

# Microfinance organisation OnlineKazFinance LLP

## KZT7,000,000,000 Bonds due 18 March 2024

The KZT7,000,000,000 aggregate principal amount of Bonds due 2024 (the “Securities” or the “Bonds”, and each a “Bond”) of Microfinance organisation OnlineKazFinance LLP (the “Company” or the “Issuer”) will be issued in accordance with the Acting law of the Astana International Financial Center (the “AIFC”) in the denomination of KZT1,000 each.

This document constitutes the Prospectus of the Bonds (the “Prospectus”) described herein and is prepared in accordance with and for the purposes of AIFC rules. Full information on the Issuer and the offer of the Bonds is only available on the basis of this Prospectus. The Prospectus has been published on the website of the Astana International Exchange Ltd. (the “AIX”) at <https://www.aix.kz> and on the website of the Issuer at [www.solva.kz](http://www.solva.kz) at the time of admission to the Official List.

Application has been made for the Bonds to be admitted to the Official List of AIX and to be admitted to trading on the AIX. The AIX does not guarantee that the Bonds will be admitted to the Official List of AIX. The AIX reserves the right to grant admission of the Bonds to the Official List of AIX only where it is satisfied that such admission is in accordance with AIX Business Rules.

The Issuer did not seek independent legal advice with respect to listing the Bonds on the AIX in accordance with the Bonds Prospectus.

**The AIX and its related companies and their respective directors, officers and employees do not accept responsibility for the content of the information included in this Prospectus including the accuracy or completeness of such information. Liability for the Prospectus lies with the Issuer and other persons such as Experts whose opinions are included in the Prospectus with their consent. Nor has the AIX, its directors, officers or employees assessed the suitability of the securities to which the Prospectus relates for any particular investor or type of investor. If you do not understand the content of this Prospectus or are unsure whether the securities are suitable for your individual circumstances, you should consult an authorized financial advisor.**

No representation or warranty, express or implied, is made by the Lead Manager as to the accuracy or completeness of the information set forth in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as a promise or representation, whether as to the past or the future. The Lead Manager does not assume any responsibility for the accuracy or completeness of the information contained in this Prospectus.

No action has been or will be taken in any jurisdiction by the Lead Manager or the Issuer that would permit a public offering of the Bonds in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Prospectus (in preliminary, proof or final form) or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, may be distributed in or from, or published in any country or jurisdiction, except under circumstances that will result to the best of the Lead Manager’s knowledge and belief in compliance with any applicable securities laws or regulations.

Under no circumstances shall this Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction or under any circumstances in which such offer, solicitation or sale is not authorized or would be unlawful. Recipients of this Prospectus who intend to subscribe for or purchase the Bonds are reminded that any subscription or purchase may only be made on the basis of the information contained in the final Prospectus.

**These Bonds constitute debt instruments. An investment in the Bonds involves risks. By subscribing to the Bonds, investors lend money to the Issuer who undertakes to pay interest on a monthly basis and to reimburse the principal on the Maturity Date. In case of bankruptcy or default by the Issuer, the investors may not recover the amounts they are entitled to and risk losing all or part of their investment. The Bonds are intended for investors who are capable of evaluating the interest rates in light of their knowledge and financial experience. An investment decision must solely be based on the information contained in the present Prospectus. Before making any investment decision, the investors must read the Prospectus in its entirety (and, in particular, “Risk factors” section in the Prospectus). Each potential investor must investigate carefully whether it is appropriate for this type of investor to invest in the Bonds, taking into account his or her knowledge and experience and must, if needed, obtain professional advice.**

*Lead Manager*

**Freedom Finance Global PLC**

The date of this Prospectus is 11 March 2021

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# PROSPECTUS SUMMARY

## 1. Introduction

*The Prospectus Summary should be read as an introduction to the Prospectus. Any decision to invest in the Securities should be based on a consideration of the Prospectus as a whole by the investor. These Securities (Bonds) constitute debt instruments. An investment in the Bonds involves risks. By subscribing to the Bonds, investors lend money to the Issuer who undertakes to pay interest on a monthly basis and to reimburse the principal on the Maturity Date. In case of bankruptcy or default by the Issuer, the investors may not recover the amounts they are entitled to and risk losing all or part of their investment. Civil liability attaches only to those Persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such Securities.*

<b>Issue</b>	KZT7,000,000,000 Bonds due 18 March 2024, ISIN KZX000000641.
<b>Issuer</b>	Microfinance organisation OnlineKazFinance LLP. The contact details of the Issuer are: Republic of Kazakhstan, Almaty, Naurzbybatyr street 8, 5th floor, 050004 and its telephone number is +7 727 339 8609, +7 727 339 8716 email: bondskz@idfeurasia.com.
<b>Prospectus</b>	This Prospectus was approved by the AIX on 11 March 2021. Terms and conditions of the issue of the Bond set out in this Prospectus were approved by a resolution of Participants of the Issuer on 18 January 2021. The contact details of the AIX are: 55/19 Mangilik El st., block C 3.4. Nur-Sultan, Republic of Kazakhstan, Z05T3C4 and its telephone number is +7 (717) 223 53 66.

