Microfinance Organization OnlineKazFinance Limited Liability Partnership

Financial statements

for the year ended 31 December 2021
together with independent auditor's report

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Independent auditor's report

To the founders of
Microfinance Organization OnlineKazFinance
Limited Liability Partnership

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Microfinance Organization OnlineKazFinance Limited Liability Partnership (the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers	
Estimation of an allowance for expected credit losses on loans to customers in accordance with IFRS 9 *Financial Instruments* is a key area of management's judgment. Estimation of an allowance for expected credit losses (ECL) on loans to customers includes identification of significant increase in credit risk and default, assessment of the probability of default and loss given default. The company uses statistical models when estimating the allowance on a collective basis. ECL on loans to customers assessed individually is based on the analysis of financial and non-financial information, including current and expected financial indicators of borrowers, the value of collateral and term of its realization, and estimation of probabilities of possible scenarios. Due to substantial amount of loans to customers and an extensive use of professional judgment, the estimation of the allowance for ECL on loans to customers was a key audit matter. Information on the allowance for ECL on loans to customers is presented in Note 13, Loans to customers and Note 24, Financial risk management, to the financial statements.	Our audit approach included the analysis of the methodology to estimate the allowance for expected credit losses on the loan portfolio, in particular, the methodology used to calculate probabilities of default and loss given default. We considered the judgments used by the Company's management to determine the significant increase in credit risk and default criteria on loans to customers. We performed testing of input data and analysis of assumptions used by the Company, including historical information on debt servicing and loss given default as a result of sale of collateral. We analysed the allocation of loans by stage of impairment and application of the respective criteria of a significant increase in credit risk, default, probability of default and loss given default to these impairment stages. We analysed the information related to estimation of allowance for ECL on loans to customers disclosed in the financial statements.
Income and expenses related to the issue of loans	
Determination of the composition of income and expenses included in the loan amounts is a key area of management's judgment. A judgment is used to select types of income and expenses to be included in the carrying value of loans, and those to be recognized as income and expenses for the current period. Since the amounts of income and expenses related to the origination of loans are significant and due to the judgment inherent to the process of accounting for such income and expenses, these income and expenses were one of the key matters of our audit. Information on capitalized income and expenses and their types is presented in Note 13, Loans to customers of the financial statements.	Our audit procedures on income and expenses related to origination of loans to customers included, among others, the analysis of the terms of agreements, which gave rise to these income and expenses. We considered management's assumptions related to the types of income and expenses to be included in the carrying amount of loans issued. We performed selective testing of income and expenses related to the issue of loans against the primary supporting documents. We analysed the information on the capitalized income and expenses disclosed in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Classification of subordinated loans into an element of capital	
Determining the elements of liabilities and capital is a key area of judgment for the Company's management. Judgment is applied when selecting those subordinated loan agreements that are subject to inclusion in the capital element in accordance with the requirements of IFRS 32. Due to the materiality of the amount of subordinated loans, as well as the direct impact on the fact of compliance with financial covenants on borrowed funds of third parties, the classification of this reporting element was one of the key issues of our audit. Information on subordinated loans is presented in Note 23 "Related party transactions" of the financial statements.	Our audit procedures with respect to subordinated loans, among other things, included an analysis of the terms of the contracts under which these funds were raised. We also checked the completeness of the subordinated loans register used to calculate the reclassification adjustment to the capital element. We conducted, on a selective basis, testing of new loan agreements to primary documents. We have reviewed the information disclosed in the financial statements regarding subordinated loans and related elements of income and expenses.

Other information included in The Company's 2021 Annual Report

Other information consists of the information included in The Company's 2021 Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

The Company's 2021 Annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to review the other information referred to above when it is provided to us and, in doing so, consider whether there are material inconsistencies between the other information and the financial statements or our knowledge obtained in the course of the audit, and whether the other information contains other material misstatements.

Responsibilities of management and those charged with governance 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on 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.

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

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

From the matters communicated with those charged with governance, 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 Anton Ustimenko.

Anton Ustimenko
Audit Partner

Olga Khegay
Auditor

Auditor qualification Certificate
MF-0000286 of 25 September 2015

Republic of Kazakhstan 050060, Almaty, Al-Farabi Avenue, 77/7, Esentai Tower building

23 May 2022

Rustamzhan Sattarov
General Director
Ernst & Young LLP

The territory of the Republic of Kazakhstan: series MFU-2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(thousands of tenge)

	Note	*2021*	*2020 (restated)*
Revenue		**20 568 540**	**16 373 321**
Interest income	5	16 074 136	12 292 103
Fee and commission income and agent revenue	6	3 993 092	3 337 344
Other income	7	501 312	743 874
Finance and operating expenses		**(15 527 346)**	**(13 049 406)**
Interest expenses	8	(6 616 435)	(3 872 852)
Other finance expenses	8	(1 025 310)	(476 620)
Net expense from allowance for expected credit losses	13, 19	(3 990 977)	(5 508 115)
Operating expenses	9	(1 776 679)	(1 930 049)
General and administrative expenses	10	(2 117 945)	(1 261 770)
Operating profit		**5 041 194**	**3 323 915**
Net gains/(losses) from foreign currencies	11	285 343	337 255
Other expenses		(86 669)	(54 921)
Profit before income tax expense		**5 239 868**	**3 606 249**
Income tax expense	15	(790 419)	(764 638)
Net profit		**4 449 449**	**2 841 611**
Total comprehensive income		**4 449 449**	**2 841 611**

Anna Maksimova
General Director
23 May 2022

Dina Bakieva
Chief Accountant

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

(thousands of tenge)

	Note	*31 December 2021*	*31 December 2020 (restated)*
Assets			
Cash and cash equivalents	12	2 671 160	2 115 859
Derivative financial assets	22		1 949 446
Loans to customers	13	61 237 292	34 718 389
Receivables from the sale of portfolios	23	679 256	3 097 260
Property and equipment	16	195 016	19 699
Intangible assets	17	778 588	405 501
Right-of-use assets	18	95 872	80 438
Current tax assets		112 210	72 307
Other assets	19	893 167	966 220
Total assets		**66 662 561**	**43 425 119**
Liabilities			
Loans and borrowings	14	51 462 736	30 990 702
Derivative financial liabilities	22	251 096	–
Income tax liabilities		–	11 784
Deferred tax liabilities	15	69 991	402 979
Accounts payable	21	615 032	851 660
Lease liabilities	18	102 768	89 883
Other liabilities	19	484 227	255 118
Total liabilities		**52 985 850**	**32 602 126**
Equity			
Share capital	20	1 120 151	1 120 151
Subordinated loans	23	6 432 885	6 507 170
Retained earnings		6 123 675	3 195 672
Total equity		**13 676 711**	**10 822 993**
Total equity and liabilities		**66 662 561**	**43 425 119**

Anna Maksimova
General Director
23 May 2022

Dina Bakieva
Chief Accountant

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(thousands of tenge)

	Note	*Share capital*	*Subordinated loans*	*Retained earnings*	*Total equity*
Balance at 1 January 2020		**1 120 151**	**2 987 615**	**716 192**	**4 823 958**
Comprehensive income for the period		–	–	2 841 611	**2 841 611**
Subordinated loans raised	23	–	5 263 652	–	**5 263 652**
Subordinated loans repaid	23	–	(1 716 735)	–	**(1 716 735)**
Interest paid on subordinated loans	23	–	–	(389 493)	**(389 493)**
Currency revaluation of subordinated loans	23	–	(27 362)	27 362	–
Balance at 31 December 2020 *(restated)*		**1 120 151**	**6 507 170**	**3 195 672**	**10 822 993**
Balance at 1 January 2021		**1 120 151**	**6 507 170**	**3 195 672**	**10 822 993**
Comprehensive income for the period		–		4 449 449	4 449 449
Subordinated loans raised	23	–	924 788	–	924 788
Subordinated loans repaid		–	(1 124 136)	–	(1 124 136)
Interest paid on subordinated loans	23	–	–	(1 396 383)	(1 396 383)
Currency revaluation of subordinated loans	23	–	125 063	(125 063)	–
Balance at 31 December 2021		**1 120 151**	**6 432 885**	**6 123 675**	**13 676 711**

Anna Maksimova
General Director

25 May 2022

Dina Bakieva
Chief Accountant

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

(thousands of tenge, unless otherwise indicated)

	Note	*2021*	*2020 (restated)*
Operating activities			
Profit before tax		**5 239 868**	**3 606 249**
Adjustments:			
Interest expenses		6 616 435	3 872 852
Other finance expenses		1 025 310	476 620
Net expense from allowance for expected credit losses		3 990 977	5 508 115
Interest income		(860 986)	(670 128)
Depreciation and amortization		171 176	44 991
Net losses from foreign currencies		(285 343)	(481 545)
Corporate income tax paid		(1 247 370)	(572 835)
Cash flows from operating activities before changes in the loan portfolio and working capital		**14 650 067**	**11 784 319**
Net change in working capital:			
Change in other assets		(1 263 051)	(796 091)
Change in accounts payable and other liabilities		(1 520 671)	61 006
Net cash from operating activities, before changes in the loan portfolio		**11 866 345**	**11 049 234**
Changes in the loan portfolio		(29 502 527)	(26 516 582)
Proceeds from the sale of the portfolio		4 936 740	1 053 035
Net cash used in operating activities		**(12 699 442)**	**(14 414 313)**
Investing activities			
Purchase of property and equipment		(204 975)	(17 352)
Purchase of intangible assets		(484 289)	(429 008)
Net cash used in investing activities		**(689 264)**	**(446 360)**
Financing activities			
Proceeds from loans and borrowings		30 049 716	28 067 396
Repayment of loans and borrowings		(8 448 040)	(11 213 935)
Interest paid		(5 998 368)	(3 597 713)
Subordinated loans raised		924 788	5 263 652
Interest paid on subordinated loans		(1 396 383)	(389 493)
Subordinated loans repaid		(1 124 136)	(1 716 735)
Net cash from financing activities		**14 007 577**	**16 413 172**
Effect of changes in foreign exchange rates on cash and cash equivalents		(63 570)	144 290
Net decrease in cash and cash equivalents		**555 301**	**1 696 789**
Cash and cash equivalents, beginning		2 115 859	419 070
Cash and cash equivalents, ending	12	**2 671 160**	**2 115 859**

Anna Maksimova
General Director

23 May 2022

Dina Bakieva
Chief Accountant

The accompanying notes on pages 5 to 39 are an integral part of these financial statements.

