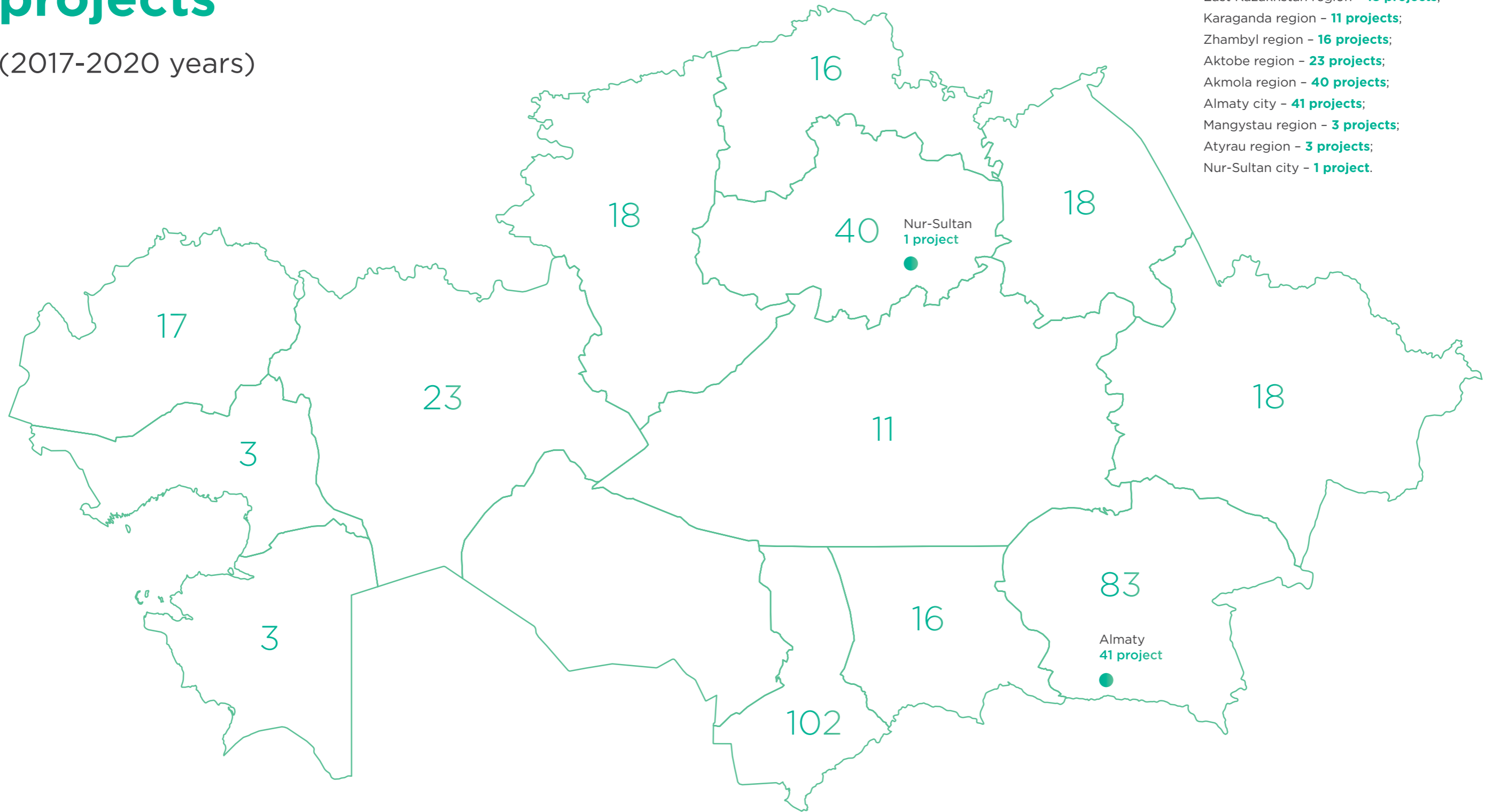
Over 20 years, the Company's investments in the industry amounted to 1.5 trillion tenge, the number of borrowers is over 76 thousand.

Commercial dairy farms	48	Projects
Feeding grounds	39	Projects
Breeding farms (reproducers)	24	Projects
Greenhouses	45	Projects
Intensive gardens	24	Projects
Processing of agricultural products	24	Projects
Processing of vegetables and fruits	12	Projects
Development of a network of vegetable stores	21	Projects
Development of production and processing of fine wool	22	Projects
Meat processing complexes	14	Projects
Creation, expansion and modernization of poultry farms	26	Projects
Construction and modernization of granaries	30	Projects
Development of feed production	7	Projects
Development of infrastructure for export of Kazakh grain and its processing	3	Projects
Production of horticultural, industrial and oilseeds using irrigation systems	3	Projects
Other directions	4	Projects
Milk processing	9	Projects
Production of horticultural, industrial and oilseeds using irrigation systems	13	Projects

For 2017-2020, the Company financed 332 investment projects for a total amount of 303.7 billion tenge.

# Regional coverage map for investment projects

(2017-2020 years)



- Almaty region - **83 projects**;
- Turkestan region - **102 projects**;
- Kostanay region - **18 projects**;
- Pavlodar region - **18 projects**;
- North Kazakhstan region - **16 projects**;
- West Kazakhstan region - **17 projects**;
- East Kazakhstan region - **18 projects**;
- Karaganda region - **11 projects**;
- Zhambyl region - **16 projects**;
- Aktobe region - **23 projects**;
- Akmola region - **40 projects**;
- Almaty city - **41 projects**;
- Mangystau region - **3 projects**;
- Atyrau region - **3 projects**;
- Nur-Sultan city - **1 project**.

In 2020, 7817 agricultural producers were credited for a total amount of 277.3 billion tenge.

The share of funding of financial institutions amounted to 54% of the total volume of lending - 277.3 billion tenge.

# 7817

Loans were provided to agricultural producers in 2020.

## Funding of financial institutions

Sales channels	Quantity, units	Amount, million tenge	Share
Direct lending	1 665	128 151,8	46%
Funding of financial institutions	6 152	149 170,2	54%
<b>TOTAL</b>	<b>7 817</b>	<b>277 322,0</b>	<b>100%</b>

Sales channels	Quantity, units	Amount, million tenge	Share, %
CP	4924	110 086,8	73,8
STB	128	31 015,7	20,8
MFO	1073	3 535,9	2,4
LC	27	4 531,7	3,0
<b>TOTAL</b>	<b>6 152</b>	<b>149 170,2</b>	<b>100</b>

## Lending in the context of the Company's credit programs:

Name	Sales channels	Quantity, units*	Amount, million tenge
The program «Ken dala»	Direct lending, CP, MFO, STB	2 401	70 001,1
“Agribusiness” program	Direct lending, CP, LC, STB	851	65 496
“Agroexport” program	Direct lending	10	10 100,6
“Isker” program	CP, MFO	1 861	12 765,2
“Agrotechnics” program	CP, LC	310	12 955,8
Crediting projects at the expense of the NF RK	Direct lending, CP	18	17 707,2

Economy of simple things	Direct lending, CP	909	48 486,1
The economy of simple things on SFW	Direct lending, CP	318	24 998,3
“Sybaga” cattle program	Direct lending, CP	52	7 236,8
“Sybaga”small cattle program	Direct lending, CP	369	7 574,4
<b>TOTAL</b>		<b>7 817*</b>	<b>277 321,9</b>

\*- the number of borrowers is formed by excluding duplicate BIN / IIN of borrowers.

The main recipients of concessional lending were the subjects of the agro-industrial complex in rural areas. The largest coverage of agro-industrial complex entities with concessional financing was carried out through funding of CPs and MFOs under the Agrobusiness, “Isker” and “Ken dala” programs.

In 2020, the Company financed 50 anchor projects involving the use of advanced technologies. In total, 2,973 jobs were created.

### Anchor projects in the following areas:

- 01** Commercial dairy farms - 14;
- 02** Feedlots - 4;
- 03** Breeding farms (reproducers) - 3;
- 04** Greenhouse facilities - 8;
- 05** Intensive gardens - 2;
- 06** Processing - 6;
- 07** Development of a network of fruit and vegetable stores - 4;
- 08** Production of horticultural, industrial and oilseeds using irrigation systems - 3;
- 09** Creation, expansion and modernization of poultry farms - 4;
- 10** Development of feed production - 2.

Co-financing of investment projects in partnership with second-tier banks.

Name of the project	Financing (tenge.)
"Green Capital Kazakhstan" LLP (SB "Sberbank" JSC)	473 805 230
"Bota 2015" LLP (Subsidiary "VTB Bank Kazakhstan" JSC)	700 000 000
"Rakhat" JSC (Subsidiary "VTB Bank Kazakhstan" JSC)	670 000 000
<b>Total</b>	<b>1 843 805 230</b>

In addition, in 2020 the Company financed the following leasing companies:

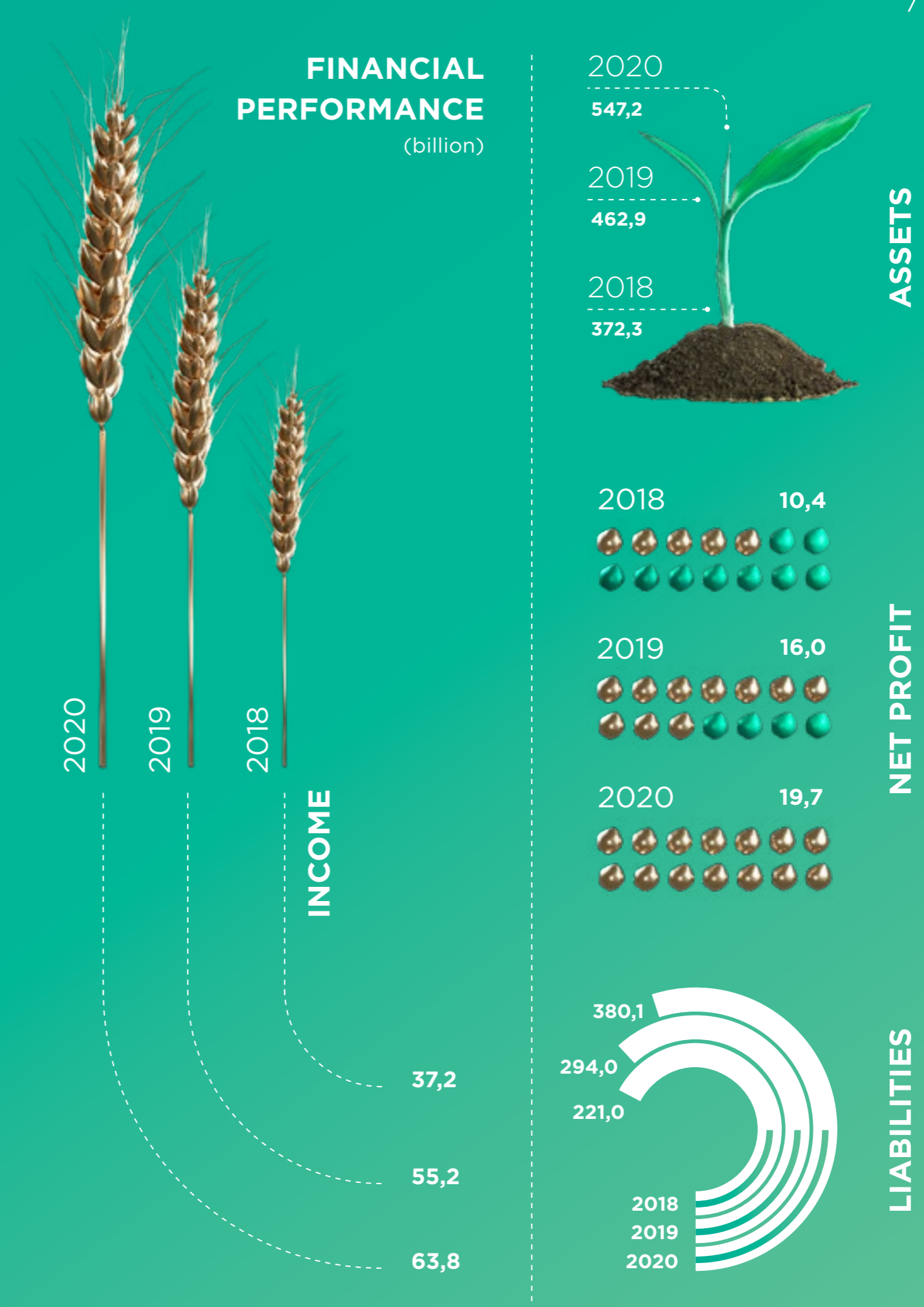
Name of the project	Financing (tenge.)
JSC «Leasing Group»	31,1 mln
LLP «Technolizing»	4,3 billion
JSC Subsidiary NBK «Halyk-Leasing»	200 mln
<b>Total</b>	<b>4, 531 billion</b>

Number of clients of the Company



## FINANCIAL PERFORMANCE

(billion)



## INCOME

Name	31.12.2018		31.12.2019		31.12.2020		Growth rate of 2019 to 2018		Growth rate of 2020 to 2019	
	Thousand tenge	Sp. gr.	Thousand tenge	Sp. gr.	Thousand tenge	Sp. gr.	Thousand tenge	%	Thousand tenge	%
<b>Income, total including:</b>	<b>37 192 788</b>	<b>100</b>	<b>55 180 039</b>	<b>100</b>	<b>63 770 837</b>	<b>100</b>	<b>17 987 251</b>	<b>148</b>	<b>8 590 798</b>	<b>116</b>
Operating income	36 991 029	99	54 961 158	99	63 586 537	99	17 970 129	149	8 625 379	116
Other operating income	201 759	1	218 881	1	184 300	1	17 122	108	-34 581	84

The increase in income from core activities compared to the same period last year amounted to 16%, the increase was mainly due to:

- 01** Growth of the loan portfolio by 15%;
- 02** Excess of the volume of issuing credit resources from the plan;
- 03** The presence of a regular high turnover of money in current accounts;
- 04** Placement of the VSDS in government securities and on time bank deposits.