## 2. Key Information on the Issuer

### 2.1. The Issuer of the Bonds

<b>Issuer</b>	Microfinance organisation OnlineKazFinance Limited Liability Partnership is incorporated and registered in the Republic of Kazakhstan and operates under the laws of the Republic of Kazakhstan, BIN 160840000397. The Company doesn't have a legal entity identifier number.
<b>Principal Activities</b>	Incorporated in 2016, the Company is a digital microfinance organisation based in Kazakhstan, operating under the Solva trademark. The Company's core business is uncollateralized microloans to individuals and small and medium-scale business entities (SMEs) for the amounts between KZT200,000 and KZT4,000,000, for a period between 6 months and 3 years, at the fee rates not exceeding the limit rates permitted by the Law of the Republic of Kazakhstan "On microfinance activities". The microloans and SME loans are issued based on credit scoring, without a pledge and security.
<b>Major Participants</b>	<ul style="list-style-type: none"><li>IDF HOLDING LTD (holds 1% of the Issuer's share capital, registration number HE317558, Cyprus) and ONLINE MICROFINANCE LTD (holds 99% of the Issuer's share capital, registration number 1137746674284, Russian Federation)</li><li>Major ultimate beneficiary owners are: Alexander Dunaev (21.61%), Boris Batin (21.61%), Vadim Dymov (16.41%), Sergey Freydin (14.06%) and Marina Dubrovskaya (9.13%).</li></ul>
<b>Members of the Supervisory Board:</b>	Pursuant to the Constitution and Minutes of the General Meeting of Participants of the Issuer dated 18 January 2021, the Issuer has formed the Supervisory Board in the following composition: <ul style="list-style-type: none"><li>Boris Batin - Chairman of the Supervisory Board.</li><li>Dalida Davlyatshina - Member of the Supervisory Board.</li><li>Ekaterina Kazak - Member of the Supervisory Board (independent director).</li></ul> Members of the Supervisory Board are elected for a 5-year term.
<b>Members of the Management Board</b>	Sergey Boiko – General Director.
<b>Auditors</b>	The independent auditor of the Company is BDO Kazakhstan LLP, 6 Gabdullin St., Almaty, Kazakhstan, A15H4E3.

## 2.2. Key financial information on the Issuer

(KZT thousands)	9M2020 (unaudited)	9M2019 (unaudited)	2019 (audited)	2018 (audited)
Interest and financial services income	10,860,284	4,336,147	5,734,810	1,738,882
Total comprehensive income/(expense)	2,243,760	1,179,057	1,431,148	(143,106)
Assets (including but not limited to):	41,946,554	16,375,162	20,765,499	5,729,903
<i>Loans due from customers</i>	<i>35,840,639</i>	<i>14,217,890</i>	<i>18,262,172</i>	<i>5,465,596</i>
Capital (including but not limited to):	12,004,158	2,174,630	4,816,840	367,347
<i>Issued capital</i>	<i>1,120,151</i>	<i>1,120,151</i>	<i>1,120,151</i>	<i>686,651</i>
<i>Retained earnings/(accumulated loss)</i>	<i>3,355,604</i>	<i>1,050,004</i>	<i>1,111,844</i>	<i>(319,304)</i>
Liabilities (including but not limited to):	29,942,396	14,200,532	15,948,659	5,362,556
<i>Loans and borrowings</i>	<i>27,310,5</i>	<i>13,284,435</i>	<i>14,044,438</i>	<i>5,208,176</i>

The independent auditor of the Company is BDO Kazakhstan, LLP, issued unqualified independent auditor's reports in respect of the Company's audited financial statements as at and for the year ended 31 December 2019, which include comparative data as at and for the year ended 31 December 2019 and the Company's audited consolidated financial statements as at and for the year ended 31 December 2018, which include comparative data as at and for the year ended 31 December 2017. Audited financial statements for years ending 31 December 2019, 31 December 2018, 31 December 2017 and unaudited financial statements for nine months ending 30 September 2020 are included in the Prospectus.