(thousands of tenge, unless otherwise indicated)

1. General

Microfinance Organization OnlineKazFinance Limited Liability Partnership (hereinafter, the "Company") is registered on the territory of the Republic of Kazakhstan on the basis of the Minutes of the general meeting of participants dated 21 July 2016 and operates in accordance with the legislation of the Republic of Kazakhstan. The Company's registered address is Republic of Kazakhstan, 050012, Almaty, Seifullina ave., 502.

In accordance with notification of the National Bank of the Republic of Kazakhstan No. KZ41VGY00000314 dated 17 April 2017, the Company was included in the register of the microfinance organizations of the Republic of Kazakhstan on 17 April 2017 under No. 05.17.006. From 1 January 2020, the Company's activities are regulated and overseen by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market. On 1 March 2021, the Company obtained license No. 02.21.0004.M to perform microfinance activities.

microloans to individuals and to small and medium enterprises (SMEs) in the amount ranging from KZT 200 000 to KZT 4 000 000, with maturities ranging from 6 months to 3 years, bearing interest rates not exceeding the maximum threshold established by the National Bank of the Republic of Kazakhstan. Microloans to individuals and SMEs are extended on the basis of internal credit assessment without collateral. The Company's lending products are highly affordable in the regions across Kazakhstan, and the credit decision on new loans is made very quickly. The competitive advantages of the Company's business model are relied upon the advanced IT infrastructure and credit intelligence platform, making Solva the first digital microfinance company in Kazakhstan, that provides loans for up to three years online.

In 2019, the Company extended its product range and introduced a new product − loans to small and medium enterprises (SMEs). The market survey identified the growing demand from entrepreneurs, who require additional funding via loans, and the typical banks' financing often may not be available for SMEs. The main purpose of this product on the lending market of the Republic of Kazakhstan is to promote the development of small and medium business in the country through ethical lending practices. The established lending terms are simple and clear to any entrepreneur: (1) fast and easy loan issuance with minimum references, (2) no collateral − no need to pledge property or involve guarantors, (3) convenience − no need to visit the office as the application may be submitted online, (4) any use of proceeds − business development, increase of working capital or elimination of cash gap. In 2020, the Company decided to increase the maximum amount of loan to SMEs up to KZT 4 million.

To avoid potential credit risks, the Company, in addition to regular instruments, actively uses all possible assessment tools to analyze the borrower, such as: fraud scoring, behavioral biometrics and digital footprint on the Internet. In 2021, over 14,000 entrepreneurs became the clients of the Company. SME loans have lower rates of overdue debt with higher average debt amounts, making this product a core focus for the Company.

From February through December 2020, the Company was engaged in issuing short-term payday loans (hereinafter, "PDL"), and on 31 December 2020, the Company sold its accumulated short-term loan portfolio on market terms and stopped issuing short-term PDLs. In 2020, profit before income tax from PDL amounted to KZT 0,5 billion with revenue amounting to KZT 4,3 billion, provision expenses amounting to KZT 1,7 billion, operating expenses amounting to KZT 1,1 billion, administrative expenses amounting to KZT 0,3 billion and interest expense amounting to KZT 0,7 billion.

As at 31 December 2021 and 31 December 2020, the Company's founders were as follows:

Founders of the Company (first-level participants)	*31 December 2021 Interest (%)*	*31 December 2020 Interest (%)*
IDF HOLDING LIMITED	1%	1%
OnlineMicrofinance LLC	99%	99%
Total	**100%**	**100%**

As at 31 December 2021 and 31 December 2020, the Company had no sole controlling beneficial owner. The maximum interest held by beneficial owner does not exceed 25%, while the largest interest was held by Boris Batin and Aleksandr Dunaev, the founders of IDF Eurasia.

Operating environment in the Republic of Kazakhstan

The Company operates in Kazakhstan. Accordingly, the Company's business is affected by the economy and financial markets of Kazakhstan, which display characteristics of emerging market. Legal, tax and regulatory frameworks continue to evolve but are subject to varying interpretations and frequent changes. These financial statements reflect management's assessment of the impact of the existing business environment on the operations and financial position of the Company. The future business environment may differ from management's assessment.

(thousands of tenge, unless otherwise indicated)

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

OnlineKazFinance LLP maintains its accounting records and prepares its financial statements in accordance with statutory accounting and taxation principles and practices applicable in the Republic of Kazakhstan.

These financial statements were derived from the Company's primary accounting data. The Company's financial statements are presented in thousands of Kazakhstan tenge ("KZT"), unless otherwise indicated.

Effect of the COVID-19 pandemic

Following the rapid spread of COVID-19 pandemic in 2020, which continued in 2021,many governments, including the Kazakhstan Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government and Agency to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

To the extent that information is available as at 31 December 2021, the Company has reflected revised estimates of expected future cash flows in its expected credit loss (ECL) assessment.

Segment reporting

The operations of the Company are represented by one operating segment, "Online loans", under which personal microloans are issued to individuals and entrepreneurs.

3. Information for the year ended 31 December 2020

In preparing these annual financial statements, the Company identified the following errors in the annual financial statements for 2020 with respect to accounting for subordinated loans recognized as instruments within equity:

1) Interest paid on subordinated loans in the amount of KZT 389 493 thousand and gains on currency revaluation of the nominal value of subordinated debt in the amount of KZT 27 362 thousand to be recognized directly in the statement of changes in equity in correspondence with the account for retained earnings were incorrectly recorded in finance expenses and net losses from foreign currencies, respectively, in the statement of profit or loss for 2020.

2) Subordinated debt repaid in the amount of KZT 1 716 735 thousand was recognized on a net basis together with the respective funds raised in the amount of KZT 5 263 652 thousand in the "Subordinated loans" line in the statement of changes in equity for 2020 and in the "Proceeds from loans and borrowings, net, less guarantee deposit" line in the statement of cash flows. These material movements in items of equity are to be disclosed on a gross basis in the statement of changes in equity and the statement of cash flows.

3) Due to the correction of the 2020 financial statements data on subordinated loans and derivative financial instruments, deferred tax liabilities of KZT 29 462 thousand and deferred tax assets of KZT 11 232 thousand, respectively, were also corrected.

In addition to correcting errors, the company changed the presentation of the financial statements in 2021, so the data in 2020 was changed for comparability. In particular, due to the adjustment of reporting data for 2020, the presentation of accounts payable in the cash flow statement was changed − corporate tax paid for KZT 572 835 thousand was separated from "Change in accounts payable and other liabilities". Also, due to the revision of the approach of tax accounting for derivative financial instruments, balances from current tax liabilities were reclassified into deferred tax liabilities in the amount of KZT 389 889 thousand.

Due to the adjustment of financial statements for 2020, in the statement of cash flows from "Net losses from foreign currencies", to "Effect of changes in foreign exchange rates on cash and cash equivalents" in the amount of KZT 144 290 thousand was reclassified.

(thousands of tenge, unless otherwise indicated)

3. Information for the year ended 31 December 2020 (continued)

Moreover, the Company presented proceeds from and repayment of loans and borrowings on a net basis in the financial statements for 2020. Movements in cash flows should have been presented on a gross basis in accordance with IAS 7. The Company also improved the presentation of the statement of cash flows with respect to changes in working capital and adjustments to profit before tax.

The above errors did not have any impact on the statement of financial position as at 31 December 2020, including the amount of retained earnings, but resulted in an overall understatement of profit before tax and net profit for 2020 in the amount of KZT 362 131 thousand.

In addition, in these annual financial statements, the Company changed the presentation of net gains or losses on currency derivative financial instruments compared to the approach applied in the annual financial statements for 2020, recording the net result in a separate line, "Other finance expenses," in the statement of comprehensive income rather than within the line "Net losses from foreign currencies".

To improve the presentation and ensure comparability of the financial statements, property and equipment and intangible assets were presented as separate items of the statement of financial position, which resulted in separate lines of property and equipment in the amount of KZT 19 699 thousand and intangible assets in the amount of KZT 405 501 thousand. Comparative data for 2020 disclosed in such items as "Loans to customers", "Loans and borrowings", "Other assets and liabilities", "Accounts payable", "Derivative financial instruments", "Related party transactions", "Financial risk management" and "Financial assets and liabilities: fair values and accounting classifications" were changed to improve the presentation and ensure a more detailed disclosure.

Statement of comprehensive income for the year ended 31 December 2020

	2020, before adjustments	*Change in presentation*	*Correction of errors*	*2020, after adjustments*
Finance and operating expenses	**(12 977 828)**	**–**	**(71 578)**	**(13 049 406)**
Interest expenses	(4 277 894)	–	405 042	(3 872 852)
Other finance expenses	–	(476 620)		(476 620)
Net gains/(losses) from foreign currencies	(96 455)	476 620	(42 910)	337 255
Profit before income tax expense	**3 244 117**	**–**	**362 132**	**3 606 249**
Income tax expense	(794 100)	–	29 462	(764 638)
Net profit	**2 450 017**	**–**	**391 594**	**2 841 611**
Total comprehensive income	**2 450 017**	**–**	**391 594**	**2 841 611**

(thousands of tenge, unless otherwise indicated)

3. Information for the year ended 31 December 2020 (continued)

Statement of cash flows for the year ended 31 December 2020

	2020, before adjustments	*Change in presentation*	*Correction of errors*	*2020, after adjustments*
Operating activities				
Profit before tax	**3 244 117**	**–**	**362 132**	**3 606 249**
Adjustments:				
Interest expenses	4 277 894	–	(405 042)	3 872 852
Other finance expenses	–	476 620	–	476 620
Reversal of allowance due to sale of the portfolio	(3 709 603)	3 709 603	–	–
Net gains/(losses) from foreign currencies	96 455	(620 910)	42 910	(481 545)
Corporate income tax paid	–	(572 835)	–	(572 835)
Profit before changes in the loan portfolio and working capital	**8 791 841**	**2 992 478**	**–**	**11 784 319**
Net change in working capital:				
Change in accounts payable and other liabilities	(511 829)	572 835	–	61 006
Net cash from operating activities, before changes in the loan portfolio	**7 483 921**	**3 565 313**	**–**	**11 049 234**
Changes in the loan portfolio	(22 806 979)	(3 709 603)	–	(26 516 582)
Net cash used in operating activities	**(14 270 023)**	**(144 290)**	**–**	**(14 414 313)**
Financing activities				
Proceeds from loans and borrowings, net, less guarantee deposit	20 400 378	–	(20 400 378)	–
Proceeds from loans and borrowings	–	–	28 067 396	28 067 396
Repayment of loans and borrowings	–	–	(11 213 935)	(11 213 935)
Interest paid	(3 987 206)	–	389 493	(3 597 713)
Subordinated loans raised	–	–	5 263 652	5 263 652
Interest paid on subordinated loans	–	–	(389 493)	(389 493)
Subordinated loans repaid	–	–	(1 716 735)	(1 716 735)
Net cash from financing activities	**16 413 172**	**–**	**–**	**16 413 172**
Effect of changes in foreign exchange rates on cash and cash equivalents	–	144 290	–	144 290
Net decrease in cash and cash equivalents	**1 696 789**	**–**	**–**	**1 696 789**

4. Summary of significant accounting policies

(a) Principles of preparation

These financial statements have been prepared under the historical cost convention except for assets and liabilities at fair value, as described below (Note 29). Assets and liabilities are subsequently measured at amortized cost or fair value.

