ANNEX 2. FINANCIAL STATEMENTS

for 2019 together with independent auditor's report

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Independent auditor's report

To the Shareholder and the Board of Directors of KazAgroFinance Joint Stock Company

Opinion

We have audited the financial statements of KazAgroFinance Joint Stock Company (hereinafter – the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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

Key audit matters

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

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

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Key audit matter	*How the matter was addressed in the audit*
Allowance for expected credit losses of loans to customers and finance lease receivables	
Estimating the level of allowance for expected credit losses on finance lease receivables and loans to customers in accordance with IFRS 9 is a key area of judgment for the management of the Company. Identifying factors for a significant increase in credit risk since the initial recognition of an asset, determining the values of the probability of default and the level of losses in default are processes that involve a significant use of subjective judgment, assumptions and analysis of various historical, current and forecast information. The use of different models and assumptions can significantly affect the level of allowance for expected credit losses on finance lease receivables and loans to customers. Due to the materiality of the amounts of finance lease receivables and loans to customers of the Company as at 31 December 2019, and the significant use of professional judgment, the estimate of the allowance for expected credit losses was a key audit matter. Information on expected credit losses on finance lease receivables and loans to customers is presented in Note 8 "Loans to customers", Note 9 "Finance lease receivables", Note 22 "Credit loss expense" and Note 28 "Risk management" to the financial statements.	Our audit procedures included an analysis of the allowance assessment methodology for expected credit losses on finance lease receivables and loans to customers, as well as analysis and testing of controls on identifying factors that significantly increase credit risk since the initial recognition of an asset, including the term of overdue debt and availability of debt restructuring due to deterioration of credit quality of an asset. As part of the audit procedures, we conducted, on a sample basis, an analysis of the assumptions and testing of the source data used by the Company in estimating the allowance for expected credit losses on finance lease receivables and loans to customers on an aggregate basis, including statistical data on debt service expected compensation for losses in case of default as a result of the repossession of leased property or the sale of held collateral, as well as forecast macroeconomic factors. We recalculated the allowance for expected credit losses. We have analyzed the information on the allowance for expected credit losses on finance lease receivables and loans to customers disclosed in Notes to the financial statements.

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Other information included in the Company's 2019 Annual report

Other information comprises information included in the Company's 2019 Annual report, other than the financial statements and our audit report thereon. Management is responsible for other information. The Company's Annual report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Ernst & Young LLP

Paul Cohn
Audit Partner

Olga Khegay
Auditor

Auditor's qualification certificate
No. МФ-0000286 dated 25 September 2015

Gulmira Turmagambetova
General Director
Ernst & Young LLP

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

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31 March 2020

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

thousands of tenge	Notes	31 December 2019	31 December 2018*
Assets			
Cash and cash equivalents	5	**20,580,665**	44,798,305
Amounts due from credit institutions	6	**8,451,527**	–
Investment securities	7	**11,179,190**	–
Loans to customers	8	**36,929,798**	43,004,358
Finance lease receivables	9	**226,615,145**	186,617,217
Assets held for sale	10	**511,083**	–
Property held for finance lease	11	**7,704,941**	10,740,178
Current corporate income tax assets	20	**134,137**	175,427
Property and equipment	12	**463,556**	995,816
Intangible assets	13	**581,104**	554,969
VAT and other taxes recoverable	14	**6,137,493**	3,891,038
Advances paid	15	**5,597,916**	7,190,060
Other assets	23	**849,024**	966,510
Total assets		**325,735,579**	298,933,878
Liabilities			
Amounts due to the Shareholder	16	**54,136,402**	67,232,037
Amounts due to credit institutions	17	**75,934,329**	41,807,710
Debt securities issued	18	**65,384,934**	64,596,068
Payables to suppliers	19	**5,861,586**	4,802,218
Deferred corporate income tax liabilities	20	**754,648**	1,338,197
Advances received	21	**4,795,803**	4,263,925
Deferred VAT liabilities		**7,642,894**	5,070,632
Other liabilities	23	**1,965,997**	3,473,379
Total liabilities		**216,476,593**	192,584,166
Equity			
Share capital	24	**82,837,204**	82,837,204
Additional paid-in capital	24	**26,156,975**	25,730,293
Reserve capital	24	**1,436,184**	1,436,184
Provision for notional distribution	24	**(9,605,611)**	(9,605,611)
Retained earnings		**8,434,234**	5,951,642
Total equity		**109,258,986**	106,349,712
Total liabilities and equity		**325,735,579**	298,933,878
Book value per common share (in tenge)	24	**1,311.95**	1,277.14

* Certain amounts in this column do not conform to 2018 financial statements, as they reflect the reclassifications made and disclosed in Note 2.