## 2.3. Key risks specific to the Issuer

1. The outbreak of the COVID-19 pandemic has impacted and will probably continue affecting the global economy, global financial markets and the Company's business which may have a material adverse effect on the Company's business, financial condition and results of operations.
2. The Company's business is affected by general business and economic conditions, which could materially and adversely impact its business, financial condition and results of operations.
3. Unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attack, extreme weather events or other natural disasters could materially negatively impact the Company's business.
4. The Company's business activity is subject to licensing by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market starting from 1 January 2021. The inability to retain the relevant license could negatively affect the Company's business, financial condition, results of operations and prospects. The Company is exposed to liquidity risk, foreign currency and market interest rate fluctuations that may adversely affect the Company's financial performance and its future operations.
5. Failure to meet regulatory capital adequacy requirements could detrimentally affect the business, financial condition, results of operations and prospects.
6. The inability to attract sufficient funds for operations may adversely affect the Company's business, financial condition, results of operations and prospects.
7. Existing and future funding terms may impose financial and operating restrictions on the Company.
8. The Company operates in a highly competitive industry and it may be unable to compete successfully against existing or new competitors.
9. Difficulties related to proper assessment of potential borrowers' credit risk may have negative implications on the quality of the loan portfolio.
10. If the Company is unable to manage the level of non-performing loans, or if the Company's loan loss reserves are insufficient, its business, financial condition, results of operations and prospects may be adversely affected.
11. Asset impairment loss allowance may not be sufficient to cover future credit losses.
12. Failure to comply with anti-money laundering law enacted by the National Bank of the Republic of Kazakhstan in 2009, could have a negative impact on the Company's reputation and business operations.
13. The Company could be adversely affected by contractual claims and complaints.
14. The Company's operations largely depend on efficient and uninterrupted functioning of information systems.

### 3. Key Information on the Securities

#### 3.1. Terms and conditions of the Securities

<b>The Issue</b>	KZT7,000,000,000 18.5% (decreasing to 18.0% after the second anniversary) unsecured, unsubordinated Bonds due on 18 March 2024
<b>Currency</b>	KZT
<b>Nominal Value</b>	KZT1,000 (one thousand Kazakhstani tenge) per Bond
<b>Quantity</b>	7,000,000 Bonds
<b>ISIN</b>	KZX000000641
<b>Issue Price Range</b>	The Issue price of the Bonds is expected to be 100.00% of the Nominal Value of the Bonds.
<b>Issue Date</b>	18 March 2021.
<b>Rights Attached to the Securities</b>	<p>The Bondholders have the right to:</p> <ul style="list-style-type: none"><li>• receive coupon payments;</li><li>• receive Nominal Value upon redemption and (or) early redemption and at Maturity Date;</li><li>• freely transfer the Bonds;</li><li>• receive information concerning the Issuer's operations.</li><li>• attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond;</li><li>• put the Bonds for redemption at their par value after the second anniversary of the Issue Date;</li><li>• require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest if any of the covenants mentioned in Condition 3.3 of Securities Notes is breached and such breach continues for more than 30 (thirty) calendar days;</li><li>• require that the Bonds shall immediately become due and repayable at their par value together with accrued coupon interest if any of the events mentioned in Condition 3.4 of Securities Notes occurs and continues for more than 30 (thirty) calendar days.</li></ul>
<b>Ranking</b>	The Bonds shall constitute direct, general and unconditional obligations of the Issuer which will rank <i>pari passu</i> among themselves and rank <i>pari passu</i> , in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
<b>Restrictions on the Free Transferability</b>	The Bonds are freely transferable and, once admitted to the Official List of AIX, shall be transferable only in whole in accordance with applicable rules and regulations of the AIX amended from time to time.
<b>Guarantees Attached to the Securities</b>	There are no guarantees attached to the Securities.

#### 3.2. Information on trading of the Securities

The Bonds will be admitted to trading on AIX under the ticker [MFOK.0324].

#### 3.3. Key risks specific to the Securities

1. The Bonds are subject to modification, waivers and substitution.
2. Delisting of the Bonds from the Official List of AIX may subject gains and coupon payments on the Bonds to tax in the Republic of Kazakhstan.
3. The Bonds will be listed on the AIX and benefit from an exemption on withholding tax which is untested in practice.
4. The AIX has a relatively short history of operations.
5. The Bondholders may be subject to exchange rate risks and currency controls.
6. The market price of the Bonds may be volatile.