(b) Functional and presentation currency

The functional currency of the Company is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan, it best reflects the economic substance of the majority of the Company's operations and related circumstances relevant to its activities. The Kazakhstan tenge is also the presentation currency of these financial statements. All financial information presented in KZT has been rounded to the nearest thousand, except when otherwise indicated.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(c) Adoption of new or revised standards and interpretations

The below amendments to the standards became effective from 1 January 2021 but had no significant effect on the Company.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendment provides a relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, lessees may elect not to assess whether a rent concession granted by the lessor in relation to the COVID-19 pandemic is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB decided to extend the period of application of the practical expedient until 30 June 2022.

The new amendment applies to annual reporting periods beginning on or after 1 April 2021. The Company elected not to apply the above amendment.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

The amendments provide temporary exemptions that remove consequences for the financial statements of replacing the interbank offered rate (IBOR) with an alternative nearly risk-free interest rate (RFR). The amendments provide for the following:

- A practical expedient, whereby amendments to contracts or changes in cash flows as a result of the reform are required to be treated as changes in a floating interest rate equivalent to a movement in a market rate of interest;
- Changes required by the IBOR reform may be introduced to the definition of hedge relationships and hedging documentation without discontinuing hedge relationships;
- Entities are granted a temporary relief from having to meet the separately identifiable component requirement when an RFR instrument is designated by an entity as a hedge of a risk component.

The above amendments had no impact on the annual financial statements of the Company. The Company intends to use practical expedients in future periods if they are applicable.

(d) New and amended standards and interpretations not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of an entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(d) New and amended standards and interpretations not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply retrospectively.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018, without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment: Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(d) New and amended standards and interpretations not yet effective (continued)

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments provide for a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual periods beginning on or after 1 January 2022. Early adoption is permitted.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early adoption is permitted as long as this fact is disclosed.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities should apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, there is no mandatory effective date for the amendments.

(e) Significant assumptions and sources of estimation uncertainty

When applying the accounting policies, management of the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Accounting estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant in certain circumstances. Actual outcomes may differ from these estimates.

Estimates and related assumptions are reviewed on a regular basis. Revisions to estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period to which the revision relates and in future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at end of the reporting period that are likely to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(e) Significant assumptions and sources of estimation uncertainty (continued)

Impairment of loans and accounts receivable

The Company regularly reviews its loans and accounts receivable for impairment. The allowances for loan impairment are established to recognize the expected impairment losses on the portfolio of loans and accounts receivable. The Company considers accounting estimates related to allowance for impairment of loans and accounts receivable a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and accounts receivable are based on recent performance experience, and (b) any significant difference between the Company's estimated losses and actual losses would require the Company to record allowances, which could have a material impact on its financial statements in future periods.

Key assumptions include the following:

- The Company continues to collect loans during 24 months after they became overdue.
- Management prepares default projections on the basis of historical loss experience for assets with credit risk characteristics and objective evidence of impairment for each overdue category. The Company uses management's estimates to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.
- The Company considers a financial instrument in default when the contractual payments are 90 days overdue.

Classification of subordinated loans from related parties

In December 2019, the Company entered into additional agreements on provision of loans from related parties for the total amount of KZT 2 987 615 thousand, according to which these loans are considered subordinated with respect to all of the Company's current and future liabilities. The Company is entitled, at its sole discretion, to suspend payments of the principal amount and interest at any time and for any period. In addition, the Company is entitled to unilaterally extend these agreements. During 2020, the Company raised new subordinated loans of KZT 3 519 555 thousand, less settlements made in 2020, on similar terms. During 2021, the Company raised additional subordinated loans of KZT 924 788 thousand.

Considering the parameters of the subordinated loans, management of the Company concluded that these instruments meet the definition of an equity instrument in accordance with IAS 32 and recognize all operations and balances with these loans within equity.

(f) Income from credit and financial activities

Interest income is recognized within profit or loss using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument to gross carrying amount of the financial asset. When calculating the effective interest rate on financial instruments that are not purchased or generated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, excluding expected credit losses. For purchased or originated credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated using the expected future cash flows, including expected credit losses.

For financial assets that become credit-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the financial asset is no longer credit-impaired, calculation of interest income is based on the gross carrying amount.

Fee and commission income for the loan issue is recognized in the amount that the Company expects to receive in exchange for services when or as the Company provides services to customers.

The Company provides insurance agent services providing life insurances of various insurance companies in its points of sale of retail loans and receives agency fees in proportion to the issued insurance premiums. As the purchase of the life insurance is voluntary and is not a condition to receive a loan, it does not affect the interest rate on loan. Consequently, agent revenue is not considered to be a part of the effective interest rate. The service is considered to be provided in full after the execution of the insurance policy (insurance agreement), therefore, the Company recognizes the fee immediately when the performance obligation is fulfilled, i.e., when the insurance policy (insurance agreement) is executed.

Penalties are recognized into statement of profit or loss when received.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(g) Income tax

Income tax comprises current and deferred tax. Current tax is calculated based on the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, including any adjustment to income tax payable for previous years.

Deferred tax assets and deferred tax liabilities are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be realized. Future taxable profit is determined on the basis of the respective recoverable taxable temporary differences. The amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefits will be utilized. Such write-offs are subject to recovery when the probability of future taxable profit increases. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on bank accounts and amounts due from credit institutions that mature within 90 days of the date of origination and are free from contractual encumbrances.

(i) Capitalized expenses related to the loan issue

A number of transaction costs related to the issue of long-term (for up to three years) loans are recognized within the effective interest rate. Such costs, primarily direct marketing expenses, processing and courier services, are capitalized by the Company and are subsequently amortized based on the expected average life of the financial asset.

(j) Financial assets

The Company recognizes a financial asset in the statement of financial position when, and only when, it becomes a party to the contractual provisions of such financial instrument. When financial assets are recognized initially, they are measured at fair value, which is usually the price of the transaction, i.e. the fair value of consideration paid or received.

The Company classifies financial assets on the basis of the Company's business model used for managing the financial assets and the characteristics of the financial asset related to the contractual cash flows.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Subsequent to initial recognition, the Company measures financial instruments quoted in an active market at their fair values that are quoted market bid or ask prices for assets and liabilities, respectively, at the measurement date.

If a market for a financial asset is not active, the Company measures fair values using the following methods:

- Analysis of transactions with the same instrument performed recently between non-related parties;
- Current fair value of similar financial instruments;
- Discounting of future cash flows.

The discount rate reflects the minimum return on investment an investor is willing to accept before starting an alternative project, given its risk and the opportunity cost of forgoing other projects.

The Company's core financial assets comprise loans issued, accounts receivable and deposits placed for a period of more than 3 months. The Company measures financial assets at amortized cost, as both of the following criteria are met:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(k) Financial liabilities

The Company recognizes a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of such financial instrument. When financial liabilities are recognized initially, they are measured at fair value, which is usually the price of the transaction, i.e. the fair value of consideration paid or received.

The Company initially recognizes a financial liability at fair value less transaction costs that relate directly to the purchase or issue of the financial liability.

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, canceled or expired.

Where an existing financial liability is replaced by another liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in their carrying amounts is recognized in profit or loss.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include loans payable. Loans payable are recognized when the financial organizations, being the Company's counterparties, provide cash and other assets to the Company.

(l) Derivative financial instruments

In the normal course of business, the Company enters into derivative financial instruments (forwards) in the foreign exchange and capital markets. Such financial instruments are initially recognized at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in other finance expenses in the statement of profit or loss.

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a separate derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or another variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial liabilities and non-financial host contacts are treated as separate derivatives and recorded at fair value if they meet the definition of a derivative (as defined above), their characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the statement of profit or loss.

Financial assets are classified based on the business model and SPPI test[1].

(m) Impairment of financial assets

Impairment losses on loans issued are calculated based on the expected credit losses (ECL) model. The allowance for ECL is based on credit losses expected to be incurred over the life of the underlying asset (LTECL), if there has been a significant increase in credit risk since the date of initial recognition.

[1] SPPI (Solely Payments of Principal and Interest) test – a test in accordance with which it is determined whether a financial instrument can be classified as carried at amortised cost based on whether subsequent changes in the book value are solely repayments of the body of debt and interest.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(m) Impairment of financial assets

Otherwise, the allowance for ECL will be equal to 12-month expected credit losses (12mECL). 12mECL are part of lifetime ECL and represent ECL arising from defaults on a financial instrument expected to occur within 12 months after the reporting date. Both the LTECL and the 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether there has been a significant increase in a financial instrument's credit risk since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Company classifies loans issued as follows:

Stage 1. Loss allowance based on 12mECL. In this Stage, the Company includes agreements for which the following conditions are met: (1) The agreement is not credit-impaired; (2) there is no significant increase in the credit risk.

The Stage includes loans not overdue and loans overdue from 1 to 30 days inclusive.

Stage 2. Loss allowance based on LTECL. In this Stage, the Company includes agreements, for which the credit risk has increased significantly from the date of initial recognition, but which are not credit-impaired. The criteria of significant increase of the credit risk is the increase of the overdue period. This Stage includes loans overdue from 31 to 90 days inclusive.