## COSTS

Name	31.12.2018		31.12.2019		31.12.2020		Growth rate of 2019 to 2018		Growth rate of 2020 to 2019	
	Thousand tenge	Sp. gr.	Thousand tenge	Sp. gr.	Thousand tenge	Sp. gr.	Thousand tenge	%	Thousand tenge	%
<b>Expenses, total including:</b>	<b>23 845 157</b>	<b>100</b>	<b>35 079 721</b>	<b>100</b>	<b>39 749 748</b>	<b>100</b>	<b>11 234 564</b>	<b>147</b>	<b>4 670 027</b>	<b>113</b>
Funding costs	12 239 918	51	20 519 273	58	26 887 656	67	8 279 355	168	6 368 383	131
Operating expenses	4 848 776	20	5 428 989	15	5 775 194	15	580 213	112	346 205	106
Credit Loss Expenses	5 076 898	21	7 966 793	23	4 115 936	10	2 889 895	157	-3 850 857	52
Other costs	1 679 565	7	1 164 666	3	2 970 962	8	-514 899	69	1 806 296	255
CIT	2 972 014	100	4 066 282	100	4 361 040	100	1 094 268	137	294 758	107
BH	10 375 617	100	16 034 036	100	19 660 049	100	5 658 419	155	3 626 013	123

The Company's expenses in just 2020 increased by 13% compared to 2019.

The increase in expenses compared to the same period last year was mainly due to:

- 01** Funding costs, which increased by 31%;
- 02** An increase in the volume of borrowings by 3.6% and an increase in debt obligations by 26% compared to 2019;
- 03** An increase in administrative costs by 3% and sales costs by 9.7%;
- 04** Other expenses, which increased by 155% compared to 2019;
- 05** At the expense of net losses resulting from the modification of financial assets.

## NET PROFIT DYNAMICS

### Net profit

Name	31.12.2018r.	31.12.2019r.	31.12.2020r.	Growth rate of 2019 to 2018		Growth rate of 2020 to 2019	
	Thousand tenge	Thousand tenge	Thousand tenge	Thousand tenge	%	Thousand tenge	%
<b>Profit for the year</b>	10 375 617	16 034 036	19 660 049	5 658 419	155	3 626 013	123

### Dynamics of performance indicators ROA, ROE

Name	31.12.2018	31.12.2019	31.12.2020	Ratio of 2019 to 2018 (in%)	Ratio 2020 by 2019 (in%)
<b>ROA (%)</b>	3,35	3,84	3,89	115	101
<b>ROE (%)</b>	6,83	10,2	11,71	149	115

- the indicator of the efficiency of using ROA assets in 2020 was 1% more compared to the same period last year, which is due to the receipt of net income by 23% and assets by 18% more than in 2019.

- the indicator of the efficiency of using equity capital ROE in 2020 amounted to 15% more compared to the same period last year, which was due to the receipt of net income more by 23%.

## DEVELOPMENT PROSPECTS

Pursuant to paragraph 52 of the National Action Plan for the implementation of the Address of the Head of State to the people of Kazakhstan dated September 1, 2020 «Kazakhstan in a new reality: time for action», the «KazAgro» holding was merged with the Baiterek holding.

Thus, «Agrarian Credit Corporation» JSC has been a subsidiary of the Baiterek holding since 2021. The «Agrarian Credit Corporation» JSC will continue to operate normally, implementing the state policy on the formation of an accessible credit system that stimulates the development of competitive entrepreneurship in rural areas. The company builds its work proceeding from the following axiom: the development of the agro-industrial complex is impossible without providing agricultural producers with affordable financial resources.

In 2020, the Company made adjustments to the Development Strategy for 2020-2029. The company, as an operator of state programs for the development of the agro-industrial complex, will implement programs by ensuring financing of agribusiness entities from state sources, internal and external capital markets. As a development institution, the Company will focus on providing support in increasing the economic efficiency of agribusiness entities and their financial literacy in order to include agribusiness entities in the financing system and the agro-industrial complex value chain.

To increase the coverage of agribusiness entities with financing, the Company will contribute to the development of institutional capacities of financial institutions by providing consulting and other types of non-financial support.

To reduce dependence on budget funds, the Company will diversify its funding sources. Raising funds on the domestic capital markets can be carried out mainly by issuing corporate bonds. The company will also raise funds from international financial institutions. The target business model defines two main areas of the Company's activities: financial and non-financial support measures.

The first direction will include direct lending with its subsequent reduction to zero by 2025 and indirect lending to improve the institutional development of financial institutions in terms of financing the agro-industrial complex.

The company will also finance investment projects that have the greatest socio-economic impact on the agro-industrial complex.

*Thus, the Company will continue to work on the formation of a «product package», which includes the optimal combination of financial products and instruments in order to meet the repayment schedule of production cycles and the needs of agribusiness entities.*

## Compliance with the principles of corporate governance

# CORPORATE GOVERNANCE

The company views corporate governance as a means of improving operational efficiency, strengthening its reputation and reducing the cost of raising capital. Corporate governance is built on the foundations of fairness, honesty, responsibility, transparency, professionalism and competence.

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

The Code of Corporate Governance of the Company, approved by the decision.

Of the Management Board of JSC «Holding» KazAgro «dated July 29, 2015, No. 49, provides for compliance with 6 fundamental principles.

01

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

02

The principle of effective management of the Board of Directors and the Company implies that the activities of the Board of Directors are based on the principles of maximum observance and implementation of the interests of the Sole Shareholder and the Company, rationality, efficiency, activity, conscientiousness, honesty, accuracy and responsibility within the framework of its competence. The Management Board manages the current activities of the Company in order to fulfill the tasks and implement the Development Strategy of the Company. The main principles of the Management Board are legality, honesty, honesty, rationality, regularity;

03

The principle of independent activity of the Company implies that the Company carries out its activities independently;

04

The principles of transparency and objectivity in disclosing information about the Company's activities imply that the Company, in order to ensure that the Sole Shareholder is able to make informed decisions, as well as to bring information about the Company's activities to the attention of stakeholders, ensures timely disclosure to the Sole Shareholder, shareholder and interested parties of reliable information about the Company, including about its financial position, economic indicators, results of its activities, ownership and management structure;

05

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

06

The principle of responsibility to stakeholders implies that the Company recognizes and respects the rights of all stakeholders and seeks to cooperate with such persons in order to develop itself and ensure financial stability. Interested parties should be able to receive compensation for violation of their rights in cases stipulated by the legislation of the Republic of Kazakhstan. Where a stakeholder is involved in the corporate governance process, the stakeholder should have access to material, sufficient and reliable information on a timely and regular basis. Interested parties should be able to freely report to the Board of Directors about violations of legislation or internal regulations by the Management Board, and its rights should not be infringed upon in the event of such a report.

## INTERACTION WITH THE SOLE SHAREHOLDER

The sole shareholder of the Company is "NMH "KazAgro" JSC. Interaction with the Sole Shareholder is carried out in accordance with the Charter of the Company, which stipulates the responsibilities, competence of the Sole Shareholder and the procedure for providing information on activities affecting his interests, as well as interaction with the Corporate Governance Code.

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

In order to fulfill the expectations of the Sole Shareholder of the "Agrarian Credit Corporation" JSC for 2020, by decision of the Management Board of the Company No. 25 dated May 11, 2020, the Operational Action Plan for the implementation of the Company's Development Strategy for 2020-2029 and the expectations of the Sole Shareholder (hereinafter referred to as the Action Plan) was approved.

In the letter of expectations, the Sole Shareholder in 2020 expects to take measures on 3 main tasks:

- 01** Main directions of activity;
- 02** Improvement of business processes;
- 03** Activities of the Board of Directors.

*In 2020, the Board of Directors initiated the following issues falling within the competence of the Sole Shareholder of the Company:*

### 01

Approval of the annual financial statements for 2019 and the procedure for the distribution of net income for 2019.

### 02

Determination of an audit organization for auditing financial statements for 2019.

### 03

Consideration of the Report on the execution of the letter of expectation of the Sole Shareholder based on the results of the 1st half of 2020.

### 04

Approval of the Company's public annual report for 2019.

### 05

Consideration of the Report on the execution of the letter of expectation of the Sole Shareholder following the results of 9 months of 2020.

### 06

Consideration of the issue «On approval of the Charter of the "Agrarian Credit Corporation» JSC" in a new edition.

### 07

Consideration of the issue "On approval of amendments to the Regulation on the Board of Directors of the "Agrarian Credit Corporation" JSC".

### 08

Consideration of the issue: «On the determination of an audit organization to audit the financial statements for 2020 of the "Agrarian Credit Corporation" JSC".

# 92%

*Compiled the execution of the Action Plan to fulfill the expectations of the Sole Shareholder at the end of 2020 (34 out of 37 planned events were executed)*





**Pavel Lushchak**

LLP «Naidorovskoe»

## ORGANIZATIONAL STRUCTURE

### Company management structure

*Company management structure*

**01** The supreme body is the Sole shareholder;

**02** Management body - the Board of Directors;

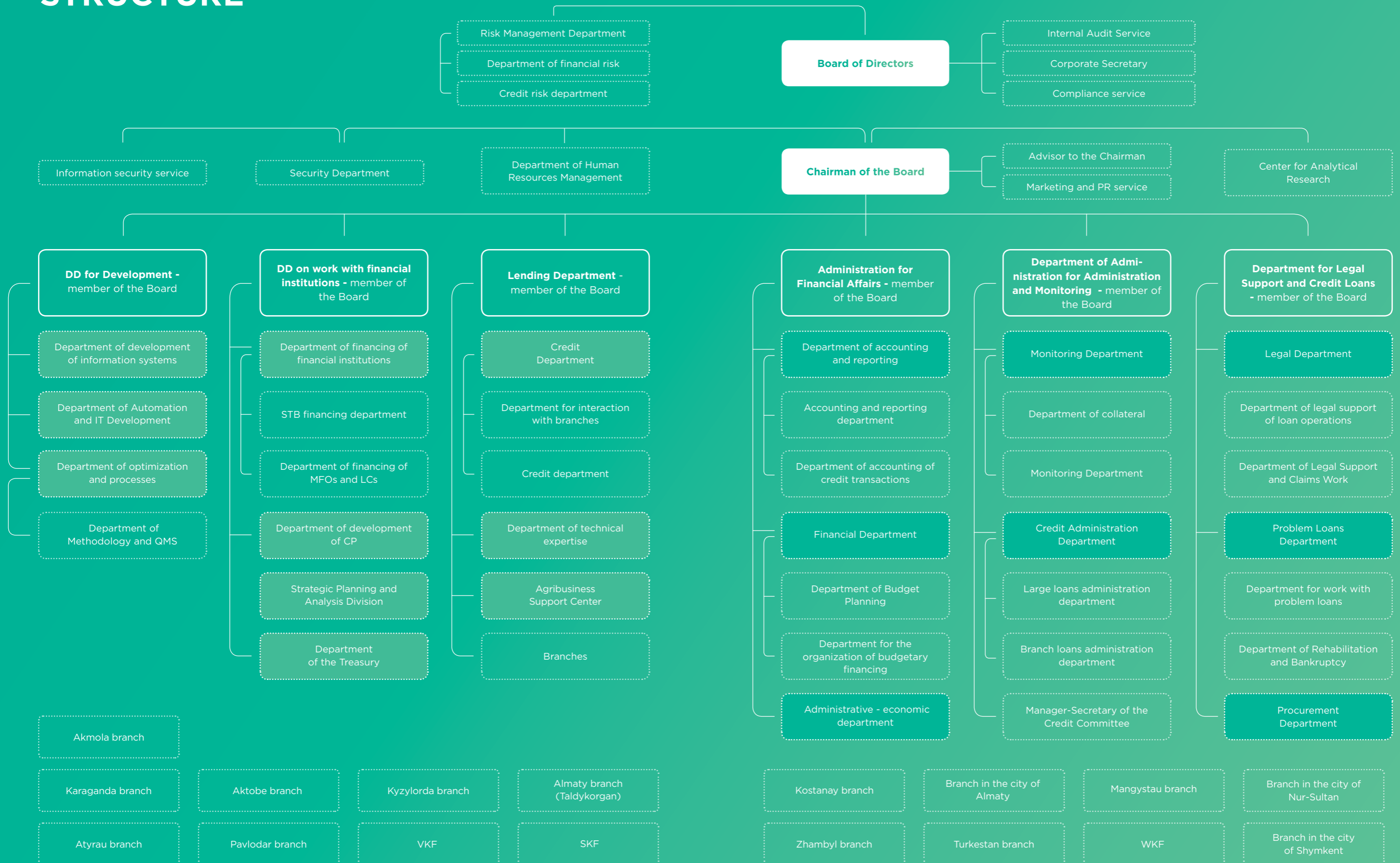
**03** Executive body - the Management Board;

**04** body exercising control over the financial and economic activities of the Company, assessment in the field of internal control, risk management, execution of documents in the field of corporate governance and consulting in order to improve the activities of the Company - the Internal Audit Service;

Other bodies created in accordance with the legislation of the Republic of **05** Kazakhstan.