#### 4. Key information on the admission to trading

##### 4.1. Conditions and timetable for investing into the Securities

<b>Admission to Trading</b>	Application has been made for the Bonds to be admitted to the Official List of AIX and the Bonds are expected to be admitted to trading on 19 March 2021.
<b>Plan for Distribution</b>	The Bonds will be offered in or from AIFC to a wide range of investors (subject to applicable laws and regulations) in Kazakhstan.
<b>Offering Method</b>	Offering of the Bonds will be made through subscription using the book-building platform of the trading system of the AIX in accordance with the AIX Business Rules and relevant AIX market notice.
<b>Offer Period</b>	18 March 2021.
<b>Allotment of the Bonds</b>	The Lead Manager may, at its sole discretion, allot any Bonds to itself or any of its related persons or related persons of the Issuer, without any restriction. The allotment of the Bonds to subscribers shall be at the absolute discretion of the Lead Manager. The Lead Manager may refuse to allot the Bonds subscribed by any subscribers at its sole discretion. The allotment date of the Bonds will be disclosed in the market notice issued by the AIX prior to the book-building process.
<b>Selling Restrictions</b>	The offering and sale of the Bonds is subject to applicable laws and regulations and the Bonds may not be sold in other jurisdictions, including without limitation the United Kingdom, the European Economic Area, other than in compliance with applicable laws and regulations. The Bonds have not and will not be registered under the U.S. Securities Act of 1933 or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.
<b>Notification Process for Investors</b>	<p>Prior to the start of the book-building process the AIX will issue a market notice setting out, among other things, the main terms and conditions of the book-building and settlement procedures in connection with the offering through AIX, the yield range and the related responsibilities of the AIX trading members.</p> <p>Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the AIX or prior to the said notification.</p>
<b>Estimated Expenses</b>	Estimated expenses associated with the preparation and offering of Bonds, including listing fees, are expected to be KZT321,000,000.
<b>Person asking for admission to trading</b>	The Issuer is the initiator of the admission of the Bonds to the Official List.

##### 4.2. The purpose of the Prospectus

This Prospectus has been produced in connection with the application for the Bonds to be admitted to the Official List of the AIX.

<b>Reasons for the Issuance /Use of Proceeds</b>	The issuance is being made, and the net proceeds of the issue of the Bonds will be used by the Issuer for the financing of the Company's core lending activity and the refinancing of existing indebtedness.
<b>Estimated Net Amount of Proceeds</b>	The net proceeds from the issuance are expected to amount to approximately KZT6,679,000,000 after deduction of fees and expenses related to the Issue.
<b>Lead Manager</b>	Freedom Finance Global PLC, 55/20, Mangilik Yel Avenue, office 141, Nur-Sultan, Z05T3D8, the Republic of Kazakhstan.
<b>Conflict of Interest</b>	No person involved in the offering of the Bonds has any interest in the offering, which is material to the offering.

# REGISTRATION DOCUMENT

## 1. Information about the Issuer

### 1.1. General information

**The Full Legal and Commercial Name of the Issuer** Microfinance organisation OnlineKazFinance LLP.

**Legal Form of the Issuer** Limited Liability Partnership.

**The Country of Incorporation of the Issuer**

- The Company was incorporated and registered in the Republic of Kazakhstan on 1 August 2016 as a Limited Liability Partnership with business identification number 160840000397 and remains incorporated and registered for 5 years.
- The contact details of the Issuer are: Republic of Kazakhstan, Almaty, Nauryzbay batyr street 8, 5th floor, 050004 and its telephone number is +7 727 339 8609, +7 727 339 8716, the corporate website of the Issuer is [www.solva.kz](http://www.solva.kz).

### 1.2. Investments

#### *Investments made in the nine months ended 30 September 2020*

In nine months ended 30 September 2020, total investment exceeded KZT236 mln – mainly acquisition of software.

#### *Investments made in the year ended 31 December 2019*

In 2019, total investment exceeded KZT6.6 mln – mainly acquisition of personal computers and laptops

#### *Investments made in the year ended 31 December 2018*

In 2018, total investment exceeded KZT2.5 mln – mainly acquisition of personal computers, laptops and furniture.

#### *Investments made in the year ended 31 December 2017*

In 2017, total investment totalled KZT2.6 mln – mainly acquisition of personal computers, laptops and furniture.

The Issuer has no principal investments that are in progress.

## 2. Operational financial overview

### 2.1. Actual and proposed business activities

#### *The history and description of the principal activities and business of the Issuer*

Founded in 2016, the Company works in Kazakhstan under the “Solva” trademark. The Company’s core business is provision of loans to individuals, small and medium-scale business entities for the amounts between KZT200,000 and KZT4,000,000, for a period between 6 months and 3 years, at the fee rates not exceeding the limit rates permitted by the National Bank of the Republic of Kazakhstan. The effective interest rate for customers loans is about 30%. The microloans and SME loans are issued based on credit scoring, without a pledge and security. The Company’s products are characterized by high availability in the regions, as well as the speed of approval and issue. Though the Company is the first digital microfinance business in Kazakhstan working online, it also successfully distributes credit products via networks of third-party offline agents and shops.

	2018	2019	9M2020
<b>Solva</b>			
Number of loans issued	22,467	46,513	43,721
Total amount of loans issued (mln KZT)	8,420	24,408	25,421

In 2019, the Company expanded its business by launching the new product – loans for the small and medium-scale businesses (SME). After a thorough market research, it was discovered that many entrepreneurs are in need of financing and are underbanked. High street banks often do not consider SMEs as an attractive segment for lending services. The Company’s new product is aimed at boosting the development of small and medium-scale businesses in the country, with financing terms that are simple and understandable for every entrepreneur: (1) fast and easy – minimum documents required, substantially less paperwork; (2) no pledge – it is not required to pledge property or to attract sureties; (3) convenient – no need to visit office, as all the process could be completed online; (4) for any purposes – business development, replenishment of working assets or cash deficiency. In 2020, the Company increased the maximum loan value for SMEs to KZT10 mln and maximum loan term to 3 years. Currently, the maximum loan value is KZT10 mln. As at 30.09.2020, loans to individuals for up to 3 years amounted to 81% of all loans outstanding, loans to SME amounted to 12% and PDL loans amounted to 7% of all loans outstanding.