Stage 3. Loss allowance on financial assets that are credit-impaired at initial recognition. Significant increase in the overdue period for a loan (i.e., default) serves as the criteria for the loan to be considered credit-impaired. This Stage includes loans overdue for more than 90 days.

ECL are assessed on a group basis. ECL under the agreement are measured based on the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

The Exposure at Default (EAD) is an estimate of the exposure at default at a certain future date, adjusted to reflect its changes expected after the reporting date, including payments of interest or principal amount due under a contract or otherwise, repayment of loans issued and interest accrued on overdue payments.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive. It is usually expressed as a percentage of the EAD.

(n) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment allowance.

At each reporting date, the Company assesses whether there is an indication that an item of property and equipment may be impaired. If such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. Where the carrying amount of property and equipment is greater than their estimated recoverable amount, the carrying amount of the asset is written down to its recoverable amount and the difference is recognized as a loss from impairment in the statement of profit or loss.

Gains or losses resulting from disposal of property and equipment are based on their carrying amount and recognized within operating expenses in the statement of profit or loss.

Repair and maintenance costs are recognized in the statement of profit or loss as incurred.

Property and equipment are depreciated when they are ready for use. Depreciation is calculated on a straight-line basis over the useful lives of the assets.

(o) Leases (the policy is effective from 1 January 2019)

Before the adoption of IFRS 16, the Company accounted for leases in accordance with the effective IAS 17 *Leases* and recorded office rent as operating lease. The Company applied a modified retrospective approach, according to which the cumulative effect of the initial application of the standard is recorded at the date of initial application, i.e. 1 January 2019. The Company did not use hindsight at initial application.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(o) Leases (the policy is effective from 1 January 2019) (continued)

For contracts (or certain components of contracts) under which the Company conveys the right to control the use of an identified asset (as defined in IFRS 16 *Leases*) for a period of time in exchange for consideration, the Company recognizes a right-of-use asset and the respective liability at the commencement date of the lease.

In accordance with IFRS 16 *Leases*, the Company does not apply this standard to leases with a lease term of 12 months or less, including economically feasible extensions, and leases of assets with a low initial value.

The Company determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

At the commencement date of the lease, the Company measures the lease liability at the present value of lease payments not made as at that date. Liabilities are primarily discounted using the lessee's incremental borrowing rate because the rate implicit in the lease is usually not readily determinable.

At the commencement date of the lease, the Company measures the right-of-use asset at cost, which includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date of the lease less any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Lease payments are apportioned between finance costs and the reduction in lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recorded in the statement of comprehensive income.

(q) Intangible assets

Intangible assets include investments in software licenses and its adaptation to the clients' needs.

Intangible assets with finite lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over the useful lives of intangible assets. The estimated useful lives and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for and reported in subsequent periods.

The cost of an intangible asset developed by the Company is equal to total costs incurred since the date the intangible asset first qualified for recognition, namely:

- It is probable that expected future economic benefits associated with the asset will flow to the entity.
- The cost of the asset can be reliably measured.

The Company must assess the probability that it will receive the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of combined economic conditions that will be present during the useful life of the asset.

The Company uses its professional judgment to assess the degree of certainty with regard to the flow of future economic benefits associated with the use of assets based on the data available as at the date of initial recognition with more focus on the data from external sources.

The cost of an inhouse-developed intangible asset includes all direct expenses required to develop, produce and prepare the asset for use as per management's intentions. Direct expenses include, for example:

- Materials and services used or consumed in developing an intangible asset;
- Employee benefits related to developing an intangible asset;
- Payments required to register a legal right;
- Amortization of patents and licenses used to develop an intangible asset.

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(r) Share capital and dividends

Contributions of the participants of the partnership are included in share capital.

(s) Contingencies

Contingent assets are not recorded in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

(t) Foreign currencies

When preparing the financial statements, transactions in currencies other than the functional currency of the Company ("foreign currencies") are recorded at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the appropriate rate of exchange prevailing at the reporting date. For the purpose of these financial statements, the Company applied the following exchange rates:

	31 December 2021	*31 December 2020*
KZT to RUB	5,77	5,65
KZT to EUR	487,79	516,13
KZT to USD	431,67	420,71

5. Interest income

	2021	*2020*
Loans to individuals maturing in less than three years	12 152 463	8 245 301
SME loans	3 763 770	1 002 663
Short-term loans to individuals (PDL)	–	3 031 133
Loans issued to related parties	157 903	13 006
Total	**16 074 136**	**12 292 103**

6. Fee and commission income and agent revenue

	2021	*2020*
Loans to individuals maturing in less than three years		
Sale of insurance services	3 346 786	2 213 548
Fees for extending loan maturities	22 060	12 479
Total loans to individuals maturing in less than three years	**3 368 846**	**2 226 027**
SME loans		
Sale of insurance services	621 441	295 760
Fees for extending loan maturities	2 805	2 748
Total SME loans	**624 246**	**298 508**
Short-term loans to individuals (PDL)		
Fees for extending loan maturities	–	812 809
Total short-term loans to individuals (PDL)	**–**	**812 809**
Total fee and commission income and agent revenue	**3 993 092**	**3 337 344**

The Company receives agency fees for concluding insurance agreements and recognizes income from such fees at the moment of the insurance agreement conclusion.

(thousands of tenge, unless otherwise indicated)

7. Other income

	2021	*2020*
Accrued penalties	394 929	681 447
Income under guarantee agreement	54 460	–
Interest income on deposit	40 716	7 846
Other income	11 207	54 581
Total	**501 312**	**743 874**

Accrued penalties comprise forfeits provided for in the microloan agreement for non-compliance with the established payment terms.

8. Finance expenses

	2021	*2020 (restated)*
Interest expenses on loans attracted on regulated investment sites from banks and related parties	4 371 200	3 525 903
Interest expenses on bonds issued	2 218 878	332 929
Lease liabilities	26 357	14 020
Total interest expenses	**6 616 435**	**3 872 852**
Other finance expenses	1 025 310	476 620
Total finance expenses	**7 641 745**	**4 349 472**

Other finance expenses are represented by the comprehensive financial result which comprises a positive currency revaluation of loans raised and denominated in foreign currency in the amount of KZT 1 016 497 thousand for 2021 and the negative financial result from derivative financial instruments aimed at mitigating foreign currency risk in the amount of KZT 2 041 807 thousand for 2021. A negative currency revaluation in the amount of KZT 2 214 520 thousand and the positive financial result from derivative financial instruments in the amount of KZT 1 737 900 thousand were recognized for 2020.

9. Operating expenses

	2021	*2020*
Advertising and marketing	821 947	915 010
Processing	366 332	171 311
Collector services	286 962	382 965
Scoring and verification	201 358	313 709
Customer support	100 080	147 053
Total	**1 776 679**	**1 930 049**

10. General and administrative expenses

	2021	*2020*
Employee benefit expenses		
Expenditures on payroll and bonuses	626 500	464 199
Payroll related taxes and charges	71 915	21 262
Total employee benefit expenses	**698 415**	**485 461**
Other general and administrative expenses		
Professional services	383 838	182 950
Taxes other than corporate income tax	309 772	133 924
Software maintenance	308 363	137 990
Depreciation and amortization	171 176	44 991
Other	246 381	276 454
Total other general and administrative expenses	**1 419 530**	**776 309**
Total general and administrative expenses	**2 117 945**	**1 261 770**

Professional services comprise, in particular, expenses in the amount of KZT 228 208 thousand for the year 2021 and KZT 112 139 thousand for the 2020 related to the involvement of IDF Holding’s experts providing advice as part of the development strategy of the group’s companies across the CIS regions.

(thousands of tenge, unless otherwise indicated)

11. Net losses from foreign currencies

	2021	*2020 (restated)*
Revaluation of foreign currency-denominated items, except for foreign currency-denominated loans	344 039	467 507
Foreign exchange transactions	(58 696)	(130 252)
Total	**285 343**	**337 255**

12. Cash and cash equivalents

	31 December 2021	*31 December 2020*
Cash balances on settlement and transit accounts	2 318 169	1 936 020
Cash in transit	352 991	179 839
Total cash and cash equivalents	**2 671 160**	**2 115 859**

Balances of cash and cash equivalents are not restricted.

For the purpose of ECL measurement, balances of cash and cash equivalents are included in Stage 1. ECL on such balances are insignificant; therefore, the Company does not charge an allowance for credit losses on cash and cash equivalents.

13. Loans to customers

	31 December 2021	*31 December 2020*
Loans to individuals	47 900 079	32 918 726
SME loans	16 411 764	5 147 818
Loans to customers at amortized cost before allowance	**64 311 843**	**38 066 544**
Allowance for expected losses on loans to individuals	(2 558 102)	(2 967 419)
Allowance for expected losses on SME loans	(516 449)	(380 736)
Less: allowance for expected credit losses	**(3 074 551)**	**(3 348 155)**
Loans to individuals, total	45 341 977	29 951 307
SME loans, total	15 895 315	4 767 082
Total loans to customers at amortized cost less allowance for expected losses	**61 237 292**	**34 718 389**

A breakdown of the accrued and used allowance for credit losses in the reporting period is provided in the table below:

	2021	*2020*
At the beginning of the period	**(3 348 155)**	**(2 073 985)**
Charge of allowance	(3 844 610)	(4 930 300)
Disposal of allowance due to sale of the portfolio	4 074 964	3 709 603
Other changes in the allowance	43 250	(53 473)
At the end of the period	**(3 074 551)**	**(3 348 155)**

Stage 1 includes loans not overdue and loans overdue from 1 to 30 days inclusive. Stage 2 includes loans overdue from 31 to 90 days inclusive, Stage 3 includes loans overdue for more than 90 days.