# ORGANIZATIONAL STRUCTURE

The organizational structure of the Company was approved by the decision of the Board of Directors of the "Agrarian Credit Corporation" JSC dated October 25, 2019 No. 16.  
The total number of personnel as of 01.01.2021 is 410 units, (CA - 170 units, branches - 240 units).



## BOARD OF DIRECTORS

*Composition of the Board of Directors as of December 31, 2020.*

The Board of Directors consists of 6 people, of which 3 members are independent directors.



**Taszhurekov  
Erbol  
Kuanyshevich**

*Managing Director  
- Member of the  
Management Board JSC  
«NMH» KazAgro «*

### Chairman of the Board of Directors

(representative of the Sole Shareholder)

**Date of birth:** 2 June 25, 1979

**Place of birth:** KazSSR

#### Education:

- Taraz State University
- International Kazakh-Turkish University
- Academy of Public Administration under the President of the Republic of Kazakhstan, Master's
- National School of Administration of France, according to the international program «Bolashak»

#### Seniority:

- Deputy Chairman of the Investment Committee of the Ministry of Investment and Development of the Republic of Kazakhstan (2016-2018);
- Deputy akim of South Kazakhstan, Turkestan region (2018-2019);
- Managing Director - member of the Management Board of the joint-stock company «NMH» KazAgro «(2019-2020);
- Chairman of the Board of Directors of the "Agrarian Credit Corporation" JSC (from May 22, 2020).



**Dzhuvashev  
Asylkhan  
Bolatovich**

*Managing Director  
- Member of the  
Management Board of  
"KazAgro" NMH" JSC*

### Member of the Board of Directors

(representative of the Sole Shareholder)

**Date of birth:** January 31, 1981

**Place of birth:** KazSSR

#### Education:

- Kazakh Economic University named after T. Ryskulov

#### Seniority:

- Head of the lending and leasing department of "KazAgroFinance" JSC (2009-2011);
- Deputy Chairman of the Management Board of "KazAgro-Finance" JSC (2011-2015);



**Kultraev  
Baglan  
Kulibayevich**

*Chairman of the Board  
of the "Agrarian Credit  
Corporation" JSC*

### Member of the Board of Directors

**Date of birth:** May 23, 1977

**Place of birth:** KazSSR

#### Education:

- Kazakh Academy of Sports and Tourism Almaty (1998);
- Central Asian University Almaty (2001);

#### Seniority:

- Advisor to the Chairman of the Board of "Bank CenterCredit" JSC (2018)
- General Director of AX Capital Group LLP (2018-2019);
- Managing Director for Administration and Monitoring of the "Agrarian Credit Corporation" JSC (2019-2020);
- Chairman of the Board of the "Agrarian Credit Corporation" JSC (from 03.2020)



**Enkebaev  
Dosym  
Kobeyuly**

*Managing Director of the  
"Social Medical Insurance  
Fund", NJSC*

### Member of the Board of Directors - Independent Director

**Date of birth:** May 12, 1976

**Place of birth:** KazSSR

#### Образование:

- Kazakh State National University named after Al-Farabi
- Kazakh State Law University

#### Трудовой стаж:

- Member of the Board of Directors of JSC «Export-Credit Insurance Corporation» KazExportGarant «, representative of interests of JSC» NMH «Baiterek» (2013-2014);
- Advisor on financial, economic, legal, anti-crisis issues of the Office of Documentation and Control of JSC «House Construction Savings Bank of Kazakhstan» (2014-2016);
- Member of the Management Board, Deputy Chairman of the Management Board of "Housing Construction Savings Bank of Kazakhstan" JSC (2016-2020);
- Independent Director of the "Agrarian Credit Corporation" JSC (from 08.07.2020)



**Nurgozhin  
Adil  
Ergaliuly**

*Managing director JSC  
«National Managing  
Holding» Baiterek «*

**Member of the Board of Directors - Independent Director**

**Date of birth:** March 28, 1983

**Place of birth:** KazSSR

**Образование:**

- Kazakh National University
- University of Montana (USA)
- Langzhou University (PRC)

**Трудовой стаж:**

- Director of the Department of Marketing and Advertising, then Strategic Development of JSC Regional Financial Center of Almaty City (2007-2009);
- Director of the Department for Investment Projects in the Mining and Chemical Industry,
- Managing Director of “Samruk-Kazyna Invest” LLP (2009-2012);
- General Director of “VTB Capital I2BF” LLP (2012-2018);
- Managing Director of “Baiterek NMH” JSC (2018 - present).
- Member of the Board of Directors - Independent Director of the “Agrarian Credit Corporation” JSC



**Zholdybekov  
Kuat  
Tolegenovich**

*Managing Director of  
JSC «Export Insurance  
Company» KazakhExport*

**Member of the Board of Directors - Independent Director**

**Date of birth:** January 30, 1985

**Place of birth:** KazSSR

**Образование:**

- Eurasian National University
- Semipalatinsk state university
- KDI School of Public Policy and management, Seoul, South Korea

**Трудовой стаж:**

- Deputy Director of the Department for Analysis of Systemic Problems of Regions of the Ministry of Regional Development of the Republic of Kazakhstan (2013-2014);
- Advisor to the First Deputy Prime Minister of the Republic of Kazakhstan (2014-2016);
- Deputy Chairman of the Management Board - member of the Management Board of “Export Insurance Company “KazakhExport” JSC (2016-2018);
- Managing Director - member of the Board of JSC «Export insurance company» KazakhExport «(since 2018)
- Member of the Board of Directors - Independent Director of the “Agrarian Credit Corporation” JSC

*The Board of Directors of the “Agrarian Credit Corporation” JSC carries out its activities in accordance with the requirements of the current legislation, in the interests of the Sole Shareholder represented by “KazAgro” NMH” JSC in order to implement the tasks set in the field of financing the subjects of the agro-industrial complex with minimal legal, financial and reputational risks.*

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

- 01 Determination of the development strategy of the Company (directions and results);
- 02 Setting and monitoring the efficiency of the Development Plan;
- 03 Organization and supervision over the effective functioning of risk management, internal control and corporate governance systems;
- 04 Approval and monitoring of the effective implementation of key strategic projects within the competence of the Board of Directors;
- 05 Election, remuneration, succession planning and oversight of the Management Board

The composition of the Board of Directors is balanced in terms of the qualifications of its members, their experience, knowledge and business qualities, and enjoys the confidence of the Sole Shareholder. Members of the Board of Directors have an impeccable business reputation, knowledge, skills and experience in agriculture, economics and business management, as well as jurisprudence.

## Appointments and selection

In accordance with subparagraph 8) of paragraph 16 of the Charter of the “Agrarian Credit Corporation” JSC, the issues of determining the quantitative composition, term of office of the Board of Directors, election of its members and early termination of their powers, as well as determination of the amount and conditions for payment of remuneration and compensation of expenses to members The Board of Directors for the fulfillment of their duties belongs to the exclusive competence of the Sole Shareholder.

In accordance with the Regulations on the Board of Directors of the “Agrarian Credit Corporation” JSC, the search and selection of candidates for the Board of Directors can be carried out both by the Company and the Sole Shareholder independently.

*The Sole Shareholder considers the appropriate candidate for election to the Board of Directors.*

**The procedure for the search, selection and election of candidates consists of the following stages:**

- 01 Determination of the need for the selection of directors for the Board of Directors;
- 02 Search for candidates who meet the qualification requirements;
- 03 Preliminary assessment of candidates for compliance with qualification requirements;
- 04 Consideration and election of candidates by the Sole Shareholder.

## BOARD COMMITTEES

### Strategic Planning and Risk Committee

#### **Enkebaev Dosym Kobeyuly**

Chairman of the Committee

Managing Director of the "Social Health Insurance Fund", NJSC

#### **Nurgozhin Adil Ergaliuly**

Committee member

Managing Director - JSC «National Managing Holding» Baiterek

#### **Zholdybekov Kuat Tolegenovich**

Committee member

Managing Director of JSC «Export Insurance Company» KazakhExport

#### **A.A. Omarov**

Committee expert

#### **Orazymbetova D.B.**

Committee expert

#### **Kairdenova A.A.**

Committee expert

#### **Zhumabay A.S.**

Committee expert

#### **Abilkasova G.G.**

Committee expert

**The competence of the Committee includes consideration of the following issues:**

- 01 Strategic planning;
- 02 Investment activity;
- 03 Innovative activity;
- 04 Issues of internal control and risk management;
- 05 Reporting and performance evaluation;
- 06 Other functions.

# 12

meetings

Were held in 2020

### Credit Policy and Problem Loans Committee

#### **Nurgozhin Adil Ergaliuly**

Chairman of the Committee

Managing Director - JSC «National Managing Holding» Baiterek

#### **Enkebaev Dosym Kobeyuly**

Committee member

Managing Director of the "Social Health Insurance Fund", NJSC

#### **Zholdybekov Kuat Tolegenovich**

Committee member

Managing Director of JSC «Export Insurance Company» KazakhExport

#### **Shapenov S.K.**

Committee expert

#### **Abilkasova G.G.**

Committee expert

**The competence of the Committee includes consideration of the following issues:**

- 01 Approval of internal regulations governing the activities of the Company, taking into account the classifier;
- 02 Making decisions on the conclusion of large transactions and transactions in which there is an interest;
- 03 Determination of the main strategies and principles of control, regulation and unification of lending activities and work with problem loans of the Company.

# 10

meetings

Were held in 2020

### Internal Audit Committee

#### **Zholdybekov Kuat Tolegenovich**

Chairman of the Committee

Managing Director of JSC «Export Insurance Company» KazakhExport

#### **Nurgozhin Adil Ergaliuly**

Committee member

Managing Director - JSC «National Managing Holding» Baiterek

## 8

meetings

Were held in 2020

**Enkebaev  
Dosym Kobeyuly**

Committee member

Managing Director of the "Social Health Insurance Fund", NJSC

**The competence of the Committee includes consideration of the following issues:**

- 01 Financial statements;
- 02 External audit;
- 03 Internal audit;
- 04 Compliance with legislation;
- 05 Reporting and performance evaluation;
- 06 Other functions.

Social Affairs,  
Human Resources  
and Remuneration  
Committee**Zholdybekov  
Kuat Tolegenovich**

Chairman of the Committee

Managing Director of JSC «Export Insurance Company» KazakhExport

**Nurgozhin  
Adil Ergaliuly**

Committee member

Managing Director - JSC «National Managing Holding» Baiterek

**Enkebaev  
Dosym Kobeyuly**

Committee member

Managing Director of the "Social Health Insurance Fund", NJSC

**Утегалиева А.А.**

Committee expert

**Жұмабай А.С.**

Committee expert

## 13

meetings

Were held in 2020

**The competence of the Committee includes consideration of the following issues:**

- 01 According to qualification requirements;
- 02 According to the candidates' assessment;
- 03 Succession planning;
- 04 According to the performance assessment;
- 05 By the system of remuneration;
- 06 Development;
- 07 For disciplinary action;
- 08 Upon termination of powers;
- 09 Preliminary consideration of issues related to the number of staff, payroll, training costs, organizational structure;
- 10 Preliminary approval of the personnel policy, internal regulations related to social support of the Company's employees;
- 11 Preliminary consideration of issues related to the corporate social responsibility of the Company;
- 12 Preliminary consideration of issues related to labor disputes and conflicts, in case of contacting the Committee or the Board of Directors;
- 13 On reporting and performance evaluation.

Work of the Board  
of Directors and  
its Committees

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

In 2020, 20 meetings of the Board of Directors were held, 13 of them in person and 7 in absentia. 179 questions were considered.

In 2021, work will continue on the implementation of all the tasks set, including the further implementation of the Development Strategy, as well as the improvement of the corporate governance system and the implementation of state programs for financing the subjects of the agro-industrial complex.

## GOVERNING BODY

In accordance with the Charter of the “Agrarian Credit Corporation” JSC, the Management Board is the executive body that manages the current activities of the Company.

The Management Board is headed by the Chairman of the Management Board. *As of December 31, 2020, the Management Board consists of seven members of the Management Board.*



Kultaev B.K.

### Chairman of the Board

**Date of birth:** May 23, 1977

**Place of birth:** KazSSR

#### Education:

- Kazakh Academy of Sports and Tourism Almaty (1998);
- Central Asian University Almaty (2001);

#### Seniority:

- Advisor to the Chairman of the Board of JSC «Bank» Center-Credit «(2018);
- General Director of “AX Capital Group” LLP (2018-2019);
- Managing Director for Administration and Monitoring of the “Agrarian Credit Corporation” JSC (2019-2020);
- Chairman of the Board of the “Agrarian Credit Corporation” JSC (from 03.2020)



Abenov A.Zh.