To avoid risks, besides classic instruments, the Company actively uses all possible parameters to analyze a borrower: fraud-scoring, behavioral biometrics, “digital footprint” in the Internet. As of 30 September 2020, over 5,300

entrepreneurs became the Company's customers. SME loans became the Company's premium product and the most attractive for investing due to its low NPL ratio (as of 30 September 2020, the 90+ NPL ratio was slightly above 0 % for SME loans and 10.26% for the whole portfolio) combined with high loan value.

From February 2020 until December 2020 the Company was engaged in the payday loans (PDLs) business. PDLs are short-term (30-45 days on average) loans for the amount of up to KZT130,000. In December 2020 management decided to transfer PDL business to a separate entity, the decision was made primarily due to economic reasons: NPL of PDL loans is relatively higher (15,37% as at 30.09.2020) than the rest of loan portfolio (0% for SME and 15.37% for loans to individuals for up to 3 years) and PDL loan borrowers are different from the Solva loans customer base. Management believes this move will benefit future financial performance of the Company and be an additional factor in reducing the risks of investors. Any potential changes to the regulation of short-term (up to 45 days) loans are no longer applicable to Company's business.

## Market position

The Company is the biggest digital microfinance company in Kazakhstan operating the end-to-end online business model since 2017. According to the NBK data (<https://nationalbank.kz/ru/news/svedeniya-o-mikrofinansovyh-organizatsiyah/rubrics/1551>), the Company is the third largest microfinance company in Kazakhstan by net loan portfolio (excluding loan loss provisions). The main competitors of the Company are:

Company name	Net portfolio, (KZT thousands)
KMF LLP	132,665,007
Toyota financial services LLP	60,971,296
OnlineKazFinance LLP	35,650,767
MyCar Finance LLP	26,159,374
Arnur Credit LLP	15,197,779

## 2.2. Risk factors

***The outbreak of the COVID-19 pandemic has impacted and will probably continue affecting the global economy, global financial markets and the Company's business which may have a material adverse effect on the Company's business, financial condition and results of operations.***

In March 2020, the World Health Organisation recognized the outbreak of a novel strain of coronavirus, COVID-19, as a pandemic. In response to the pandemic, governments and communities have taken measures to contain the spread of the COVID-19 pandemic, including temporary closures of businesses; social distancing; travel restrictions; "shelter in place" and other governmental regulations; which have caused significant volatility in the financial markets and general economic conditions. These measures have negatively impacted businesses, market participants, financial markets and the global economy and could continue to do so for a prolonged period of time.

In response to local COVID-19 related restrictions, a significant percentage of the Company's employees have transitioned to working remotely. For those functions that cannot be performed remotely, the Company has implemented a number of measures to maintain the health and safety of its employees and customers, including limiting non-essential travel, cancelling in-person work-related meetings, and temperature screening. Widespread illness or long-term continuation of such measures could negatively impact the Company's business.

The extent of the impact of COVID-19 on the Company's business, operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, including any secondary outbreaks, and the impact on the Company's customers, employees and the market in which it operates, all of which is uncertain at this time and cannot be predicted. The extent to which COVID-19 may impact the Company's business, financial condition, liquidity, results of operations, cash flows, strategies and prospects cannot be reasonably estimated at this time.

***The Company's business is affected by general business and economic conditions, which could materially and adversely impact its business, financial condition and results of operations.***

Demand for the Company's products and services is affected by a number of general business and economic conditions. A decline in the Kazakhstani market or general economy could materially and adversely affect the Company's business, financial position, results of operations or cash flows. The Company's profit margins, as well as overall demand for its products and services, could decline as a result of a number of factors beyond the Company's control, including economic recessions, changes in customer preferences, investor and consumer confidence, inflation, availability of credit, fluctuation in interest and currency exchange rates, changes in the fiscal or monetary policies of governments, a widespread pandemic, such as COVID-19, and political circumstances (including wars and terrorist acts).

The Company cannot predict the duration of current conditions or the timing or strength of any future activities on the Kazakhstan economy generally. Weakness in the market in which the Company operates could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

More generally, because the Company's business is correlated to the general economic outlook, a significant deterioration in that outlook or realization of certain events could have a significant negative impact on the Company's businesses and overall results of operations.

***Unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks, extreme weather events or other natural disasters could materially negatively impact the Company's business.***

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic, such as COVID-19, or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks, extreme weather events or other natural disasters, could create, and in the case of COVID-19 has created, and may continue to create, economic and financial disruptions, and could lead to, or in the case of COVID-19 has led to, operational difficulties (including quarantine, shelter in place and travel limitations) that could impair, or in the case of COVID-19 have impaired, the Company's ability to operate its business as it is normally operated.

***The Company's business activity is subject to licensing by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market starting from 1 January 2021. The inability to retain the relevant license could negatively affect the Company's business, financial condition, results of operations and prospects.***

The Company's business activity is subject to licensing starting from 1 January 2021. The Company has successfully received the license on 1 March 2021, in accordance with the Licensing Regulation issued by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market. Inability to retain this license could adversely affect the Company's business, financial condition, results of operations and prospects as well as could lead to delisting of the Bonds from the AIX Official List.

***The Company is exposed to liquidity risk, foreign currency and market interest rate fluctuations that may adversely affect the Company's financial performance and its future operations.***

An important factor for assuring future performance of the Company is its ability to manage business inherent liquidity risk. The Company's liquidity and working capital requirements derive from the increase or decrease in the demand for credit products, loans by customers. If cash flows from operations are not sufficient to finance ongoing cash needs, the company may have to use available credit facilities to satisfy these needs or may as well search for potential sources of additional capital. Also, an economic or industry downturn may increase the level of non-performing loans. Since the Company provides uncollateralized loans, debt collection could be a potential issue. Significant deterioration in debt collection is also expected to affect cash flows and working capital as well as to have an adverse impact on the cost or availability of financing to the Company.

The Company is also exposed to the liquidity risk deriving from the mismatch between the maturities of its assets and liabilities, which may prevent the Company from performing its obligations in a timely manner. As at 30 September 2020, the Company had a positive accumulated net position between financial assets and financial liabilities that have contractual maturities of less than 12 months as well as from 1 to 3 years. Lack of access to short-term and long-term financing in international and domestic capital markets or mismatch between the maturities of assets and liabilities may have a material adverse impact on business, financial performance, operating results, prospects, or cash flows.

The Company conducts operations in a number of different currencies. Assets of the Company are denominated predominantly in national currency, while a significant part of liabilities is denominated in foreign currency. This subjects the Company to currency exchange rate risk. Fluctuations in currency exchange rates have had, and will continue to have, an impact on the Company's results of operations. There is no assurance that such currency exchange rate fluctuations will not adversely impact the Company's operating results, cash flows and financial condition. While the Company may employ strategies to hedge against currency fluctuations, the use of such strategies can also result in the loss of potential benefits that might result from favorable exchange rate fluctuations.

Internal procedures of financial risk management and continuous practices for currency exchange rate exposure reduction by means of shrinking the share of foreign currency denominated funds in total capitalization allows the Company to manage potential liquidity problems. However, the company's inability to manage liquidity risk in future may negatively affect its operations.

The Company is owned by a large international fintech group IDF Eurasia, which historically was and will in the future hedge currency exchange rate risk on IDF Eurasia level, as well as support the Company with funding providing equity or subordinated debt financing to manage liquidity risk.

Also, the risk of interest rate fluctuation is inherent to business operations. As market interest rates affect the Company's revenues generated through interest income and the interest expenses payable on liabilities, sharp fluctuations in the market interest rates directly affect the Company's cost of funding, interest income, net interest margin, profit margin and the financial performance. Market interest rates fluctuations stem from various factors beyond the control of the Company, such as the sector of regulatory framework and economic environment in Kazakhstan.

***Failure to meet regulatory capital adequacy requirements could detrimentally affect the business, financial condition, results of operations and prospects.***

As at 30 September 2020, the Company's capital adequacy ratio (k1) calculated in accordance with FMSA rules was 15.4%, compared to the minimum levels of 10% required under the FMSA rules applicable to microfinance organisations. While the Company is currently in compliance with its existing prudential capital requirements, there is a risk that if the Company has, or is perceived to have, a shortfall of capital, it may be required to raise additional regulatory capital, become subject to regulatory intervention and sanctions, and/or could suffer a loss of confidence in the market. Any deterioration in the Company's loan portfolio quality and the consequent need to take additional impairment charges may also require the Company to raise additional capital to meet required capital adequacy levels. Moreover, any failure to raise capital as and when needed, could adversely affect the Company's ability to continue to comply with applicable capital adequacy requirements and substantially limit its ability to grow its business. Any such events would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is owned by a large international fintech group IDF Eurasia, which had demonstrated strong commitment in supporting the Company with providing equity and subordinated debt financing to maintain the Company's growth and development, as well as to fulfill the capital adequacy requirements.