(thousands of tenge, unless otherwise indicated)

13. Loans to customers (continued)

Movements in the gross carrying amount and relevant ECL for the year ended 31 December 2021 are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2021	**34 175 105**	**1 304 498**	**2 586 941**	**38 066 544**
New assets originated or purchased	72 811 813	–	–	**72 811 813**
Interest income accrued	14 956 954	562 017	397 262	**15 916 233**
Assets repaid	(54 871 352)	(584 372)	(350 560)	**(55 806 284)**
Assets sold	–	–	(6 633 213)	**(6 633 213)**
Transfers to Stage 1	79 248	(56 660)	(22 588)	**–**
Transfers to Stage 2	(2 181 752)	2 187 394	(5 642)	**–**
Transfers to Stage 3	(6 140 252)	(1 204 767)	7 345 019	**–**
Unwinding of the discount	–	–	481 875	**481 875**
Write-offs	–	–	(525 125)	**(525 125)**
At 31 December 2021	**58 829 764**	**2 208 110**	**3 273 969**	**64 311 843**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2021	**(1 263 100)**	**(554 231)**	**(1 530 824)**	**(3 348 155)**
New assets originated or purchased	(2 178 830)	–	–	**(2 178 830)**
Assets repaid	1 366 008	209 370	188 802	**1 764 180**
Assets sold	–	–	4 074 964	**4 074 964**
Transfers to Stage 1	(32 466)	20 300	12 166	**–**
Transfers to Stage 2	45 144	(246 552)	201 408	**–**
Transfers to Stage 3	162 029	431 645	(593 674)	**–**
Changes to models and inputs used for ECL calculations	1 144 685	(526 853)	(4 047 792)	**(3 429 960)**
Unwinding of the discount	–	–	(481 875)	**(481 875)**
Write-offs	–	–	525 125	**525 125**
At 31 December 2021	**(756 530)**	**(666 321)**	**(1 651 700)**	**(3 074 551)**

Movements in the gross carrying amount and relevant ECL the year ended 31 December 2020 are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2020	**17 525 191**	**502 655**	**1 289 703**	**19 317 549**
New assets originated or purchased	54 416 116	–	–	**54 416 116**
Interest income accrued	11 706 227	388 538	184 332	**12 279 097**
Assets repaid	(38 072 905)	(684 088)	(770 931)	**(39 527 924)**
Assets sold	(2 170 409)	(643 546)	(5 585 819)	**(8 399 774)**
Transfers to Stage 1	147 475	(100 982)	(46 493)	**–**
Transfers to Stage 2	(2 440 288)	2 441 150	(862)	**–**
Transfers to Stage 3	(6 936 302)	(599 229)	7 535 531	**–**
Unwinding of the discount	–	–	590 997	**590 997**
Write-offs	–	–	(609 517)	**(609 517)**
At 31 December 2020	**34 175 105**	**1 304 498**	**2 586 941**	**38 066 544**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL at 1 January 2020	**(573 691)**	**(297 316)**	**(1 202 978)**	**(2 073 985)**
New assets originated or purchased	(3 405 372)	–	–	**(3 405 372)**
Assets repaid	2 102 977	381 704	466 264	**2 950 945**
Assets sold	127 230	381 136	3 707 059	**4 215 425**
Transfers to Stage 1	(5 453)	3 734	1 719	**–**
Transfers to Stage 2	173 682	301 749	(475 431)	**–**
Transfers to Stage 3	2 850 155	250 714	(3 100 869)	**–**
Changes to models and inputs used for ECL calculations	(2 532 628)	(1 575 952)	(945 108)	**(5 053 688)**
Unwinding of the discount	–	–	(590 997)	**(590 997)**
Write-offs	–	–	609 517	**609 517**
At 31 December 2020	**(1 263 100)**	**(554 231)**	**(1 530 824)**	**(3 348 155)**

(thousands of tenge, unless otherwise indicated)

14. Loans and borrowings

	Effective interest rate	*31 December 2021*	*31 December 2020*
Loans raised on regulated investment sites	8%-21%	29 933 645	19 352 719
Bonds issued (KZT)	18%-19%	17 323 370	3 835 159
Bonds issued (USD)	9%	2 944 320	2 777 527
Loans from funds, bank loans and credit facilities	13,75%, 21,1%	1 260 349	2 420 082
Loans from related parties (*Note 23*)	11,5%-21%	1 052	2 605 215
Total loans and borrowings		**51 462 736**	**30 990 702**

Some of the borrowing agreements include provisions on compliance with covenants. As at 31 December 2021 and 31 December 2020, the Company was in compliance with all covenants.

On 18 March 2021, the Company placed bonds maturing in three years and bearing a coupon rate of 18,5% p.a. and 18% p.a. for the first two years and for the third year, respectively. The nominal value of the bonds is KZT 1 000, coupon payments are made on a monthly basis, and the issue amounted to KZT 7 billion.

In November and December 2021, the Company placed bonds in the amount of KZT 6,66 billion maturing in 3 years and bearing a coupon rate of 18% p.a. The nominal value of bonds is KZT 1 000, coupon payments are made on a quarterly basis, and the planned issue totals KZT 10 billion.

15. Income tax

	2021	*2020 (restated)*
Corporate income tax	(1 123 407)	(768 465)
Deferred tax	332 988	3 827
Total	**(790 419)**	**(764 638)**

The corporate income tax rate is 20%.

Income tax calculated using the effective income tax rates and profit before tax differs from the income tax recognized within profit or loss due to the following factors:

	2021	*2020 (restated)*
Profit before tax	**5 239 868**	**3 606 249**
Income tax at the statutory rate of 20%	**(1 047 974)**	**(721 250)**
Income tax related to interest expense on subordinated loans recorded in equity	272 219	81 008
Other differences	(14 664)	(124 396)
	(790 419)	**(764 638)**

(thousands of tenge, unless otherwise indicated)

15. Income tax (continued)

	31 December 2021	*Recognized in the statement of comprehensive income at 31 December 2021*	*31 December 2020 (restated)*
Deferred tax assets			
Right-of-use assets	9 551	6 332	3 219
Accounts payable	527	527	–
Derivative financial liabilities	61 451	50 219	11 232
Other liabilities	40 009	40 009	–
Total	**111 538**	**97 087**	**14 451**
Deferred tax liabilities			
Loans to customers	(42 436)	(35 179)	(7 257)
Derivative financial assets	–	389 889	(389 889)
Property and equipment and intangible assets	(44 443)	(32 491)	(11 952)
Loans and borrowings	(88 310)	(82 687)	(5 623)
Lease liabilities	(6 340)	(3 631)	(2 709)
Total	**(181 529)**	**235 901**	**(417 430)**
Deferred tax assets (liabilities), net	**(69 991)**	**332 988**	**(402 979)**

16. Property and equipment

Movements in property and equipment are as follows:

	Furniture and fixtures	*Computers and office equipment*	*Other*	*Total*
Cost				
At 1 January 2021	**4 060**	**24 713**	**–**	**28 773**
Additions	31 988	55 463	117 524	**204 975**
Disposals and write-offs	–	(1 346)	–	**(1 346)**
At 31 December 2021	**36 048**	**78 830**	**117 524**	**232 402**
Accumulated depreciation				
At 1 January 2021	**(1 294)**	**(7 780)**	**–**	**(9 074)**
Depreciation charge	(2 407)	(11 435)	(14 474)	**(28 316)**
Disposals and write-offs	–	4	–	**4**
At 31 December 2021	**(3 701)**	**(19 211)**	**(14 474)**	**(37 386)**
Net carrying amount				
At 1 January 2021	**2 766**	**16 933**	**–**	**19 699**
At 31 December 2021	**32 347**	**59 619**	**103 050**	**195 016**

The "Other" category includes the capitalization of the repair of the Company's building.

	Furniture and fixtures	*Computers and office equipment*	*Other*	*Total*
Cost				
At 1 January 2020	**1 357**	**10 064**	**–**	**11 421**
Additions	2 702	14 650	–	**17 352**
Disposals and write-offs	–	–	–	**–**
At 31 December 2020	**4 059**	**24 714**	**–**	**28 773**
Accumulated depreciation				
At 1 January 2020	**(701)**	**(3 149)**	**–**	**(3 850)**
Depreciation charge	(593)	(4 631)	–	**(5 224)**
Disposals and write-offs	–	–	–	**–**
At 31 December 2020	**(1 294)**	**(7 780)**	**–**	**(9 074)**
Net carrying amount				
At 1 January 2020	**656**	**6 915**	**–**	**7 571**
At 31 December 2020	**2 765**	**16 934**	**–**	**19 699**

(thousands of tenge, unless otherwise indicated)

17. Intangible assets

Movements in intangible assets were as follows:

	Licenses	*Software*	*Total*
Cost			
At 1 January 2021	**2 233**	**427 206**	**429 439**
Additions	1 392	482 897	**484 289**
At 31 December 2021	**3 625**	**910 103**	**913 728**
Accumulated amortization			
At 1 January 2021	**(508)**	**(23 430)**	**(23 938)**
Amortization charge	(645)	(110 557)	**(111 202)**
At 31 December 2021	**(1 153)**	**(133 987)**	**(135 140)**
Net carrying amount			
At 1 January 2021	**1 725**	**403 776**	**405 501**
At 31 December 2021	**2 472**	**776 116**	**778 588**

	Licenses	*Software*	*Total*
Cost			
At 1 January 2020	**431**	**–**	**431**
Additions	1 802	427 206	**429 008**
At 31 December 2020	**2 233**	**427 206**	**429 439**
Accumulated amortization			
At 1 January 2020	**(264)**	**–**	**(264)**
Amortization charge	(244)	(23 430)	**(23 674)**
At 31 December 2020	**(508)**	**(23 430)**	**(23 938)**
Net carrying amount			
At 1 January 2021	**167**	**–**	**167**
At 31 December 2020	**1 725**	**403 776**	**405 501**

18. Right-of-use assets

Changes in the carrying amount of right-of-use assets in 2021 and 2020 are shown in the table below:

	2021	*2020*
Cost at 1 January	**80 438**	**37 207**
Effect of new agreements	47 094	59 324
Depreciation charge	(31 660)	(16 093)
Net carrying amount at the end of the period	**95 872**	**80 438**

Changes in the carrying amount of liabilities under lease agreements for 2021 and 2020 are presented below:

	2021	*2020*
Lease liabilities at 1 January	**89 883**	**44 104**
Effect of new agreements	47 094	59 324
Income from disposal of leases	(14 216)	–
Interest expenses	26 357	14 020
Payments	(46 350)	(27 565)
Lease liabilities at the end of the period	**102 768**	**89 883**

(thousands of tenge, unless otherwise indicated)

19. Other assets and liabilities

Other assets	***31 December 2021***	***31 December 2020***
Other financial assets		
Loans issued to related parties *(Note 23)*	170 964	615 009
Receivables from insurance company	89 213	142 164
Settlements on regulated investment sites	361 846	100 367
Receivables from related parties *(Note 23)*	16 677	–
Other receivables	28 292	67 524
Total other financial assets before allowance for impairment	**666 992**	**925 064**
Allowance for impairment	–	–
Total other financial assets, net of allowance for impairment	**666 992**	**925 064**
Other non-financial assets		
Short-term advances issued	159 748	41 156
VAT receivable	66 427	–
Total other non-financial assets before allowance for impairment	**226 175**	**41 156**
Allowance for impairment	–	–
Total other non-financial assets, net of allowance for impairment	**226 175**	**41 156**
Total other assets	**893 167**	**966 220**

In 2021, receivables of KZT 146 367 thousand were written off.