### Managing Director for Crediting - Member of the Management Board

**Date of birth:** 06 January 1973

**Place of birth:** KazSSR

#### Education:

- Russian Academy of Economics. G.V. Plekhanova

#### Seniority:

- Head of Department of “Home Credit Bank” JSC (2014);
- Director of ZUMKAD LLP (2015-2017);
- Regional Director of LLP «R-Finance» Avtolombard «(2017-2020);
- Managing Director for Administration and Monitoring - Member of the Board of the “Agrarian Credit Corporation” JSC (02.2020-04.2020);
- Managing Director for Lending - Member of the Board of the “Agrarian Credit Corporation” JSC (from 04.2020).



Kenzhebaeva A.R.

### Managing Director for Financial Institutions - Member of the Management Board

**Date of birth:** June 21, 1980

**Place of birth:** KazSSR

#### Education:

- Kazakh State Law Academy
- Kazakh State Economic University named after Ryskulova
- Innovative Eurasian University
- M&MU Business school, Scotland UK

#### Seniority:

- Director of the Regional Development Department of the “Agrarian Credit Corporation” JSC (2011-2016);
- Managing Director - Director of the Regional Development Department of the “Agrarian Credit Corporation” JSC (2016-2017);
- Managing Director of the “Agrarian Credit Corporation” JSC (2017-2019);
- Managing Director - Member of the Management Board of the “Agrarian Credit Corporation” JSC (from 09.2019);



Aliev A.K.

### Managing Director for Finance - Member of the Management Board

**Date of birth:** June 21, 1966

**Place of birth:** KazSSR

#### Education:

- Karaganda Cooperative Institute of Tsentrosoyuz
- Kazakh Institute of Law and International Relations
- Russian Academy of National Economy and Public Administration under the President of the Russian Federation

#### Seniority:

- Deputy Head of the Treasury Department in Kostanay region (2005-2007);
- First Deputy, Chairman of the Board of JSC «National Company» Social and Entrepreneurial Corporation «Tobol» (2007-2016);
- Akim of Karabalyk district of Kostanay region (2017-2018);
- General Director of the Republican Veterinary Laboratory (2018-2019);
- Managing Director for Finance - Member of the Management Board of the “Agrarian Credit Corporation” JSC (from 09.2019).



Baykuatov D.S.

**Managing Director for Crediting - Member of the Management Board**

**Date of birth:** April 22, 1976

**Place of birth:** KazSSR

**Education:**

- Kazakh Academy of Transport and Communications University of
- International Business

**Seniority:**

- Executive Director of the mortgage organization «BTA Ipoteka» (2004-2013);
- Director of the Department of Banking Technologies, Director of the Department for Development and Implementation of Banking Products of “House Construction Savings Bank of Kazakhstan” JSC (2014-2018);
- Deputy Chairman of the Board of the Mortgage Organization «Baspana» (2018-2019);
- Managing Director for Development - member of the Management Board of the “Agrarian Credit Corporation” JSC (from 07.2019).



Zhaulymbaev K.S.

**Managing Director for Administration and Monitoring - Member of the Management Board**

**Date of birth:** September 24, 1981

**Place of birth:** KazSSR

**Education:**

- Karaganda State University named after Buketov

**Seniority:**

- Director of the SME Department of Alfa Bank JSC (2009-2012);
- Managing Director of “KazAgro” NMH” JSC (2012-2017);
- Chairman of the Management Board of “KazAgroProduct» JSC (2017-2020);
- Managing Director for Administration and Monitoring - Member of the Management Board (from 04.2020).



Zhanchurin K.S.

**Managing Director for Legal Support and Problem Loans - Member of the Management Board**

**Date of birth:** November 23, 1979

**Place of birth:** KazSSR

**Education:**

- Agrotechnical University named after S. Seifullin
- University named after D.A. Kunaev

**Seniority:**

- Chief Expert of the Department of General Legal, Legal and Contractual Work of the Department of Legal Support and Strategy of Public Procurement of the Ministry of Agriculture of the Republic of Kazakhstan (2008-2012);
- Head of the Department for Monitoring Accounting and Systematization of Regulatory Legal Acts of the Department of Legal Procurement of the Ministry of Agriculture of the Republic of Kazakhstan (2012-2014);
- Head of the Department for Examination of Normative Legal Acts of the Ministry of Agriculture of the Republic of Kazakhstan of the Department for Legal Support of Procurements of the Ministry of Agriculture of the Republic of Kazakhstan (2014-2019);
- Deputy Director of the Department of International Cooperation of the Ministry of Agriculture of the Republic of Kazakhstan (2019-2020);

## Board work

The goal of the Management Board is to effectively implement the development strategy and development plan of the Company. The activities of the Management Board are based on the following principles:

- 01 Transparency and openness;
- 02 Responsibility and accountability;
- 03 Objective distribution of responsibilities;
- 04 Proper approval and approval of transactions;
- 05 Complexity and consistency;
- 06 Continuous development and improvement;
- 07 Flexibility;
- 08 Timeliness of identifying and responding to any significant deficiencies and weaknesses in control;
- 09 Priority of areas of activity of the Management Board;
- 10 Manufacturability;
- 11 Competence of employees;
- 12 Documentation of procedures;
- 13 Reliability and completeness of information.

# 64

meetings

*Were held in 2020*

In 2020, 64 meetings of the Management Board were held, of which 39 meetings were held in person, 25 were held in absentia. In total, in 2020, the Management Board considered 440 issues, of which 116 issues were initiated at a meeting of the Board of Directors of the Company, on which decisions were made and instructions were issued.



**The main blocks of the considered issues:**

- 01 Transactions concluded on behalf of the Company in the manner prescribed by the legislation and this Charter;
- 02 Approval of the staffing table of the Company, taking into account the staffing number approved by the Board of Directors;
- 03 Approval of documents adopted in order to organize the activities of the Company in accordance with the classifier of internal regulatory documents approved by the Board of Directors;
- 04 Increase in the Company's liabilities by an amount ranging from 2 to 10 percent of the Company's equity capital;
- 05 Placement of temporarily free money, on the approval of a decision on the acquisition or alienation of securities in accordance with the internal regulations of the Company, if the legislation and this Charter do not relate to the competence of another body of the Company;
- 06 Approval of the internal regulations of the Company;
- 07 Other issues of the Company's activities not related to the exclusive competence of the Sole Shareholder and the Board of Director.

**129,58**  
million tenge

*The total amount of remuneration paid to members of the Board of Directors and the Management Board in 2020.*

## BASIC PRINCIPLES OF REMUNERATION OF THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD

The establishment of remuneration for members of the Board of Directors of the Company is carried out in accordance with internal regulatory documents, while taking into account the expected positive effect for the Company from the participation of this person in the Board of Directors. Remuneration is paid to independent directors, unless otherwise provided by law, regulations of the Company and those organizations in which they work. The Chairman of the Management Board of the Company does not receive remuneration for participating in the work of the Board of Directors. The amount of the fixed annual remuneration is determined by the decision of the Sole Shareholder.

Remuneration is not paid in the event of an established fact of causing damage to the Company, caused by a decision of the Board of Directors, for which, among other things, an independent director voted. The Regulation on the conditions of remuneration, bonuses and social security for the Chairman and members of the Management Board of the Company is approved by the Board of Directors of the Company.

The remuneration is differentiated based on an individual approach, taking into account the complexity of the work performed and the position held. The system of remuneration of the Chairman and members of the Management Board includes remuneration based on the results of work for the year. Remuneration based on the results of work for the year is paid once a year, depending on the results of the achievement of strategic key performance indicators by the Chairman and members of the Management Board and the results of the assessment by the Board of Directors of their activities. In accordance with the Regulations on the conditions of remuneration, bonuses and social security of the Chairman and members of the Management Board of Agrarian Credit Corporation JSC, the basic principles of remuneration for members of the Management Board consist of the following stages:

- 01 Determination of efficiency and target values;
- 02 KPI approval;
- 03 Calculation and approval of the effectiveness of the achieved KPIs.

The total amount of remuneration paid to members of the Board of Directors and the Management Board in 2020 is 129.58 million tenge. Remuneration paid to members of the Board of Directors consists of remuneration and deductions for social security. The remuneration paid to members of the Management Board consists of salaries of other short-term payments, as well as social security contributions.

## ANTI-CORRUPTION

The "Agrarian Credit Corporation" JSC, as a socially responsible company, strives to build a transparent society that is intolerant to manifestations of corruption. The Company systematically carries out anti-corruption work, which includes a set of measures.

The company proclaims the inevitability of punishment for employees, regardless of their position, in the event that they commit corruption offenses in connection with the performance of their work duties.

### 2020 жылы Компания сыбайлас жемқорлыққа қарсы іс-қимыл бойынша мынадай іс-шаралар өткізді:

- 01 A system for calling service recipients about the absence / presence of corruption on the part of the Company's employees was introduced in a pilot mode;
- 02 A culture of anti-corruption has been introduced (development of a portrait of a corrupt official, identification of employees corresponding to such a portrait, monitoring of his activities in society, including control of his financial situation in the manner prescribed by law);
- 03 A mechanism for controlling the key business processes of the Company was introduced in a pilot mode (lending, final control, work with problem loans, claims and claims, purchases);
- 04 The form of the "Know Your Employee" questionnaire has been updated, and the process of checking the members of the authorized body for affiliation with the counterparty (borrower, leasing recipient, supplier) has been introduced;
- 05 The Internal Control Rules were updated in order to counter the legalization (laundering) of proceeds from crime and the financing of terrorism;
- 06 The analysis of the quality of consideration of responses to complaints received from service recipients and other persons (on an ongoing basis) is carried out.

## CODE OF CONDUCT

The Code of Corporate Ethics of the "Agrarian Credit Corporation" JSC (hereinafter - the Code) was developed in accordance with the current legislation of the Republic of Kazakhstan, taking into account recognized world standards of business conduct and corporate governance, on the basis of the Charter, the Corporate Governance Code and other internal documents "Agrarian Credit Corporation" JSC. The Code reflects the Company's vision and understanding of the principles of business ethics and corporate values.

### Corporate values of the Company

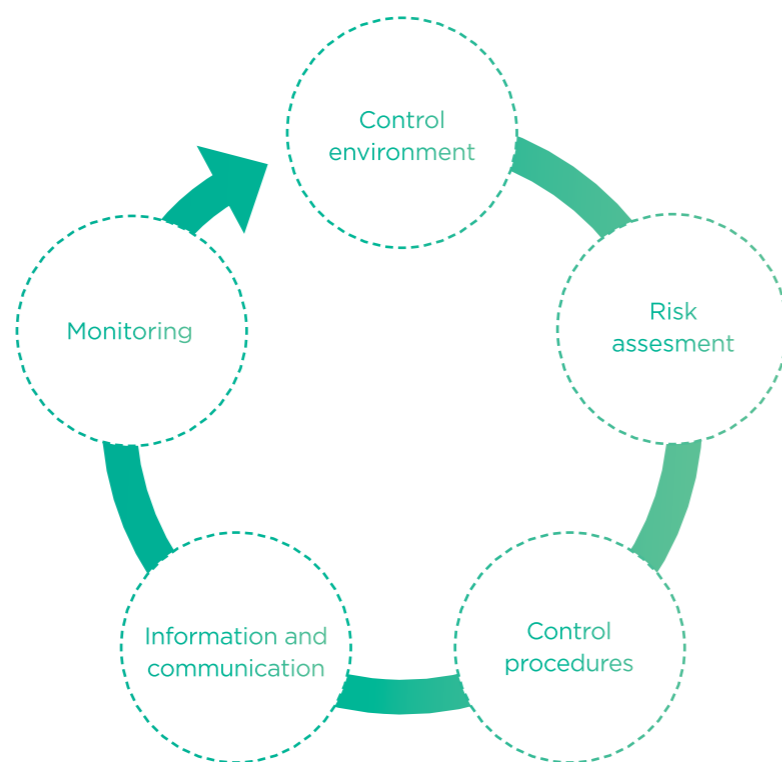
1. Competence and professionalism;
2. Honesty and openness;
3. Legality and fairness;
4. Responsibility;
5. Respect for the values and dignity of the individual;
6. Patriotism;
7. One «team» spirit.

In carrying out their duties, the employees of the Company are guided by the following corporate ethical principles that apply to all employees of the Company:

- **Decency**, presupposing a fair relationship, truthfulness and honesty in all professional and business relationships;
  - **Objectivity** that does not allow bias, conflicts of interest, pressure from others to change professional or business judgment;
  - **Professional competence** - constant maintenance of professional knowledge at the level necessary for the implementation of qualified professional work in the Company; striving for professional development and advanced training;
  - **Respect** - showing due attention to the Sole Shareholder, partners and colleagues, the rights and legitimate interests of citizens;
  - **Collaboration and efficiency** - joining efforts to solve strategic and daily tasks, working in a close-knit team to achieve the set goals;
  - **Confidentiality** - a responsible attitude to confidential information of the Company and its partners, taking measures to protect it and prevent unauthorized distribution;
- Commitment to the principles of conduct** - the main values and principles of the Company are not only enshrined in this Code and other internal documents, but are also fully observed by the management and employees of the Company.