***The inability to attract sufficient funds for operations may adversely affect the Company's business, financial condition, results of operations and prospects.***

The Company requires significant capital, and its financial condition is dependent on timely access to, and the cost of, capital. Although the Company's cash inflows and capital resources are sufficient to fund its debt service obligations and to satisfy its current working capital and other liquidity needs for at least the next 12 months, there can be no assurance that this will continue to be the case over the longer term due to the factors discussed below.

The Company depends on its ability to privately or publicly raise additional capital to manage its liquidity risk, pursue growth strategy, maintain interest margins and respond to business opportunities, competitive pressures, challenges or unforeseen circumstances. However, such financing might not be available when the Company needs it on acceptable terms, or at all.

The ability of the Company to raise capital in the future could be affected by a number of factors, including but not limited:

- a deterioration in general economic conditions in Kazakhstan and globally;
- a sudden or unexpected shortage of funds in the banking and financial system;
- an increase in interest rates;
- a deterioration in the results of operations of the Company;
- insufficient competition among banks or other potential sources of financing;
- the inclusion of restrictive covenants in financing arrangements or the occurrence of events of default or breaches of these covenants; and/or
- insufficient demand for securities in the domestic debt capital market.

Any inability to raise capital, as needed and on acceptable terms, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company is owned by a large international fintech group IDF Eurasia, which had demonstrated strong commitment in supporting the Company with providing equity and subordinated debt financing to maintain the Company's growth and development.

***Existing and future funding terms may impose financial and operating restrictions on the Company.***

The terms of the existing financing agreements of the Company contain covenants that require the Company to, among other things, maintain certain financial ratios that limit the Company's ability to, among other things, incur additional financial indebtedness, grant security or create any security interests over assets, change business profile, change ownership and pay dividends. As at the date of this Prospectus, the Company was in compliance with respective obligations under its current debt funding arrangements, and the Company is not aware of any circumstances which indicate that any of these obligations will be breached for at least the next 12 months. However, there can be no assurance that the Company will not have instances of breaches in the longer term, nor that, in such circumstances, the Company would be able to obtain a waiver from the relevant lenders for such a breach, to restructure or amend the terms of the relevant financing agreements or to obtain alternative financing on acceptable terms or at all. Terms of certain financing agreements contain cross-default and cross-acceleration provisions. A failure to comply with the relevant obligations or to meet debt obligations under applicable financing arrangements may therefore result in an acceleration of certain of its outstanding debt, which could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

***The Company operates in a highly competitive industry and it may be unable to compete successfully against existing or new competitors***

The Company has a number of competitors on the Kazakhstani market. As some of them do not have well-organized business model, they may face a risk of breaching regulatory requirements; however, even commercial banks are regarded as strong competitors. Customer segment of the Company differs from the target audience of commercial banks. However, due to fierce competition in the banking sector, some banks may switch focus on the clients of microfinance organisations, thus showing up as competitors on the market. The Company may potentially face strong competition from the evolving nature of digital finance, which may allow existing microfinance organisations to grow their operations more rapidly through digital platforms or enable other new competitors to enter the microfinance industry. The ability of the Company to compete effectively is dependent on its ability to raise low-cost funding, maintain or decrease operating expenses and manage credit costs, and address adverse finance industry trends. There can be no assurance that the Company will be able to compete successfully against any or all of its current or future competitors. As a result, the Company could lose market share and its revenue could decline, thereby affecting business ability to generate sufficient cash flow to service financial debt or fund operations

***Difficulties related to proper assessment of potential borrowers' credit risk may have negative implications on the quality of credit portfolio.***

While the Company has advanced credit rating system and procedures for approving a loan, it may not be able to correctly assess financial status and repayment capacity of each potential borrower. Decisions are fully based on the information provided by loan applicants. Potential borrowers may fraudulently provide inaccurate information and if the fraud goes unnoticed, it may serve as the basis for credit rating. Failure to appropriately assess potential customers' credit risk – no matter whether it is due to incorrect assessment of a customer or inaccurate information provided by the customer in a fraudulent manner - will have a material adverse impact on financial performance, operating results or cash flows. The Issuer creates provisions as per its provisioning policy to account for this risk.

***If the Company is unable to manage the level of non-performing loans, or if the Company's loan loss reserves are insufficient, its business, financial condition, results of operations and prospects may be adversely affected.***

As at 30 September 2020, the Company's Non-Performing Loans greater than 90 days ("NPL>90") was 10.26%. There can be no assurance that the Company will be able to effectively maintain the level of impaired loans in its total loan portfolio at these levels. The proportion of non-performing loans may increase in the future as a result of growth in the Company's total loan portfolio, or due to factors beyond the Company's control, such as the impact of macroeconomic trends, a widespread pandemic, such as COVID-19, natural disasters and political circumstances (including wars and terrorist acts). The clients of the Company are low-income and, as a result, are particularly vulnerable if economic conditions worsen and growth rates decelerate. In addition, current loan loss reserves may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of the total loan portfolio. As a result, if the quality of the total loan portfolio deteriorates, the Company may be required to increase loan loss reserves and/or write off loans, which may adversely affect its financial condition and/or results of operations.