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

Izbastin Kanysh Temirtayevich — Chairman of the Management Board

Shodanova Gulnara Takishevna — Chief accountant

31 March 2020

STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

thousands of tenge	Notes	2019	2018
Interest revenue calculated using effective interest rate			
Cash and cash equivalents		**1,438,785**	1,486,056
Loans to customers		**4,050,708**	4,491,387
Investment securities		**483,446**	173,417
		5,972,939	6,150,860
Other interest income			
Finance lease receivables		**26,492,528**	19,995,116
		26,492,528	19,995,116
Total interest income		**32,465,467**	26,145,976
Interest expense			
Amounts due to the Shareholder		**(4,488,460)**	(5,150,325)
Amounts due to credit institutions		**(5,332,674)**	(3,597,104)
Debt securities issued		**(6,865,312)**	(4,859,740)
Total interest expense		**(16,686,446)**	(13,607,169)
Net interest income		**15,779,021**	12,538,807
Credit loss expense	22	**(1,208,591)**	(2,818,840)
Net interest income after credit loss expense		**14,570,430**	9,719,967
Net (losses)/gains from foreign currencies		**(390,004)**	469,670
Other income	26	**831,792**	970,887
Personnel expenses	27	**(2,785,088)**	(2,729,776)
Other operating expenses	27	**(1,068,777)**	(913,138)
Depreciation and amortisation	12, 13	**(289,283)**	(231,506)
Net loss from modification of loans to customers and finance lease receivables that does not result in derecognition	8, 9	**(1,472,203)**	(664,681)
Other impairment and provision expenses	22	**(660,306)**	(189,906)
Non-interest expense		**(5,833,869)**	(3,288,450)
Profit before corporate income tax benefit		**8,736,561**	6,431,517
Corporate income tax benefit	20	**474,403**	296,855
Profit for the year		**9,210,964**	6,728,372
Basic and diluted earnings per common share (in tenge)	24	**111.19**	81.22

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

thousands of tenge	Notes	2019	2018
Profit for the year		**9,210,964**	**6,728,372**
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**9,210,964**	6,728,372

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

thousands of tenge	Share capital	Additional paid-in capital	Reserve capital	Provision for notional distribution	Retained earnings	Total
At 31 December 2017	82,837,204	24,912,791	1,436,184	(9,542,733)	3,141,505	102,784,951
Impact of adopting IFRS 9	–	–	–	–	(346,015)	(346,015)
Restated balance in accordance with IFRS 9	82,837,204	24,912,791	1,436,184	(9,542,733)	2,795,490	102,438,936
Total comprehensive income for the year	–	–	–	–	6,728,372	6,728,372
Gain on initial recognition of loans due to the Shareholder at below market rates (Note 24)	–	817,502	–	–	–	817,502
Dividends declared (Note 24)	–	–	–	–	(3,572,220)	(3,572,220)
Provision for notional distribution for the year (Note 24)	–	–	–	(62,878)	–	(62,878)
As at 31 December 2018	82,837,204	25,730,293	1,436,184	(9,605,611)	5,951,642	106,349,712
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**9,210,964**	**9,210,964**
Gain on initial recognition of loans due to the Shareholder at below market rates (Note 24)	**–**	**426,682**	**–**	**–**	**–**	**426,682**
Dividends declared (Note 24)	**–**	**–**	**–**	**–**	**(6,728,372)**	**(6,728,372)**
Provision for notional distribution for the year (Note 24)	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2019	**82,837,204**	**26,156,975**	**1,436,184**	**(9,605,611)**	**8,434,234**	**109,258,986**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

thousands of tenge	Notes	2019	2018
Cash flows from operating activities			
Interest received		**28,579,278**	22,968,078
Interest paid		**(13,687,902)**	(9,941,005)
Realised losses less gains from dealing in foreign currencies		**(71,523)**	(123,105)
Personnel expenses paid		**(2,798,188)**	(2,689,031)
Other operating expenses paid		**(998,588)**	(882,191)
Other income received		**695,311**	453,882
Cash flows from operating activities before changes in operating assets and liabilities		**11,718,388**	9,786,628
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		**(8,397,531)**	–
Loans to customers		**4,211,586**	2,187,468
Finance lease receivables		**(28,733,868)**	(7,826,399)
VAT and other taxes recoverable		**(2,246,455)**	(784,700)
Advances paid		**(135,629)**	(4,644,534)
Other assets		**(279,798)**	(126,120)
Net increase/(decrease) in operating liabilities			
Advances received		**778,715**	792,588
Other liabilities		**(2,111,137)**	(905,603)
Net cash used in operating activities before corporate income tax		**(25,195,729)**	(1,520,672)
Corporate income tax paid		**(215,818)**	(232,401)
Net cash flows used in operating activities		**(25,411,547)**	(1,753,073)
Cash flows from investing activities			
Purchase of investment securities		**(11,152,666)**	–
Purchase of property and equipment and intangible assets	12, 13	**(403,297)**	(211,840)
Proceeds from sale of property and equipment		**–**	795
Net cash used in investing activities		**(11,555,963)**	(211,045)
Cash flows from financing activities			
Proceeds from loans due to the Shareholder	32	**–**	11,232,415
Repayment of loans due to the Shareholder	32	**(15,531,974)**	(22,971,379)
Receipt of loans due to credit institutions	32	**40,225,000**	19,000,000
Repayment of loans due to credit institutions	32	**(6,109,535)**	(17,617,865)
Proceeds from debt securities issued	32	**10,233,955**	17,250,959
Repayment on debt securities issued	32	**(9,389,000)**	–
Dividends paid to the Shareholder	24	**(6,728,372)**	(3,572,220)
Net cash from financing activities		**12,700,074**	3,321,910

STATEMENT OF CASH FLOWS (continued)

for the year ended 31 December 2019

thousands of tenge	Notes	2019	2018
Effect of exchange rates changes on cash and cash equivalents		**49,320**	2,202,417
Effect of changes in expected credit losses on cash and cash equivalents	5	**476**	(1,071)
Net (decrease)/increase in cash and cash equivalents		**(24,217,640)**	3,559,138
Cash and cash equivalents at the beginning of the year	5	**44,798,305**	41,239,167
Cash and cash equivalents at the end of the year	5	**20,580,665**	44,798,305
Non-cash transactions			
Offsetting of current corporate income tax assets against other tax liabilities		**41,290**	–