## INTERNAL CONTROL SYSTEM

Internal control is defined as a process that is carried out by the Board of Directors, the Management Board, structural divisions and employees of the Company in order to provide a reasonable guarantee that the goals of the Company will be achieved. The Company's internal control system is built in accordance with the COSO model «Internal Control - Integrated Model» and consists of the following interrelated components:



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

### Basic principles of the ICS

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

- 01 Participation in the process of internal control of all structural divisions and employees of the Company, organization of internal control as a daily activity at all levels of management
- 02 Internal control coverage of all areas of activity and business processes and the regulation of internal control procedures in all areas and business processes of the Company
- 03 Implementation of internal control on an ongoing basis (continuity)

In the Company, an important element of the internal control system is the regulation of business processes, which includes a full description by the structural units of the process movement, a list, results, control points, completion forms, participants and their responsibility, etc.

Business process owners conduct an annual analysis of internal regulatory documents for the need to update, improve internal control, exclude conflicts of interest (if any), identify inconsistencies, insufficient regulation / formalization of business processes, an action plan for updating is approved internal regulatory documents.

In order to manage internal control, the Company provides for compliance control, which is aimed at ensuring compliance with the requirements of the legislation of the Republic of Kazakhstan, the Charter, the Corporate Governance Code and internal regulatory documents.

## INTERNAL AUDIT SERVICE

*The Internal Audit Service (hereinafter referred to as the Service) was created in the Company for the purpose of exercising control over the financial and economic activities of the Company, providing the Board of Directors with independent reasonable guarantees and consultations aimed at improving the Company's activities and increasing the efficiency of the Company's management, including systems risk management, internal control and corporate governance in the Company.*

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

Internal audit planning is carried out on the basis of a risk-based approach and in 2020 the Service completed 10 audit assignments, including audits at the Company's branches.

Based on the results of the audit, the Service developed appropriate recommendations and the audit objects developed plans for corrective / preventive actions to eliminate detections.

The service monitors the implementation of recommendations based on the results of internal audit, external audit and external regulatory bodies on a quarterly basis.

Consolidated results of internal audit and information on the implementation of recommendations are reflected in quarterly and annual reports, which are considered and approved by the Board of Directors of the Company. The reporting is preliminarily reviewed by the Internal Audit Committee of the Board of Directors.

The efficiency of the Service and its employees was assessed by the Board of Directors of the Company on the basis of the approved key performance indicators.

## EQUITY STRUCTURE

*The authorized capital of the Company as of December 31, 2020 is 167,809,534 tenge.*

The number of offered common shares is 168 124 996, the par value of one share is 998.12 tenge; there are no shares in free circulation.

The book value of one share is 992.24 tenge.

**Earnings per share - 116.94 tenge.**

There were no significant transactions with shares in the reporting period and no changes occurred in the composition of shareholders holding shares in the amount of five or more percent of the number of outstanding shares in the reporting period.

## Lema Gursaev

Head of farm «Gursaev»

## DIVIDENDS

The policy of the “Agrarian Credit Corporation” JSC in relation to the goals, principles, size, form, timing and procedure for the payment of dividends is defined in the Regulations on Dividend Policy, approved by the decision of the Sole Shareholder - the Management Board of “KazAgro” Holding” dated 04.07.2012 (hereinafter -Position).

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

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

- 01 Strict observance of the rights of the Sole Shareholder provided for by the current legislation of the Republic of Kazakhstan, the Charter of the Company and its internal documents and the best corporate governance practices;
- 02 Balance of interests of the Company and the Sole Shareholder in determining the amount of dividend payments;
- 03 Taking into account the interests of the Sole Shareholder and maximizing its assets;
- 04 Compliance with the restrictions established by the legislation of the Republic of Kazakhstan and the Charter of the Company when making a decision (announcement) on the payment of dividends;
- 05 Development of a medium-term and long-term dividend policy in accordance with the basic principles and approaches to the formation of the Company’s dividend policy contained in this Regulation;
- 06 Ensuring motivation of the executive body of the Company to achieve the planned profit and dividends.

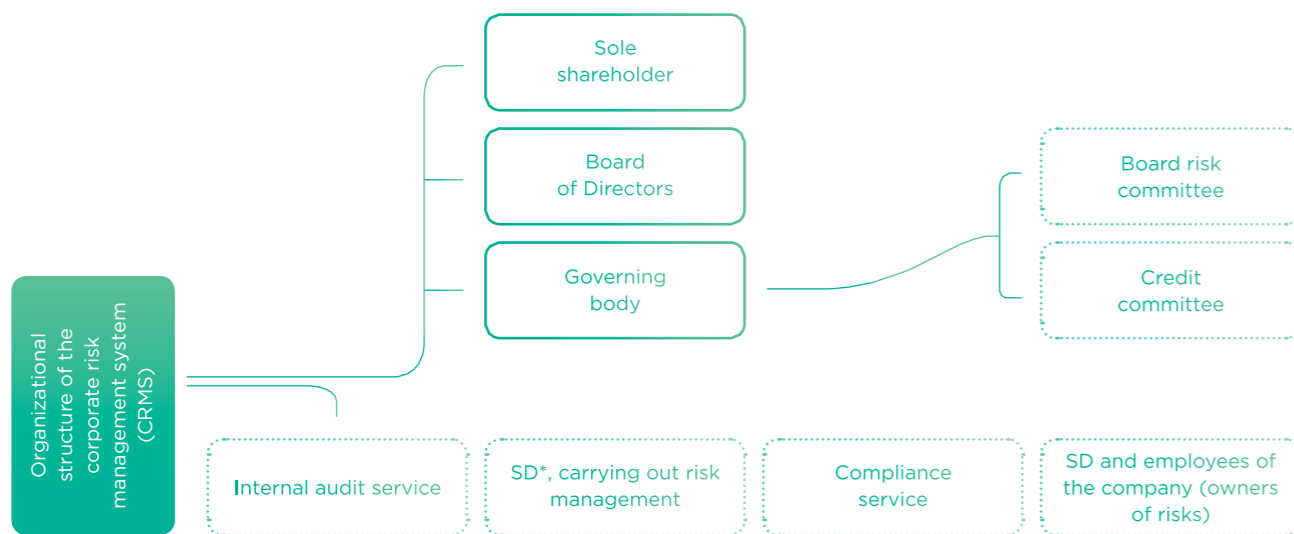
**Information about the paid dividends for the last 3 years:**

In 2018 (based on the results of 2017)	Dividend amount (% of net income)	In 2019 (at the end of 2018)	Dividend amount (% of net income)	2020 (according to the results of 2019)	Dividend amount (% of net income)
4 189,7 mln tenge	60 %	10 375,6 Mln tenge	100%	16 034 mln tenge	100%

# MANAGEMENT OF RISKS

The Company's risk management system is an ongoing process that contributes to the timely identification, assessment, monitoring and control of risks, and also provides the Management Board and the Board of Directors of the Company with up-to-date information on risks and measures to minimize risks.

The main goal of the risk management system is to find the optimal balance between profitability and the level of risks, as well as to ensure the sustainable development of the Company as part of the implementation of strategic plans and achievement of the established goals.



\*SD - structural division

The functions of the participants in the risk management process are determined by the Risk Management Policy of the "Agrarian Credit Corporation" JSC, which is posted in the public domain on the Company's website.

Using a number of tools, the Company timely identifies, measures, monitors and controls its risks.

## Risk management tools

- Maintaining a database on risks
- Self-assessment of risk by risk owners
- Monitoring of Key Risk Indicators
- Formation of the Register and risk map
- Assessment of innovations and/or changes in processes, systems of the Company
- Risk reporting
- Analysis of the results of audit reports on inspections of the Company's divisions of internal operational risks entered in the database.

The risk register for 2020 includes 19 risks that the Company is exposed to in the course of its activities.

The significant risks, which the Company was confirmed in 2020, included risks related to personnel management; risks associated with the automation of processes, risks of deterioration in the quality of the loan portfolio, credit risk of counterparty banks, compliance risks.

As part of the risk management procedures in 2020, measures were developed and carried out to minimize data and other risks, risk owners were fixed, target indicators were determined, and reporting was provided to the Management Board and the Board of Directors of the Company. At the end of the year, taking into account the work done, the implementation of significant risks is not noted.

Evaluation of the effectiveness of the risk management system is carried out by the Internal Audit Service of the Company.

# RISK ANALYSIS

Taking into account the peculiarities of the functioning of the agricultural sector, the activities of the Company are subject to the influence of credit risk, which is the risk of incurring losses due to non-repayment of loans issued.

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

## Credit risk management

- Primary analysis of credit risk by structural divisions and analysis by the risk management division
- Setting limits for counterparties depending on the terms of product programs and the borrower's/branch rating
- Diversification of the loan portfolio in order to avoid excessive concentration of risk
- Monitoring the loan portfolio to identify deterioration in quality at an early stage
- Formation of an adequate level of provisions (reserves for possible losses)

## Operational Risk Management

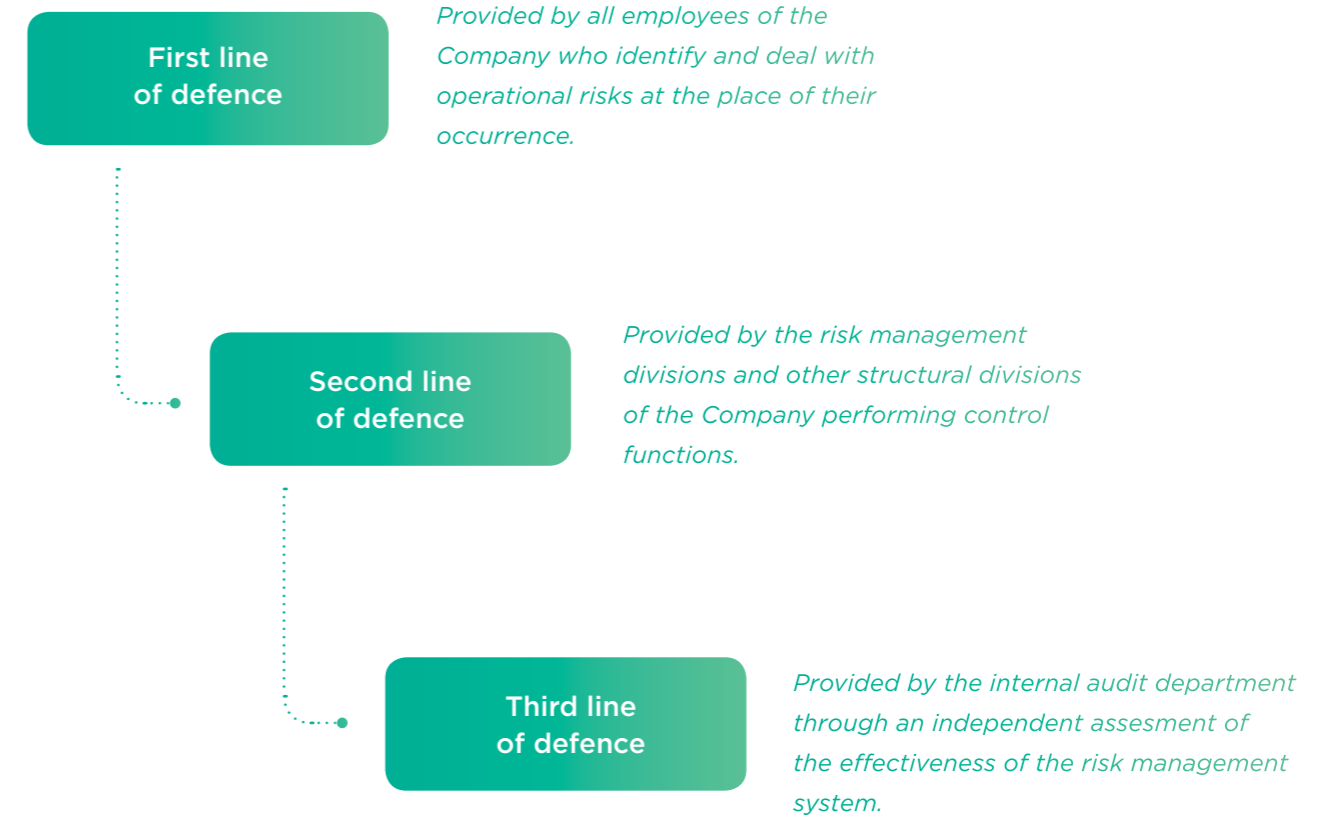
In carrying out its activities, the Company is exposed to operational risks. Operational risks are understood as the risk of incurring losses as a result of the human factor, the risk of a business process, the risk of information systems and equipment, as well as due to external events. Operational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

In order to ensure conditions for the identification of operational risk and its assessment, the Company maintains a risk database based on the data provided by the risk coordinators on the implemented risk events. The risk database has been developed primarily with the aim of promptly responding to risk events that have occurred and preventing them. The Risk Management Department of the Company monitors the Base on a daily basis for the presence of recorded risk events.

The main functions of risk coordinators are interaction with the risk management department, ensuring complete and timely collection and provision of information on operational risk events, assistance in operational risk management and monitoring compliance with operational

risk management procedures and key risk indicators. Risk coordinators are regularly trained to ensure that the Company's employees are aware of the requirements of the procedures for managing operational risks.

When organizing the risk management system, the Company is guided by the "three lines of defence" principle, which provides for the distribution of responsibilities in the process of managing operational risks:



The operational risk management process is regulated by the internal documents of the Company and is carried out at all levels of the corporate risk management system. The participants in the operational risk management process carry out the functions of identifying and registering potential risks, as well as taking measures to minimize their level and prevent the occurrence of negative consequences from their implementation.