Loans to related parties are issued to maintain liquidity as part of the group-wide strategy for liquidity management and are not the principal activities of the Company.

Other liabilities	***31 December 2021***	***31 December 2020***
Other financial liabilities		
Liabilities under guarantee	125 052	–
Payables to employees	108 982	33 990
Payables to insurance company	60 995	–
Total other financial liabilities	**295 029**	**33 990**
Other non-financial liabilities		
Taxes and contributions, except for corporate income tax	188 157	216 520
Other current liabilities	1 041	4 608
Total other non-financial liabilities	**189 198**	**221 128**
Total other liabilities	**484 227**	**255 118**

Liabilities under guarantee represent a non-amortized portion of income under guarantee issued by the Company to a related party on opening a credit limit on a regulated investment site.

20. Share Capital

As at 31 December 2021 and 31 December 2020, the paid-in and outstanding share capital of the Company was KZT 1 120 151 thousand.

(thousands of tenge, unless otherwise indicated)

21. Accounts payable

	31 December 2021	*31 December 2020*
Assignment payments	86 587	–
Software maintenance	83 058	39 549
Consulting services	80 927	154 277
Underwriting services to issue bonds	76 005	41 014
Marketing services	36 776	273 897
Payables under currency forwards with related parties *(Note 23)*	21 814	211 546
Scoring and verification services	13 086	16 094
Collector services	17 603	12 559
Other accounts payable	199 176	102 724
Total	**615 032**	**851 660**

Assignment payments represent amounts due to a related party related to a transfer of borrowers' payments the Company received after the assignment agreement was concluded.

22. Derivative financial instruments

The Company enters into currency forwards to manage its open currency position. This financial instrument is used to limit the Company's risk related to adverse changes in foreign exchange rates.

The table below presents the fair values of derivative financial instruments as at 31 December 2021:

Recognized as liability	*Currency*	*Nominal value in currency, thousand*	*Exchange rate*	*Maturity*	*31 December 2021*
Forward to sell KZT, to purchase EUR	EUR	10,000	517,58	May 2022	(49 465)
Forward to sell KZT, to purchase EUR	EUR	10,000	522,59	June 2022	(45 113)
Forward to sell KZT, to purchase EUR	EUR	10,000	527,52	August 2022	(41 841)
Forward to sell KZT, to purchase EUR	EUR	10,000	532,96	August 2022	(43 240)
Forward to sell KZT, to purchase EUR	EUR	12,000	538,07	September 2022	(51 346)
Forward to sell KZT, to purchase USD	USD	6,500	470,85	September 2022	(20 091)
Total derivative financial liabilities					**(251 096)**

The table below presents the fair values of financial instruments as at 31 December 2020:

Recognized as asset	*Currency*	*Nominal value in currency, thousand*	*Exchange rate*	*Maturity*	*31 December 2020*
Forward to sell RUB, to purchase EUR	EUR	20,000	75,81	February 2021	1 746 044
Forward to sell KZT, to purchase EUR	EUR	15,000	533,82	October 2021	214 543
Forward to sell KZT, to purchase USD	USD	7,000	437,90	June 2021	(11 141)
Total derivative financial assets					**1 949 446**

(thousands of tenge, unless otherwise indicated)

23. Related party transactions

(a) Transactions with the parent and related parties

During 2021 and 2020, the Company entered into the following transactions with the parent and related parties:

	2021	*2020*
Recognized in comprehensive income		
Interest income	157 903	13 006
Other income (fees for issuing guarantees)	54 460	–
Interest expenses	(190 056)	(1 095 258)
Operating expenses	(35 106)	(292 860)
General and administrative expenses	(914 659)	(470 610)
Other finance income/expenses	(2 041 807)	1 737 900
Financing activities		
Loans and borrowings		
Proceeds from loans and borrowings	1 398 584	5 111 230
Repayment of loans and borrowings, including interest	(4 091 888)	(3 813 788)
Subordinated loans		
Receipt of subordinated loans	924 788	5 263 652
Repayment of subordinated loans, including interest	(2 520 519)	(2 106 228)

Administrative expenses for 2021 include marketing and consulting services, software maintenance services and payroll expenses.

As at 31 December 2021 and 31 December 2020, the Company had the following balances with related parties on all the agreements concluded:

	31 December 2021	*31 December 2020*
Assets		
Derivative financial assets	–	1 949 446
Receivables from the sale of portfolios	338 437	2 145 573
Receivables from related parties	16 677	–
Loans issued	170 964	615 009
Liabilities		
Loans and borrowings	1 052	2 605 215
Derivative financial liabilities	251 096	–
Payables to related parties	424 228	706 620
Other liabilities	125 909	–
Equity		
Subordinated loans	6 432 885	6 507 170

In December 2019, the Company entered into addenda to agreements on provision of loans from related parties, according to which these loans are considered subordinated with respect to all of the Company's current and future liabilities. The Company is entitled, at its sole discretion, to suspend payments of the principal amount and interest at any time and for any period. In addition, the Company is entitled to unilaterally extend these agreements. In 2021, the Company raised additional subordinated loans in the amount of KZT 924 788 thousand, paid interest on subordinated loans in the amount of KZT 1 396 383 thousand and revalued the balances in the amount of KZT 125 063 thousand.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Receivables from the sale of portfolios in the amount of KZT 679 256 thousand include receivables from related parties in the amount of KZT 338 437 thousand as at 31 December 2021 (31 December 2020: in the amount of KZT 2 145 573 thousand out of KZT 3 097 260 thousand).

Receivables from related parties include balances under a guarantee and consulting services.

(thousands of tenge, unless otherwise indicated)

23. Related party transactions (continued)

(a) Transactions with the parent and related parties (continued)

Payables to related parties include outstanding currency forward commissions in the amount of KZT 20 938 thousand, consulting services in the amount of KZT 75 991 thousand and software maintenance services in the amount of KZT 42 803 thousand.

Other liabilities include the balance of KZT 125 909 thousand under a guarantee issued by the Company to a related party to open a credit limit on a regulated investment site.

(b) Compensation to key management personnel

The accrued compensation to the Company's top management, including salary, bonuses and termination benefits, considering personal income tax, amounted to KZT 74 million and KZT 97 million for 2021 and 2020, respectively.

24. Financial risk management

The General Director is responsible for overall risk management. In particular, the General Director's competence includes: 1) approval of key risk management principles and assessment of the Company's organizational structure for compliance with these principles; 2) control of the Company's risk management units, identification of weaknesses in the risk management system and taking appropriate measures.

Financial risks are managed though setting limits on transactions that are obligatory for relevant structural units and officers of the Company authorized to perform such transactions.

The Company's structural units prepare management reporting forms for the Company's management bodies on a regular basis to provide information supporting the decision-making process. The Company manages and assesses the following risks on an ongoing basis.

(a) Credit risk

The Company takes on exposure to credit risk which is the risk that a borrower will be unable to pay amounts in full when due. The Company sets relevant limits with regard to the transactions exposed to credit risk, such as limits on borrowers, loans or other aspects of the loan portfolio. At the same time, the Company ensured full automation of the limit management process in order to timely identify and eliminate the reasons for higher credit risk.

The purpose of credit risk management is to minimize the Company's losses that may arise due to borrowers' failure to perform their obligations and to maximize the Company's return with due regard to credit risk.

Credit risk management objectives are as follows:

- Analyze and assess credit risks;
- Determine amounts of risks;
- Manage credit risks;
- Control the efficiency of the credit risk management process.

	31 December 2021	*31 December 2020*
Loans to customers	61 237 292	34 718 389
Receivables from the sale of portfolios	679 256	3 097 260
Cash and cash equivalents	2 671 160	2 115 859
Other financial assets	666 992	925 064
Total financial assets	**65 254 700**	**40 856 572**

Cash and deposit

Under its credit risk and liquidity risk management, the Company regularly analyzes the financial stability of financial and banking institutions where it places cash and cash equivalents. Cash and cash equivalents were placed with major banks in Kazakhstan rated from B- to BB+.

(thousands of tenge, unless otherwise indicated)

24. Financial risk management (continued)

(a) Credit risk (continued)

Loan portfolio

The Company uses a multi-factor system to assess loans to customers.

The Company's Risk Management Function develops and updates credit risk limits and controls compliance with them. In assessing the level of credit risk for all exposed assets, the Company uses a portfolio approach, where the risk level is assessed using a pool of homogenous loans combined in portfolios with no individual loans being analyzed (individual approach). Loans are combined in one portfolio based on the product under which they are issued: (1) consumer loans to individuals for up to three years, (2) loans to small and medium business (SME).

In assessing a loan portfolio, the Risk Management Function assesses risk concentration within the portfolio. The concentration may be in various forms and arises when numerous loans have similar characteristics. The Company considers the diversification of the loan portfolio using a number of criteria, the most important of which are: maturity, the number of borrowers' applications, interest rates, and the number of overdue days.

The key aspect to assess the quality of the Company's loan portfolio is the level of principal overdue: the Company regularly analyzes the amount of and movements in the principal overdue to control compliance of planned values with actual values.

The aging analysis of loans is provided below.