## Information security risk management

The Company has an information security service (hereinafter referred to as the ISS), which is part of the Security Department and is directly subordinate to the Director of the Department, whose activities are regulated by the Information Security Policy, approved, with amendments and additions, by the decision of the Board of Directors of the Company dated May 22, 2020 year No. 7.

The NIB regularly takes measures to prevent leakage of confidential information, improve the protection systems of the Company's information system, comply with information security requirements, in accordance with the resolutions of the Board of the National Bank of the Republic of Kazakhstan and the recommendations of the Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market. Employees of the Company are personally responsible for the safety of confidential information and are obliged to comply with the above requirements.

During 2020, measures were taken in accordance with the plan to minimize information security incidents, aimed at reducing the level of information security risks. There is a system for preventing the leakage of confidential information, which makes it possible to quickly identify and prevent these facts.

In addition, in order to raise the awareness of the Company's employees, the NIB conducted training on information security in December 2020, following which a test was carried out for knowledge of the "Information Security Policy".

Also, the information system is monitored on an ongoing basis in order to prevent unauthorized access to the information systems of the Company.

Applications for providing access to the Company's information system undergo multilevel approval and verification to confirm the need and validity of access.



**Inna Korneeva**

Director of LLP «Kolos»



# SUSTAINABLE DEVELOPMENT

The “Agrarian Credit Corporation” JSC realizes the importance of its influence on the economy, the environment and society and strives to ensure sustainable development in the long term, observing the balance of interests of stakeholders.

The Company adheres to the principles of sustainable development (corporate social responsibility) and analyzes its activities and risks in terms of economic, environmental and social aspects, as well as strives to prevent or reduce the negative impact of the results of its activities on stakeholders.

## Dialogue with stakeholders

The company adheres to the concept of “Hearing State” in dialogue with stakeholders and periodically conducts system monitoring and analysis of the work of direct and feedback channels with stakeholders.

Stakeholders	Expectation	Interaction method
<b>Clients</b>	<ul style="list-style-type: none"> <li>-Obtaining preferential financing;</li> <li>-Reducing the interest rate;</li> <li>-Optimization of business processes for obtaining a loan;</li> <li>-Consulting support;</li> <li>-Non-financial support - assistance in increasing agro-competence;</li> <li>-Timely and accessible delivery of the necessary information.</li> </ul>	<ul style="list-style-type: none"> <li>-Presence of several feedback channels, free Call-center;</li> <li>-Continuous work to optimize business processes, adapt the product line with a customer-oriented approach;</li> <li>-Training of front-office workers in customer focus and service.</li> </ul>
<b>Government agencies</b>	<ul style="list-style-type: none"> <li>-Fulfillment of goals and objectives in accordance with the Mission and the Charter of the Company;</li> <li>-Compliance with legislation;</li> <li>-Fulfillment of target indicators of State programs as a financial operator</li> </ul>	<ul style="list-style-type: none"> <li>-The presence of a structural unit that interacts with government agencies;</li> <li>- Prompt response to inquiries and appeals;</li> <li>-Compliance with legal requirements.</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>-Security of investment;</li> <li>-Good business reputation, openness and transparency;</li> <li>-Sustainable development.</li> </ul>	<ul style="list-style-type: none"> <li>-Maintaining information policy based on the principles of openness;</li> <li>- The presence of a structural unit that carries out work to attract investment;</li> <li>-Participation in negotiations;</li> <li>-Signing memoranda.</li> </ul>
<b>Competitors</b>	<ul style="list-style-type: none"> <li>-The need to improve agricultural competence;</li> <li>-Compliance with the norms of business ethics.</li> </ul>	<ul style="list-style-type: none"> <li>-Training in the specifics of lending to agricultural business in the framework of the Center for Increasing Agricultural Competence;</li> <li>-Experience exchange.</li> </ul>

**Shareholder**

- Fulfillment of Strategic Objectives;
  - Growth of the Company's profitability;
- Provision of reports on the results of the Company's activities in accordance with the Charter and internal documents;
  - Implementation of decisions of the Sole Shareholder;
  - Ensuring the rights of the Sole Shareholder under the Charter, the Code of Corporate Governance of the Company.

**Workers**

- Stable wages;
  - Opportunity for career growth;
  - Social package;
  - Developed corporate culture.
- Compliance with meritocracy, open personnel policy;
  - Providing employees with equal opportunities to realize their potential.

**Society**

- Providing preferential financing for agricultural producers;
  - Development of the agro-industrial complex
- The presence of a structural unit, carrying out work on work with the public;
  - Open information policy.

**Economic impact**


The "Agrarian Credit Corporation" JSC implements the state policy on the formation of an affordable credit system that stimulates the development of competitive entrepreneurship in rural areas. The Company's activities have a direct positive impact on the economy of the Republic of Kazakhstan using the following tools:

	2019 (mln tenge)	2020 (mln tenge)
<b>Economic value created (income)</b>	<b>55 180</b>	<b>63 771</b>
Operating income	54 961	63 587
Other income	219	184
<b>Allocated economic value (costs)</b>	<b>35 080</b>	<b>39 750</b>
Funding costs	20 519	26 888
Staff costs	3 329	3 595


Other operating expenses	2 100	2 180
Other expenses	9 132	7 087
<b>CIT</b>	<b>4 066</b>	<b>4 361</b>
<b>Economic Cost to Distribution (Net Income)</b>	<b>16 034</b>	<b>19 660</b>

In addition, the activities of the Company have an indirect positive impact due to the results of the activities of agricultural producers who received preferential loans from the Company, payment of taxes and payments, receiving wages, organizing additional jobs, and producing products.


**Production volumes by projects in 2020:**




**Eggs**  
36,6 million pieces




**Milk**  
239,3 thous. tons




**Cattle meat**  
33,7 thous. tons




**Broiler meat**  
10,4 thous. tons




**Fruits**  
49,7 thous. tons



**Greenhouse products**  
70,2 thous. tons



**Oil refining**  
224,8 тыс. тонн



**Vegetables**  
88,1 тыс. тонн

## ORGANIZATION OF PURCHASES IN THE COMPANY

Since 2020, the Company has been purchasing goods, works and services in accordance with the Procurement Rules for the quasi-public sector, approved by the Ministry of Finance of the Republic, on a specialized procurement web portal in order to increase the transparency of procurement procedures and exclude direct contact with suppliers. At the same time, the "Agrarian Credit Corporation" JSC adheres to several principles:

- Optimal and efficient spending of money used for purchases;
- Openness and transparency of the procurement process;
- Providing potential suppliers with equal opportunities to participate in the procurement process;
- Fair competition among potential suppliers.

In 2020, 374 contracts were concluded. The actual volume of purchases was 750 381 251 tenge, incl. goods - 127 537 674 tenge, services - 622 843 576 tenge. By means of a tender, contracts were concluded in the amount of - 116,234,056 tenge, which is 15.49% of the actual volume of purchases, by a method of requesting price offers - 130,341,223 tenge (17.37%), by a method from one source - 503 805 972 tenge (67.14%).

**The total share of local content in the procurement of goods, works and services of the Company was 85%.**

## HR AND SOCIAL WORK.

The goal of the Company's HR policy is to ensure the achievement of strategic objectives through an increase in the efficiency of personnel management and the development of personnel as the most important resource of the Company.

**The key priorities of the HR policy are:**

- 01 Attraction, development and retention of highly professional workers;
- 02 Introduction of advanced methods of personnel management, creation of effective departments for work with personnel in the Company;
- 03 Management of the pool of high-potential employees of the Company;
- 04 Support for innovation and transformation in the Company;
- 05 The creation and development of joint values, social norms, behavioral attitudes that regulate the behavior of the employee.

**The main principles of the Personnel Policy are:**

- 01 The long-term nature of the relationship;
- 02 The conformity of the qualifications of employees to their positions;
- 03 The relationship between the interests and goals of the Company and employees;
- 04 Continuity of knowledge and experience, emphasis on the development and training of employees;
- 05 Remuneration and promotion based on merit and results achieved.

Total number of staff:

<b>2017</b>	335 staff units
<b>2018</b>	339 staff units
<b>2019</b>	424 staff units
<b>2020</b>	410 staff units

Remuneration and its dynamics:

The remuneration of the Company's employees is based on the principles of an objective assessment of the performance of employees, internal fairness and external competitiveness of remuneration and remuneration, transparency in determining the amount of remuneration and bonuses, the dependence of the amount of remuneration and remuneration on the results of the Company's activities and the performance of employees. Since 2018, the Company has been using a job grading system (job evaluation in comparison of the remuneration practice in the Company with the reference market), according to which the salaries of employees are brought into line.

The job grading system uses the following approaches:

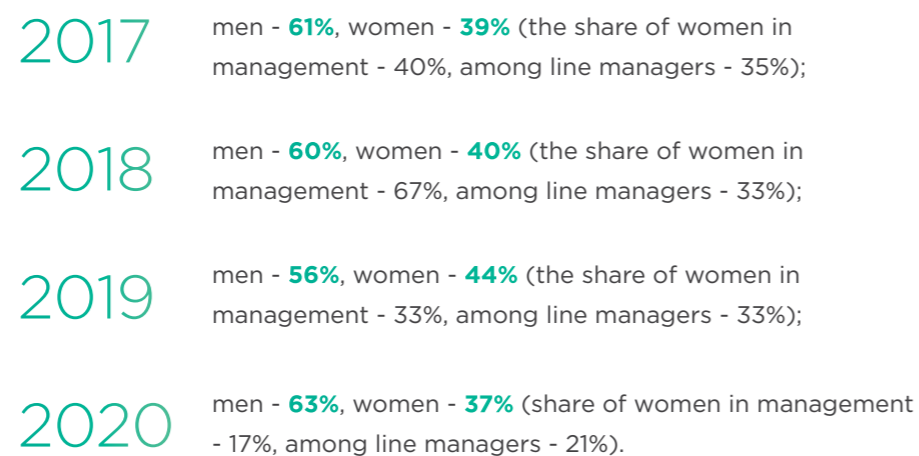
- 01 Ensuring transparency and manageability of the remuneration system;
- 02 Maintaining a balance of interests between the employee and the employer;
- 03 Building the hierarchy of the organization according to the rules common to all employees;
- 04 Creation of uniform rules for determining the amount of wages.

Level of staff turnover:



The level of staff involvement - corresponds to the Development Zone and the Success Zone, which is an average-high indicator.

Gender statistics, including the proportion of women in the management of the Company:



Social work:

- 01 The company creates for employees the most favorable social and economic conditions, social support for employees, contributing to their productivity.
- 02 The Company carries out compulsory insurance of the employer's civil liability for harm to the life and health of an employee in the performance of his labor (official) duties. The provision of employees with high-quality additional medical services and the possibility of rehabilitation treatment at the expense of the Company is carried out through the system of voluntary medical insurance.
- 03 To encourage highly productive, high-quality work of personnel, material (bonuses, mementos, material assistance) and non-material incentives (announcement of gratitude, awarding a diploma) are widely used.
- 04 The Company provides for a system of payments of material assistance to employees at the birth of children, marriage and death of close relatives.
- 05 Employees are provided with annual paid vacations with a total duration of 30 (thirty) calendar days for their rest, restoration of working capacity, health promotion and other personal needs.
- 06 Employees of the Company who have passed the probationary period, or hired without it, upon granting annual paid leave, are paid a health benefit in the amount of 2 (two) official salaries in the manner established by the internal documents of the Company. Annual paid leave may be granted in parts at any time of the year at the request of the employee and by agreement of the parties.
- 07 The system of granting social leave to employees is applied, which they need to pass exams and defend their diploma papers, and for other reasons of the objective necessity of each employee in the form of unpaid leave, study leave, maternity leave, leave without pay for childcare, or in connection with the adoption (adoption) of a newborn child (children).
- 08 The Company applies a time-based bonus system of labor remuneration. In addition to the competitive wages of employees in the labor market, the Company has payments of a compensatory and incentive nature.
- 09 One of the key factors in personnel development management is additional remuneration to employees for the final results in solving certain tasks in the form of bonuses based on the results of evaluating their activities. Bonuses to employees are an effective measure to motivate their conscientious work.
- 10 The Company ensures compliance with all guarantees and compensation payments when attracting employees on weekends and holidays, as well as when employees are on business trips.

- 11 One of the directions of personnel development is professional development of employees, both with and without separation from the main place of work. Employees are trained, as a rule, in those areas that are in demand in the activities of the Company. Employees have the opportunity to improve their qualifications, both within the country and travel to other countries.
- 12 Significant attention to the implementation of the social policy of the Company, as a socially responsible organization, is paid to the provision of charitable and sponsorship assistance, both to the citizens of the country who suffered during natural disasters and other circumstances, and to the needy poor citizens of the Republic of Kazakhstan.
- 13 The company annually holds teambuildings and corporate events aimed at maintaining the corporate spirit of its employees.

## Personnel training and development

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

2017 - **305** employees completed training;  
 2018 - **287** employees completed training;  
 2019 - **347** employees completed training;  
 2020 - **44** employees underwent training (due to quarantine measures throughout the Republic of Kazakhstan due to COVID-19, a moratorium was extended to training).

## MARKETING AND PR ACTIVITIES

In relations with clients, partners and the media, the Company creates an atmosphere of trust and openness.

The management regularly takes part in press conferences, briefings, forums, round tables, television programs. Thus, the public gets the opportunity to directly address questions to the top management of the company, and the Company receives timely feedback on existing problematic issues, the search for solutions to which is carried out together with clients or media representatives during a discussion based on an open dialogue.