As at 31 December 2021, loans to individuals and SME were as follows:

(1) Loans to individuals	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	41 644 939	(472 841)	41 172 098
Overdue 1-30 days	978 582	(131 085)	847 497
Overdue 31-60 days	897 769	(220 775)	676 994
Overdue 61-90 days	753 549	(279 863)	473 686
Overdue more than 90 days	2 504 775	(1 262 559)	1 242 216
Total principal	**46 779 614**	**(2 367 123)**	**44 412 491**
Interest and other accruals	1 120 466	(190 980)	929 486
Total principal, interest and other accruals	**47 900 080**	**(2 558 103)**	**45 341 977**

(2) SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	14 967 248	(106 166)	14 861 082
Overdue 1-30 days	267 025	(30 293)	236 732
Overdue 31-60 days	229 885	(52 602)	177 283
Overdue 61-90 days	167 686	(58 791)	108 895
Overdue more than 90 days	466 850	(231 946)	234 904
Total principal	**16 098 694**	**(479 798)**	**15 618 896**
Interest and other accruals	313 069	(36 650)	276 419
Total principal, interest and other accruals	**16 411 763**	**(516 448)**	**15 895 315**

(thousands of tenge, unless otherwise indicated)

24. Financial risk management (continued)

(a) Credit risk (continued)

Loan portfolio (continued)

As at 31 December 2020, loans to individuals and SME were as follows:

(1) Loans to individuals	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	27 760 371	(764 040)	26 996 331
Overdue 1-30 days	1 116 066	(314 114)	801 952
Overdue 31-60 days	558 248	(205 047)	353 201
Overdue 61-90 days	502 184	(248 569)	253 615
Overdue more than 90 days	2 188 065	(1 318 119)	869 946
Total principal	**32 124 934**	**(2 849 889)**	**29 275 045**
Interest and other accruals	793 792	(117 530)	676 262
Total principal, interest and other accruals	**32 918 726**	**(2 967 419)**	**29 951 307**

(2) SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	4 501 150	(118 878)	4 382 272
Overdue 1-30 days	161 429	(44 067)	117 362
Overdue 31-60 days	69 649	(24 176)	45 473
Overdue 61-90 days	75 833	(36 707)	39 126
Overdue more than 90 days	229 519	(137 822)	91 697
Total principal	**5 037 580**	**(361 650)**	**4 675 930**
Interest and other accruals	110 238	(19 086)	91 152
Total principal, interest and other accruals	**5 147 818**	**(380 736)**	**4 767 082**

(b) Liquidity risk

Liquidity risk is defined as the risk that maturities of assets and liabilities may not match.

Liquidity is assessed:

- Based on the number of assets held by the Company and possible timeframe for their sale causing no significant losses for the Company;
- Based on liabilities, their maturities and movements in the number of liabilities over time.

A line item is considered to be exposed to risk, when liquid assets and expected financial resources are not sufficient to settle liabilities within a certain period of time.

The General Director or their deputy coordinates liquidity management by controlling short-term, mid-term and long-term liquidity.

Liquidity risk is managed through control over cash resource surplus/deficit, their distribution and redistribution among instruments depending on maturities, liquidity and return. Liquidity management requires analysis of the level of liquid assets which is necessary to settle liabilities when due; access to diversified finance sources; action plans in case of fund-raising problems and control over compliance of balance sheet liquidity ratios with the requirements of the National Bank of the Republic of Kazakhstan. As at 31 December 2021 and 31 December 2020, the relevant ratios exceeded thresholds.

(thousands of tenge, unless otherwise indicated)

24. Financial risk management (continued)

(b) Liquidity risk (continued)

The tables below show a liquidity analysis, which Company uses for risk management and decision making.

At 31 December 2021	*Within 1 month*	*1 to 6 months*	*6 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Carrying amount*
Financial assets						
Cash and cash equivalents	2 671 160	–	–	–	–	**2 671 160**
Loans to customers	3 063 526	9 889 212	11 263 343	30 932 345	6 088 866	**61 237 292**
Receivables from the sale of portfolios	390 356	68 727	139 154	81 019	–	**679 256**
Other financial assets	505 740	5 331	155 921	–	–	**666 992**
Total financial assets	**6 630 782**	**9 963 270**	**11 558 418**	**31 013 364**	**6 088 866**	**65 254 700**
Financial liabilities						
Loans and borrowings	904 770	1 027 839	10 939 562	38 322 447	268 118	**51 462 736**
Derivative financial liabilities	–	94 579	156 517	–	–	**251 096**
Accounts payable	188 002	374 910	52 120	–	–	**615 032**
Other financial liabilities	2 595	182 533	15 401	61 187	33 313	**295 029**
Total financial liabilities	**1 095 367**	**1 679 861**	**11 163 600**	**38 383 634**	**301 431**	**52 623 893**
Net liquidity position at 31 December 2021	**5 535 415**	**8 283 409**	**394 818**	**(7 370 270)**	**5 787 435**	**12 630 807**
Cumulative liquidity position at 31 December 2021	**5 535 415**	**13 818 824**	**14 213 642**	**6 843 372**	**12 630 807**	**–**

(thousands of tenge, unless otherwise indicated)

24. Financial risk management (continued)

(b) Liquidity risk (continued)

As at 31 December 2020	*Within 1 month*	*1 to 6 months*	*6 months to 1 year*	*1 to 3 years*	*Over 3 years*	*Carrying amount*
Financial assets						
Cash and cash equivalents	2 115 859	–	–	–	–	**2 115 859**
Derivative financial assets	–	1 734 904	214 542	–	–	**1 949 446**
Loans to customers	2 068 515	6 055 348	7 188 721	19 405 805	–	**34 718 389**
Receivables from the sale of portfolios	110 000	2 956 339	30 921	–	–	**3 097 260**
Other financial assets	312 868	605 744	6 452	–	–	**925 064**
Total financial assets	**4 607 242**	**11 352 335**	**7 440 636**	**19 405 805**	**–**	**42 806 018**
Financial liabilities						
Loans and borrowings	278 469	1 660 140	5 240 308	23 811 785	–	**30 990 702**
Derivative financial liabilities	–	–	–	–	–	**–**
Accounts payable	91 617	705 265	54 778	–	–	**851 660**
Other financial liabilities	33 990	–	–	–	–	**33 990**
Total financial liabilities	**404 076**	**2 365 405**	**5 295 086**	**23 811 785**	**–**	**31 876 352**
Net liquidity position at 31 December 2020	**4 203 166**	**8 986 930**	**2 145 550**	**(4 405 980)**	**–**	**10 929 666**
Cumulative liquidity position at 31 December 2020	**4 203 166**	**13 190 096**	**15 335 646**	**10 929 666**	**10 929 666**	**–**

(thousands of tenge, unless otherwise indicated)

24. Financial risk management (continued)

(b) Liquidity risk (continued)

The tables below summarise the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations. See table above (Liquidity risk management) for the Company's actual expected repayment obligations.

At 31 December 2021

	Up to 1 year	*1 to 3 years*	*Over 3 years*	*Carrying amount*
Financial liabilities				
Loans and borrowings	19 757 474	43 721 353	–	**63 478 827**
Derivative financial liabilities	251 096	–	–	**251 096**
Accounts payable	848 221	–	–	**848 221**
Other financial liabilities	200 529	61 187	33 313	**295 029**
Total financial liabilities	**21 057 320**	**43 782 540**	**33 313**	**64 873 173**

(c) Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables. Considering that the Company neither raises nor issues instruments with floating interest rates and raises no equity instruments, management assesses the effect of changes in foreign exchange rates using them as a key market parameter affecting the Company's future cash flows.

Currency risk is the risk of losses incurred due to unfavorable changes in foreign exchange rates on open currency positions in foreign currencies.

The Company manages its currency risk by balancing its financial assets and financial liabilities denominated in Russian rubles, US dollars and euros. The Company also hedges currency risk by entering into forwards for the most volatile currency.

Currency risk is assessed on a monthly basis using the sensitivity analysis. The following table shows movements in the Company's profit before tax considering historical volatility of foreign currencies to the Kazakhstan tenge and the currency position at the end of each reporting period. It is assumed that all other parameters, interest rates in particular, are held constant.

	31 December 2021	*31 December 2020*
KZT/USD exchange rate, average for the period	434,3	413,4
Change in average exchange rate for the period	13,0%	8,0%
Effect on the Company's profit before tax	(43 840)	(156 929)
KZT/EUR exchange rate, average for the period	490,7	471,8
Change in average exchange rate for the period	13,0%	10,1%
Effect on the Company's profit before tax	(89 573)	(761 301)
KZT/RUB exchange rate, average for the period	5,89	5,74
Change in average exchange rate for the period	13,0%	-3,1%
Effect on the Company's profit before tax	(215 151)	72 500

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff training and assessment processes, including the use of internal reviews.

(thousands of tenge, unless otherwise indicated)

25. Changes in liabilities arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2021 is as follows:

	1 January 2021	*Net cash flows*	*Foreign currency translation*	*Other*	*31 December 2021*
Loans and borrowings	24 378 016	3 537 741	(111 708)	3 390 997	31 195 046
Bonds issued	6 612 686	12 065 567	23 908	1 565 529	20 267 690
Total liabilities arising from financing activities	**30 990 702**	**15 603 308**	**(87 800)**	**4 956 526**	**51 462 736**

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2020 is as follows:

	1 January 2020	*Net cash flows*	*Foreign currency translation*	*Other*	*31 December 2020*
Loans and borrowings	13 565 017	6 302 559	(1 489 114)	5 999 554	24 378 016
Bonds issued	–	6 953 189	(52 805)	(287 698)	6 612 686
Total liabilities arising from financing activities	**13 565 017**	**13 255 748**	**(1 541 919)**	**5 711 856**	**30 990 702**

26. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

As at 31 December 2021

	Within 12 months	*Over 12 months*	*Total*
Assets			
Cash and cash equivalents	2 671 160	–	**2 671 160**
Derivative financial assets	–	–	**–**
Loans to customers	24 216 081	37 021 211	**61 237 292**
Receivables from the sale of portfolios	598 237	81 019	**679 256**
Property and equipment	–	195 016	**195 016**
Intangible assets	–	778 588	**778 588**
Right-of-use assets	23 009	72 863	**95 872**
Current tax assets	112 210	–	**112 210**
Other assets	893 167	–	**893 167**
Total assets	**28 513 864**	**38 148 697**	**66 662 561**
Liabilities			
Loans and borrowings	12 872 171	38 590 565	**51 462 736**
Derivative financial liabilities	251 096	–	**251 096**
Deferred tax liabilities	–	69 991	**69 991**
Accounts payable	615 032	–	**615 032**
Lease liabilities	17 635	85 133	**102 768**
Other liabilities	389 727	94 500	**484 227**
Total liabilities	**14 145 661**	**38 840 189**	**52 985 850**
Net position	**14 368 203**	**(691 492)**	**13 676 711**

(thousands of tenge, unless otherwise indicated)

26. Maturity analysis of assets and liabilities (continued)

As at 31 December 2020

	Within 12 months	*Over 12 months*	*Total*
Assets			
Cash and cash equivalents	2 115 859	–	**2 115 859**
Derivative financial assets	1 949 446	–	**1 949 446**
Loans to customers	15 312 583	19 405 806	**34 718 389**
Receivables from the sale of portfolios	3 097 260	–	**3 097 260**
Property and equipment	–	19 699	**19 699**
Intangible assets	–	405 501	**405 501**
Right-of-use assets	17 629	62 809	**80 438**
Current tax assets	72 307	–	**72 307**
Other assets	966 220	–	**966 220**
Total assets	**23 531 304**	**19 893 815**	**43 425 119**
Liabilities			
Loans and borrowings	7 178 917	23 811 785	**30 990 702**
Income tax liabilities	11 784	–	**11 784**
Deferred tax liabilities	–	402 979	**402 979**
Accounts payable	851 660	–	**851 660**
Lease liabilities	20 621	69 262	**89 883**
Other liabilities	255 118	–	**255 118**
Total liabilities	**8 318 100**	**24 284 026**	**32 602 126**
Net position	**15 213 204**	**(4 390 211)**	**10 822 993**

27. Capital management

Management's primary objective in capital management is to ensure that the Company will continue as a going concern and maximize shareholders' value by maintaining an optimum equity to debt ratio and the quality of the loan portfolio.