To inform the public as much as possible about the activities of the Company, there is a corporate website that contains all the necessary information in accordance with the legislation of the Republic of Kazakhstan. The site has a news block, which publishes all the latest events; the blog of the Chairman of the Management Board - a feedback form for citizens' appeals; section on the Company's credit products; photo and video gallery; contacts of branches and credit partnerships, etc.

### **Annually, the Marketing and PR Service produces videos in several areas:**

- 01 Cases of the Company's borrowers in the format of «Success Stories» - 20,
- 02 Animated videos on the Company's lending programs -3,
- 03 Educational videos about animal husbandry - 3.

For effective feedback on ongoing projects, press tours were held in all regions of Kazakhstan. During the year, 6 press tours and 2 blog tours were held on projects financed by the "Agrarian Credit Corporation" JSC.

In order to improve the feedback system and inform the public, work in social networks continues in 2020. The number of subscribers to the official accounts of the Society is increasing every day thanks to useful and interesting content, as well as tools for promoting publications. Facebook - the page of the Company is the most involved among the subsidiaries of JSC «NMH» KazAgro «, the weekly coverage of the page is 35,000 organic accounts. Up to 20 questions come up weekly in social networks.

Along with external PR activities, the Marketing and PR Service pays attention to internal communications. So, in 2020, on the eve of the 20th anniversary of the Company, a corporate magazine was created.

## OCCUPATIONAL SAFETY AND HEALTH

*In order to ensure healthy and safe working conditions for employees of the central office, the Company:*

- 01 Creates working conditions that meet the requirements of safety and labor protection standards and norms;
- 02 Organizes control over the state of safety and labor protection, timely informs employees about its results;
- 03 When concluding employment contracts, undertakes obligations to ensure healthy and safe working conditions;
- 04 Allocates the necessary funds to ensure the conditions of safety and labor protection;
- 05 Exercises other powers that ensure guarantees of the rights of employees to safety and labor protection provided for by legislation.

## SPONSORSHIP AND CHARITY

Charitable and sponsorship assistance is provided at the expense and within the funds provided for in the Annual Budget for the corresponding financial year.

**The goals for charity and sponsorship are as follows:**

- 1. Strengthening the reputation of the Company as a socially responsible company;**
- 2. Providing targeted (direct) support to the most needy categories of the population (children, the disabled, the elderly);**
- 3. Formation of an image of fame and loyalty to the Company on the part of its potential clients and partners.**

**19,493**  
million tenge

*The total amount of charitable and sponsorship assistance provided in 2020.*

The company, adhering to the policy of a socially responsible company, can support various projects in the field of culture, sports, education, health care, environmental protection, contributing to the improvement of the social environment and the development of civil society, allowing the Company to achieve its goals in the field of charity and sponsorship. - mischief.

The company annually financially supports the Public Association «Council of Veterans of Agriculture» on the occasion of the Day of RK rural workers and veterans of the Great Patriotic War.

During the pandemic, the Company provided financial support to 100 medical workers of the Kyzylorda region.

**The total amount of charity and sponsorship provided in 2020 amounted to 19.493 million tenge.**



**Beibithan  
Kabdrakhmanov**

Director of LLP «Agropark»

## ENVIRONMENTAL PROTECTION

The company does not have a direct negative impact on the environment due to the specifics of its activities. At the same time, in its activities, the Company follows the principles of the most careful and rational attitude to the environment in accordance with the requirements of the current legislation of the Republic of Kazakhstan and generally recognized business standards.



**Nurlan  
Mamyrov**

LLP «Agro Impex Alatau»

## GLOSSARY

**AIC** - Agro-industrial complex

**AP** - Agricultural producers

**CP** - Credit partnership

**MFO** - Microfinance Organizations

**STB** - Second-tier banks

**LC** - Leasing companies

**RIC** - Regional Investment Centers

**SC** - Small cattle

**PF** - Peasant farm

**SEC** - Socio-entrepreneurial corporation

**NPL** - Non-performing loans





INTERVIEWS WITH  
COMPANY EMPLOYEES

## «The lender is a universal soldier»

### Zhandos Erkebay

Director of the Credit  
Department of the “Agrarian  
Credit Corporation” JSC



**IN 35 WORKING DAYS, WE  
FINANCED 2,400 FARMERS IN  
THE AMOUNT OF 70 BILLION  
TENGE, WHICH IS 10 BILLION  
TENGE MORE THAN IN  
PREVIOUS YEARS.**

*How did 2020 go for the Company's front office? What was the hardest part?*

2020 was a difficult year for the whole world, including for Kazakhstan, due to the fact that the modern world faced a pandemic of this magnitude for the first time. The most difficult period was in spring, which is the “hottest” time for farmers. The harvest of the whole year depends on the timely carried out spring sowing works, and this is the food security of the country !!! It was necessary to urgently adapt to the new conditions of interaction, both with government agencies, customers, and internal interaction between the Company's employees. Most of the team was sent to work remotely. Difficulties arose when working with borrowers, closing borders between regions, cities, etc. demanded the adoption of new ways of interaction. But, thanks to the well-coordinated work of the Company's employees, all the tasks were completed on time. In 35 working days, we financed 2,400 farmers in the amount of 70 billion tenge, which is 10 billion tenge more than in previous years. Funding began on March 2 and by April 21 all funds were directed to the sowing campaign. For comparison: in 2019, the funds were disbursed only by August 15th. One of the advantages of the pandemic is the fact that the demand for online services has increased, moreover, farmers have already begun to get used to the digital format and actively use it, moving away from the old principles of paperwork, thereby forcing us to change, adapt to their new needs.

Positive dynamics was also noted in terms of an increase in demand for concessional financing, and with it an increase in the volume of agricultural products in order to meet the needs of both the domestic and foreign markets. So, in general, investment projects were not left without attention, in 2020 we financed 59 projects for a total of 55.8 billion tenge, all projects are gradually being put into operation according to the project implementation schedules. Thus, we can conclude that the negative factor associated with COVID-19 determined many aspects of doing business, namely, it showed that in the conditions of our country and the support of the state, agriculture always remains the highest priority even in a pandemic.

*How, in your opinion, has the portrait of the Company's client changed?*

In our opinion, since the beginning of the Company's activity, the client's portrait has changed significantly for the better. Now a significant part of agricultural producers strive to use advanced technologies, both in plant growing and in animal husbandry. Of course, given all the consequences of the pandemic, we can say that this situation gave impetus to the development of agribusiness. A growing number of entrepreneurs are implementing large investment projects, such as dairy farms, poultry farms, reproducers, greenhouse complexes, intensive gardens, etc. In

**IN 2020 WE FINANCED 59  
PROJECTS FOR A TOTAL OF  
55.8 BILLION TENGE**

connection with the decline in prices for hydrocarbons, a decrease in activity in the construction of facilities, it became obvious that the most popular at any time are food products, i.e. products of the agro-industrial complex. As a result, large entrepreneurs decide to diversify their business by implementing projects in the agricultural sector.

*What is the most popular direction in agribusiness now and which would you mark as promising in 2021?*

At present, agriculture in Kazakhstan is in the development stage, a lot of work is required to improve the quality of products. At the moment, borrowers are interested in the construction of greenhouse complexes, the development of meat and dairy farming, poultry farming, and gardening. The development of these areas is also a priority for the state, which is confirmed by the indicators set by the Ministry of Agriculture. The agrarians are faced with the task of increasing the domestic production of milk, meat products, vegetables, fruits, and further processing of agricultural products.

*What difficulties do you most often face in lending to the agricultural sector?*

The main difficulties in lending to the agricultural sector are the following points:

- Lack or lack of collateral.
- Lack or lack of own participation in the project (co-financing) on the part of the Borrower.
- Lack of agricultural experience among the initiators of investment projects.
- Difficulty with qualified personnel.

To solve these problems, the following measures have been taken:

- A loyal collateral policy was approved, which allows financing with minimal collateral requirements.
- The minimum requirement for own participation in investment projects is from 15% of the project cost. For some programs, such as «The Economy of Simple Things», «Ken Dala» own participation is not provided.
- When implementing investment projects, one of the Corporation's requirements is to have an agricultural support agreement, which minimizes the borrower's risks in terms of compliance with agronomic

processes. Also, the department of technical expertise fully examines the project in terms of complexity and completeness, which minimizes technological risks.

*Does the Corporation have any difficulties with personnel? Does the specifics of lending for urban businesses conditionally differ from rural ones ?*

Loan specialists of our department have experience of working in second-tier banks and I can say that the specifics of lending in the agro-industrial complex is very different from financing urban business. Here you need to know the very essence of the business, the production process. If we come across the sphere of trade, services of «urban» business almost every day, then not everyone has knowledge in agricultural business. In the organizational structure of the Corporation there is a department of technical expertise, whose employees have experience in agriculture. These employees periodically conduct training on the specifics of each area of agricultural business. In addition, the Corporation provides for external training, as well as a lot of experience is acquired by interacting with project initiators during the consideration of funding applications. When analyzing a project, the loan officer is fully immersed in the technological, production, and financial process of the project. Thus, our loan officers gain experience not only in financial analysis, but also in the industry direction.

**LOAN SPECIALISTS OF  
OUR DEPARTMENT HAVE  
EXPERIENCE OF WORKING  
IN SECOND-TIER BANKS  
AND I CAN SAY THAT THE  
SPECIFICS OF LENDING  
IN THE AGRO-INDUSTRIAL  
COMPLEX IS VERY DIFFERENT  
FROM FINANCING URBAN  
BUSINESS.**



INTERVIEWS WITH  
COMPANY EMPLOYEES

## «Risk management is a team sport»

### Azamat Sogumbayev

Director of the Risk  
Management Department  
of the “Agrarian Credit  
Corporation” JSC



*In simple terms, what does your department do?*

In short, the department is responsible for the development of the risk management system in the company. The activities of a joint stock company cannot be imagined without risks. When we talk about risk management in our company, we mean that every day in the course of activities, at every level - from an ordinary employee to senior management - there is a process of identifying, assessing, reducing and monitoring risks. This process is aimed at preventing losses, financial and otherwise, and is necessary to achieve the goals set for the company. The risk management process is not isolated, we strive to ensure that it always remains an integral part of each stage of decision-making.

*How can you assess the effectiveness of risk management in a company?*

It is important to understand here that we usually talk about the results of the work not of the risk manager or the risk management department, but about the effectiveness of the system as a whole. If the set goals are met and the necessary indicators of the quality of work and profit are achieved, then the effectiveness of the risk management system can be assessed as high.

*What is the assessment of the risk management work at ACC for 2020?*

The results of our company's work are constantly evaluated by all interested parties: our clients, external audit firms of the «Big Four» level, international rating agencies, buyers and bondholders. Among the significant events, I would note the achievement of key strategic indicators, the growth of assets and profits, the payment of dividends to the Sole Shareholder. On an ongoing basis, fulfillment of the obligations assumed, strict compliance with the requirements of the National Bank of the Republic of Kazakhstan for reporting and compliance with prudential standards. Undoubtedly, this is the confirmation from Moody's of the credit rating «Ba1» and the improvement of the forecast from «negative» to «positive» at the end of 2020.

### EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM CAN BE ASSESSED AS HIGH

*What recommendations did you come up with for 2021?*

It is planned to continue to work on improving business processes, enhancing the culture of risk management. In 2021, in connection with the planned merger of the “Fund for Financial Support of Agriculture” JSC, a lot of work will be carried out, where we will play an important role in setting up the asset quality assessment system. Of the applied tools, it is planned to unify the approaches to risk assessment for credit projects as much as possible, which should have a positive effect on the terms of consideration of applications. The methodology for other processes, as well as for limiting risks, will be updated.

## ” INTERVIEWS WITH COMPANY EMPLOYEES

«PR is a round-the-  
clock work»

**Ruslan Yeskendir**

Head of Marketing  
and PR.

*Tell us about your unit.*

No self-respecting company can develop without building external communications and public relations. In the modern world, little is just good work. You need to show your work skillfully.

This is what we, the Marketing and PR Service, do. Until 2017, the public relations function was performed by the Corporation Press Secretary. But in connection with the increase in the number of clients, the growth of the branch network, and, accordingly, the expansion of target audiences, it became necessary to attract additional specialists. The main task of our division is to form, guide and use public opinion in order to improve the reputation of the Corporation.

*How recognizable is the Agrocredit brand?*

In 2018, the service re-branded the Corporation. We now have a beautiful logo and corporate colors. The front office employees dressed in a uniform, and thus began to stand out among other office workers. Within 3-4 years, the AGROCREDIT brand became recognizable not only among farmers, but also among other target audiences - representatives of the state apparatus, international organizations, foreign companies and ordinary citizens.

We have a work map of stakeholders, according to which we have created a communication plan. We check our watches every quarter. Have all the moments taken into account in communications, have we not deprived anyone. Our work is around the clock. Social media today is a powerful tool for building public relations. And we use it skillfully. In 2020, it was not possible to conduct press tours, we published our materials on our page, tried to make interesting material, as a result, during the quarantine period from March to June, 78 materials were published in the media about us based on our posts, and everything is free!