In accordance with the requirements of the National Bank of the Republic of Kazakhstan, the equity adequacy ratio should be maintained at the level of at least 10%. During 2021 and 2020, the Company complied with statutory capital adequacy requirements.

The ratio of the Company's equity to net debt was calculated as follows:

	31 December 2021	*31 December 2020*
Total debt	51 462 736	30 990 702
Cash and cash equivalents	(2 671 160)	(2 115 859)
Net debt	**48 791 576**	**28 874 843**
Equity	**13 676 711**	**10 822 993**
Equity to net debt ratio	**0,28**	**0,37**

The ratio of the Company's equity to the loan portfolio was calculated as follows:

	31 December 2021	*31 December 2020*
Loans to customers	61 237 292	34 718 389
Equity	**13 676 711**	**10 822 993**
Equity to loan portfolio ratio	**0,22**	**0,31**

(thousands of tenge, unless otherwise indicated)

28. Contingencies

(a) Litigation

In the normal course of business, the Company may be subject to various legal claims. Management believes that the ultimate liabilities resulting from legal claims (if any) will have no material impact on the Company's financial position or performance in the future.

(b) Taxation

The taxation system in Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions (including those that relate to income, expenses and other items in the IFRS financial statements) which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. Fiscal periods remain open to review by the tax authorities for five subsequent calendar years; however, under certain circumstances reviews may cover longer periods.

The interpretation of this legislation, including transfer pricing norms, by the management of the Company in relation to the operations and activities of the Company may be challenged by the relevant regional or federal authorities. In practice, the tax authorities may take a more assertive position when interpreting and applying certain provisions of this legislation and conducting tax audits. As a result, at any time in the future, the tax authorities may file claims for those transactions and operations of the Company that have not been challenged in the past. As a result, significant additional taxes, penalties and interest may be accrued by the relevant authorities.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, regulatory requirements and court decisions.

29. Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair value

The fair value measurement is intended to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as realizable in an immediate sale of assets or transfer of liabilities.

The fair value of financial assets and financial liabilities quoted in active markets is determined based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines their fair values using other valuation techniques. However, given the existing uncertainties and the use of subjective judgment, the fair value should not be considered as being realizable in an immediate sale of assets or settlement of liabilities.

The estimated fair values of all financial instruments approximate their carrying amounts.

(b) Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of inputs used in making the measurements:

- Level 1: quoted (unadjusted) prices in active markets for identical financial instruments.
- Level 2: inputs other than quotes prices included in Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all inputs are directly or indirectly based on observable data.
- Level 3: inputs that are unobservable. This category includes all instruments which are valued using inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

(thousands of tenge, unless otherwise indicated)

29. Financial assets and liabilities: fair values and accounting classifications (continued)

(b) Fair value hierarchy (continued)

	Fair value measurement using			
At 31 December 2021	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets and liabilities measured at fair value				
Derivative financial assets	–	–	–	**–**
Derivative financial liabilities	–	–	251 096	**251 096**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	2 671 160	–	**2 671 160**
Loans to customers	–	–	61 237 292	**61 237 292**
Receivables from the sale of portfolios	–	–	679 256	**679 256**
Other financial assets	–	–	666 992	**666 992**
Liabilities for which fair values are disclosed				
Loans and borrowings received	–	31 195 046	–	**31 195 046**
Debt securities issued	9 620 888	10 646 802	–	**20 267 690**
Loans and borrowings	**9 620 888**	**41 841 848**	**–**	**51 462 736**
Accounts payable and other financial liabilities	–	–	1 012 829	**1 012 829**

	Fair value measurement using			
At 31 December 2020	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets and liabilities measured at fair value				
Derivative financial assets	–	1 949 446	–	**1 949 446**
Derivative financial liabilities	–	–	–	**–**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	2 115 859	–	**2 115 859**
Loans to customers	–	–	34 718 389	**34 718 389**
Receivables from the sale of portfolios	–	–	3 097 260	**3 097 260**
Other financial assets	–	–	925 064	**925 064**
Liabilities for which fair values are disclosed				
Loans and borrowings received	–	24 378 016	–	**24 378 016**
Debt securities issued	6 612 686	–	–	**6 612 686**
Loans and borrowings	**6 612 686**	**24 378 016**	**–**	**30 990 702**
Accounts payable and other financial liabilities	–	–	975 533	**975 533**

(thousands of tenge, unless otherwise indicated)

29. Financial assets and liabilities: fair values and accounting classifications (continued)

(b) Fair value hierarchy (continued)

Set out below is a comparison by class of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2021			*31 December 2020*		
	Carrying amount	*Fair value*	*Unrecognized gain/(loss)*	*Carrying amount*	*Fair value*	*Unrecognized gain/(loss)*
Financial assets						
Cash and cash equivalents	2 671 160	2 671 160	–	2 115 859	2 115 859	–
Loans to customers at amortized cost	61 237 292	61 141 137	(96 155)	34 718 389	34 138 515	(579 874)
Accounts receivable under assignment agreements	679 256	679 256	–	3 097 260	3 097 260	–
Other financial assets	666 992	666 992	–	925 064	925 064	–
Financial liabilities						
Loans and borrowings received	31 195 046	31 371 693	(176 647)	24 378 016	24 118 478	259 538
Debt securities issued	20 267 690	21 933 716	(1 666 026)	6 612 686	6 943 870	(331 184)
Accounts payable and other financial liabilities	1 012 829	1 012 829	–	975 533	975 533	–
Total unrecognized change in fair value			**(1 938 828)**			**(651 520)**

Valuation models and assumptions

The following describes the models and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

Assets for which fair value approximates their carrying amount

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amount approximates their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation model with market observable inputs are currency forwards. The valuation model includes forward pricing using present value calculations. The model incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets and financial liabilities at amortized cost

Fair value of quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, amounts due from credit institutions and other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

During the reporting period, there were no transfers of financial assets and financial liabilities between the levels.

(thousands of tenge, unless otherwise indicated)

29. Financial assets and liabilities: fair values and accounting classifications (continued)

(b) Fair value hierarchy (continued)

Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities that are recorded at fair value:

	31 December 2020	*Total gains/(losses) recognized in profit or loss*	*31 December 2021*
Financial liabilities			
Derivative financial instruments	–	(251 096)	(251 096)

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

31 December 2021	*Carrying amount*	*Valuation technique*	*Unobservable inputs*	*Range (weighted average value)*
Derivative financial instruments			Forward exchange rates	
Currency forwards	(251 096)	Discounted cash flows	EUR/KZT	507,28-521,33
			USD/KZT	461,16
			Credit spread	2,30%-4,16%

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions (continued)

The following table shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 instruments:

	31 December 2021			
	Carrying amount	*Type of unobserved data*	*Effect of reasonably possible alternative assumptions*	*Effect of reasonably possible alternative assumptions*
Financial liabilities				
Derivative financial instruments	(251 096)	Forward exchange rates	(626 833)	113 007
		Credit spread (+1%/-1%)	(249 548)	252 644

In order to determine reasonably possible alternative assumptions, the Company adjusted the above key unobservable inputs for the models by adjusting the assumptions related to forward exchange rates and credit spread with respect to forward contracts. The adjustment was made to increase and decrease the assumptions within the range of bid and ask forward exchange rates and within the range of credit spread -1% to 1%, depending on the individual characteristics of the derivative.

(thousands of tenge, unless otherwise indicated)

30. Events after the reporting period

After the reporting date, the Company entered into agreements on credit lines in its favor with the Eurasian Bank and Bank CenterCredit in the amount of KZT 2 billion tenge and KZT 1,5 billion tenge, respectively.

In February 2022, the Company placed bonds in the amount of KZT 1,7 billion maturing on 9 November 2024 and bearing a coupon rate of 18% p.a. The nominal value of bonds is KZT 1 000, coupon payments are made on a quarterly basis, and the planned issue totals KZT 10 billion.

In the first half of January 2022, a series of large protests took place in Kazakhstan, which grew into violent unrest. A number of facilities were looted and damaged. To respond to these riots, the Government imposed a two-week state of emergency throughout the territory of Kazakhstan and introduced certain restrictions of movement of the population and activities of entities depending on their location. As a result of anti-terror operations, there were significant limitations on internet access throughout Kazakhstan, which led to disruption of online transactions. Financial organizations limited their operations for the period of the state of emergency. Currently, the Company is unable to quantify the impact (if any) of any new measures, which may be taken by the Government, on the Company's financial position and the impact of the above protests and the state of emergency on the Kazakh economy.

Due to the growth of geopolitical tension, there has been a significant growth of volatility in the stock and currency markets, as well as a significant depreciation of tenge against the US dollar and Euro since February 2022. On 25 April 2022, the Monetary Policy Committee of the National Bank of Kazakhstan made an extraordinary decision to raise the base rate to 14% per annum with an interest band of +/-1%. The Company considers these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be reliably measured at the moment. The Company's management is currently assessing the degree of impact of micro and macroeconomic conditions on the Company's financial position and results of its operations. The Company has no credit and operational exposure to Ukraine and to Russian Federation.