**WE, AS SKILLED  
COSMETOLOGISTS,  
SHAPE THE BEAUTIFUL  
APPEARANCE OF OUR  
BELOVED CORPORATION**

*What else does your Service do?*

Our tasks include not only the distribution of text, video and photo content in the media space, but also public relations, as such - working with negative, answering inquiries, increasing the number of positive reviews and comments, curating publications in the media, as well as creating Corporation Annual Report. We, as skilled cosmetologists, shape the beautiful appearance of our beloved Corporation, its face, so that each employee can proudly say: "I work for the Agrarian Credit Corporation!"



INTERVIEWS WITH  
COMPANY EMPLOYEES

## «Credit partnerships remain our main partners»

### Guldana Sagitova

Director of the Department  
for Development of Credit  
Partnerships



*In 2001, the Company was formed with the aim of developing credit partnerships in rural areas. How did the development of the CT system develop in Kazakhstan?*

From 2001 to 2012, credit partnerships were serviced in the department of credit partnerships, which included CP consultants; since 2013, the Department for work with credit partnerships was formed. All CP projects before 2007 were considered in the department of credit partnerships, while there were many curious moments when considering applications for funding. So, when analyzing the application for herd reproduction to the question «Why are the costs of feeding livestock underestimated?», The answer was received from the credit partnership «In the autumn-winter period, only «skinny» cattle are fed.» I had to travel all year round to the districts and train loan officers on the spot.

*What are the indicators of partnerships with credit partnerships in 2020?*

Today, our main partners in the field of financing the agro-industrial complex at the level of small and medium-sized businesses - farms and peasant farms - remain credit partnerships created by the farmers themselves.

This institution shows positive dynamics of development. The reasons are clear and clear: second-tier banks operate in the regions at the level of branches located in regional and district centers. Credit partnerships are localized in the outback, and have significant flexibility in providing services to agribusiness entities. Since 2001, 205 credit partnerships have been created in Kazakhstan, uniting more than 22 thousand agricultural producers. And this is about 15% of the total number of all agricultural producers in the industry. The territorial coverage of CP today is 98%.

**CREDIT PARTNERSHIPS ARE LOCALIZED IN THE OUTBACK, AND HAVE SIGNIFICANT FLEXIBILITY IN PROVIDING SERVICES TO AGRIBUSINESS ENTITIES.**

The level of NPL (problem loans with a delay of more than 90 days) according to the LC system is the lowest among the borrowers of the Company and amounts to 2.1 at the planned level of 3.3 %.

During the period of activity of our structural unit, decentralization of the entire credit process was introduced, which made it possible to increase the independence of credit partnerships in making financing decisions. For 20 years, the volume of financing of credit partnerships has reached 536 billion tenge. And the number of loans issued is 61.5 thousand.



INTERVIEWS WITH  
COMPANY EMPLOYEES

## «The personnel are everything!»

### Saule Elyubaeva

Director of the Human  
Resources Department.



*2020 has adjusted many business processes. What has changed in your department?*

2020 has adjusted many business processes. What has changed in your department? Time and requirements of management makes its own adjustments in the management of personnel and the scope of its activities. Today the personnel are recognized as human resources - the main capital of the company. Accordingly, the Company, keeping pace with the times, changed the tasks of human resource management, which are aimed at developing a general development strategy for the Company.

#### **TODAY THE PERSONNEL ARE RECOGNIZED AS HUMAN RESOURCES - THE MAIN CAPITAL OF THE COMPANY.**

For two years now, we have been engaged not only in personnel administration, but also in the development of human capital - as the main resource for achieving the goals of our company. The approaches to performing the main functions have changed, namely, the principles of personnel management:

- the principle of selecting employees based on their business and personal qualities: for this, interviews are conducted with each candidate for a vacant position;
- the principle of continuity: we harmoniously combine young employees and experienced specialists;
- the principle of compliance, which assumes that the assigned work must correspond to the capabilities and abilities of the performer;
- the principle of advanced training not only through the involvement of coaches and consultants, but also by the forces of internal coaches who have experience with which they are ready to share;
- the principle of official and professional promotion of employees based on the use of reasonable criteria for assessing their activities and providing conditions for continuous career growth;
- the principle of combining trust in employees and control over the performance by employees of their job duties;
- the principle of open competition between employees who apply for managerial positions;
- the principle of legal protection: all management and personnel decisions should be made on the basis of the current labor legislation.

*Internal communications is one of the most important areas in HR. What is being done in this direction?*

Over the past two years, our HR team, consisting of 4 people, has

developed and implemented a human resource management system based on international experience. We have developed and implemented a job grading system, which made it possible to fairly evaluate and determine the value of each job and to pay for the work of each of our employees at its true worth. The process of implementing this system included Job Matching, which showed the qualifications, involvement, satisfaction and commitment of each employee to the values of the Company.

To avoid emotional burnout of employees, we monitor the effective use of labor resources and respond in a timely manner to the creation of good working conditions, namely, we evaluate and use the existing reserves of labor productivity and the possibility of self-unloading of business processes. The increase in the number of staff was carried out systematically, taking into account the growth of the loan portfolio and the volume of funds. Over the past two years, it has increased from 335 to 424 units, which is more than 20%. And the main number was aimed at increasing the front office. The introduced system of motivation for talent management made it possible to identify informal leaders, determine the place of each employee in the team, give him the opportunity to develop

as an individual and enjoy being involved in corporate culture and the Society as a whole. The Human Resource Management Department, on the basis of this system, has developed a Talent Map - as the basis of the Company's personnel reserve.

Using socio-psychological methods of influencing the interests of the individual, we annually assess the level of employee involvement, with the aim of further measures to improve the corporate culture and psychological climate in the team.

**THE INCREASE IN THE  
NUMBER OF STAFF  
WAS CARRIED OUT  
SYSTEMATICALLY, TAKING  
INTO ACCOUNT THE GROWTH  
OF THE LOAN PORTFOLIO  
AND THE VOLUME OF FUNDS.**

*P.S. The above is only a small part of our labor invested in valuable capital and in the most scarce resource - HUMAN. We have a deliberate goal of strengthening and developing the strengths of the human potential that the Society possesses.*

*«The personnel are everything!» - this old slogan remains the most urgent call for the preservation of human capital today!*

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(KZT thousand)

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	6	48,744,242	48,578,130
Amounts due from banks	7	14,941,678	45,063,483
Loans to customers	8	449,226,953	361,783,687
Assets held-for-sale	8	3,409,307	1,880,310
Finance lease receivables	10	740,711	2,287,406
Investment securities	9	27,569,113	604,896
Investment property	11	438,163	447,821
Property, plant and equipment	12	314,557	367,500
Intangible assets	13	245,064	254,653
Other assets	14	1,546,266	1,663,281
<b>Total assets</b>		<b>547,176,054</b>	<b>462,931,167</b>
<b>Liabilities</b>			
Accounts payable to the Shareholder	15	164,128,030	155,214,588
Amounts due to credit institutions	16	-	9,876,118
Debt securities issued	17	164,197,490	86,340,978
Accounts payable to governmental and government-funded organisations	18	44,770,133	36,435,103
Short-term estimated liabilities		447,545	373,023
Current corporate income tax liabilities	20	49,345	135,976
Deferred corporate income tax liabilities	20	1,468,832	1,486,049
Other liabilities	19	5,050,086	4,231,587
<b>Total liabilities</b>		<b>380,111,461</b>	<b>294,093,422</b>
<b>Equity</b>			
Share capital	21	167,809,534	167,809,534
Additional paid-in capital	21	70,446,355	58,624,854
Capital reserve	21	5,339,751	5,339,751
Contingent Distribution Provision	21	(84,687,953)	(67,467,287)
Retained earnings/ (Accumulated loss)		8,156,906	4,530,893
<b>Total equity</b>		<b>167,064,593</b>	<b>168,837,745</b>
<b>Total liabilities and equity</b>		<b>547,176,054</b>	<b>462,931,167</b>
Book value per one common share (KZT)	21	992,24	1,002,72

Signed and authorised for release on behalf of the Management Board of the Company:

Baglan K. Kultayev



Chairman of the Management Board

Irina N. Zaitullayeva

Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2020

(KZT thousand)

	Note	2020	2019
<b>Cash flows from operating activities</b>			
Interest earned		35,106,929	32,257,118
Interest paid		(15,005,193)	(11,373,040)
Staff costs paid		(2,604,373)	(2,443,471)
Other operating expenses paid		(1,758,231)	(2,026,829)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>15,759,132</b>	<b>16,413,778</b>
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from banks		31,290,430	(10,026,355)
Loans to customers		(92,486,705)	(111,503,497)
Other assets		762,552	405,405
<i>Net increase/ (decrease) in operating liabilities</i>			
Other liabilities		2,334,558	1,644,965
<b>Net cash used in operating activities before corporate income tax</b>		<b>(42,340,033)</b>	<b>(103,065,704)</b>
Corporate income tax paid		(3,716,566)	(2,005,681)
<b>Net cash used in operating activities</b>		<b>(46,056,599)</b>	<b>(105,071,385)</b>
<b>Cash flows from investing activities</b>			
Proceeds from repayment of investment securities		257,229,023	404,712,426
Purchase of investment securities		(284,043,533)	(404,678,244)
Purchase of property, plant and equipment		(95,521)	(42,187)
Purchase of intangible assets		(22,585)	(105,763)
<b>Net cash (used in)/inflow from investing activities</b>		<b>(26,932,616)</b>	<b>(113,768)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans obtained from the Government of the Republic of Kazakhstan	26	70,000,000	60,000,000
Repayment of loans from the Government of the Republic of Kazakhstan	26	(70,000,000)	(60,000,000)
Proceeds from loans from credit institutions	26	-	9,800,000
Repayment of loans from credit institutions	26	(9,800,000)	(9,477,051)
Proceeds from loans obtained from the Shareholder	26	33,523,182	69,601,108
Repayment of loans from the Shareholder	26	(20,533,899)	(23,348,012)
Debt securities issued	26	76,206,439	28,729,231
Proceeds from loans obtained from governmental and government-funded organisations	26	12,856,780	17,867,780
Repayment of loans from governmental and government-funded organisations	26	(3,066,250)	(365,127)
Funds received from KazAgroProduct JSC	5	-	437,983
Distribution of dividends	21	(16,034,036)	(10,375,617)
<b>Net cash inflow from financing activities</b>		<b>73,152,226</b>	<b>82,870,295</b>
Effect of changes in expected credit losses on cash and cash equivalents		3,101	5,131
<b>Net change in cash and cash equivalents</b>		<b>166,112</b>	<b>(22,311,727)</b>
Cash and cash equivalents as at the beginning of the period		48,578,130	70,889,857
<b>Cash and cash equivalents as at the end of the period</b>	6	<b>48,744,242</b>	<b>48,578,130</b>
<b>Non-monetary transactions</b>			
Transfer of corporate income tax asset as part of the merger with KazAgroProduct JSC	5	-	78,398

Signed and authorised for release on behalf of the Management Board of the Company:

Baglan K. Kultayev



Chairman of the Management Board

Irina N. Zaitullayeva

Chief Accountant

25 February 2021

Accompanying notes on pages from 7 to 63 form an integral part of these financial statements.



Agrarian Credit Corporation Joint Stock Company

Financial Statements for 2020

## STATEMENT OF PROFIT OR LOSS

For the Year Ended 31 December 2020

(KZT thousand)

	Note	2020	2019
<b>Interest income calculated using the effective interest method</b>			
Cash and cash equivalents		3,790,549	4,323,045
Amounts due from banks		4,074,947	5,529,233
Loans to customers		53,691,035	41,966,531
Investment securities		1,942,584	3,099,505
		63,499,115	54,918,314
<b>Other interest income</b>			
Finance lease receivables		87,422	42,844
		63,586,537	54,961,158
<b>Interest expense</b>			
Accounts payable to the Shareholder		(12,597,806)	(11,632,992)
Amounts due to credit institutions		(59,203)	(902,375)
Debt securities issued		(10,596,697)	(5,317,449)
Accounts payable to governmental and government-funded organisations		(3,588,080)	(2,546,677)
Accounts payable to the Government of the Republic of Kazakhstan		(5,678)	(5,467)
Other liabilities		(40,192)	(114,313)
		(26,887,656)	(20,519,273)
<b>Net interest income</b>		36,698,881	34,441,885
Credit losses	22	(4,115,936)	(7,966,793)
<b>Net interest income, net of credit loss expenses</b>		32,582,945	26,475,092
Net gain/ (loss) from foreign currency transactions		(710)	49
Other income		184,300	218,832
Staff costs	23	(3,594,708)	(3,328,928)
Other operating expenses	23	(2,180,486)	(2,100,061)
Net loss from modification of financial assets measured at amortised cost	8	(2,430,216)	(303,107)
Net loss from derecognition of financial liabilities measured at amortised cost		-	(663,174)
Other expenses		(540,036)	(198,385)
<b>Non-interest expense</b>		(8,561,856)	(6,374,774)
<b>Profit before corporate income tax</b>		24,021,089	20,100,318
Corporate income tax expense	20	(4,361,040)	(4,066,282)
<b>Profit for the year</b>		19,660,049	16,034,036
<b>Basic and diluted earnings per common share (KZT)</b>	21	116,94	100,63

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Agrarian Credit Corporation Joint Stock Company

Financial Statements for 2020

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2020

(KZT thousand)

	Note	2020	2019
<b>Profit for the year</b>		19,660,049	16,034,036
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		19,660,049	16,034,036

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