Moreover, there is no precise method for predicting loan and credit losses, and there can be no assurance that the Company's monitoring and risk management procedures will effectively predict the amount of future losses or that loan loss reserves will be sufficient to cover any actual losses. If the Company is unable to continue to effectively control the level of its non-performing or poor credit quality loans, its business, financial condition, results of operations and prospects could be materially and adversely affected.

***Asset impairment loss allowance may not be sufficient to cover future credit losses***

The Company sets up an allowance for impairment of extended loans in accordance with International Accounting Standards (IAS). Impairment loss is determined on the basis of the Company's internal provisioning procedures and guidelines, incorporating a number of factors such as characteristics of the borrowers and their activities, creditworthiness, economic conditions and trends.

Since the accounting standards require measurement and assessment of future credit risks over a certain period of time, the Company may not adequately evaluate future risks and the allowance may fall short to cover actual credit losses. Such could be a case in the event of unforeseen or undesirable changes in the Kazakhstan economy, alterations to the laws and regulations or other circumstances adversely affecting a particular borrower, industry or market. In such event, the Company may need to create an additional reserve that will significantly reduce its profit and will bear a material adverse effect on its business, financial condition and results of operations.

***Failure to comply with anti-money laundering law enacted by the National Bank of the Republic of Kazakhstan in 2009, could have a negative impact on the Company's reputation and business operations***

Starting from December 2014 microfinance organisations in Kazakhstan are subject to the anti-money laundering law. Although the Company, as a financial institution, is required to comply with regulations that are generally less restrictive than those applicable to banks, it is still exposed to the risk of non-compliance and the risk of registration

being suspended by the Agency for regulation and development of the financial market of the Republic of Kazakhstan. The company has anti-money laundering strategies and procedures in place. However, these strategies may not prevent all possible violations of the law. Failure to comply with the anti-money laundering law may result in criminal and civil law sanctions and other remedies. Any sanctions, remedies or investigations into alleged violations of the anti-money laundering Law will undermine the Company's reputation and will have a serious adverse effect on business, financial condition, results of operations, prospects or cash flows.

***Non-compliance with anti-corruption laws, including bribery laws, can adversely affect the Company's reputation and business***

Notwithstanding its obligation to conduct business in accordance with the laws against corruption and bribery, the Company still risks that any stakeholder - be it a director, employee or business partner - may engage in such activities or establish relationships that violate such anti-corruption laws or may lead to lawsuits. Corruption is one of the major risks faced by the Company since start of operations in Kazakhstan. According to the International Monetary Fund, Kazakhstan is an emerging market and thus more vulnerable to corruption. According to Transparency International 2019 Corruption Perception Index, which rates corruption worldwide from 1 (the lowest level of corruption) to 180 (the highest level of corruption), Kazakhstan ranks 112th. For comparison purposes, Mongolia ranks 106th, Armenia – 77th, Belarus – 66th and Georgia 44th. It is difficult to predict the impact of corruption on the Company's business operations. In some cases, this may result in regulatory changes that may adversely affect the Company's financial position, results of operations, prospects or cash flows.

***The Company could be adversely affected by contractual claims and complaints.***

The Company might be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that the Company and the microfinance industry in general may attract.

Defense in any lawsuit, even if successful, could take substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs. The business is also subject to regulatory proceedings and could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including the ones in which they are not a party. Any of these events could have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

***The Company's operations largely depend on efficient and uninterrupted functioning of information systems.***

IT systems are vulnerable to certain problems, including computer viruses, unauthorized access, physical damage to server and software or hardware malfunctions. Any disruption in, or security breach of IT systems, could have a material adverse effect on business operations, such as the ability to serve customers in a timely manner, to accurately record financial data and to protect business and customers from financial fraud or theft. If business operations are compromised, the Company's reputation and client confidence may deteriorate and the Company may suffer significant financial losses, any of which may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

In addition, there can be no assurance that the Company will be able keep abreast of modern technological developments due to financial or technical limitations. Any inability to successfully develop or complete planned upgrades of the Company's IT systems and infrastructure or to adapt business operations and software may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

***The Company's business will suffer if it fails to attract and retain key management, employees or other qualified personnel.***

The success of the Company's business model is partly determined by uninterrupted service of its key management and employees and its ability to attract, retain and motivate qualified personnel. In addition, the Company's key management and other personnel have established important working relationships with regulators and have detailed knowledge of the Company and the markets in which it operates. The Company's success will depend, in part, upon its ability to retain such personnel and hire qualified staff as required. There can be no assurance that the Company will be able to attract, recruit and retain duly qualified personnel. Failure to do so could have a material adverse effect on business, financial condition and results of operations.

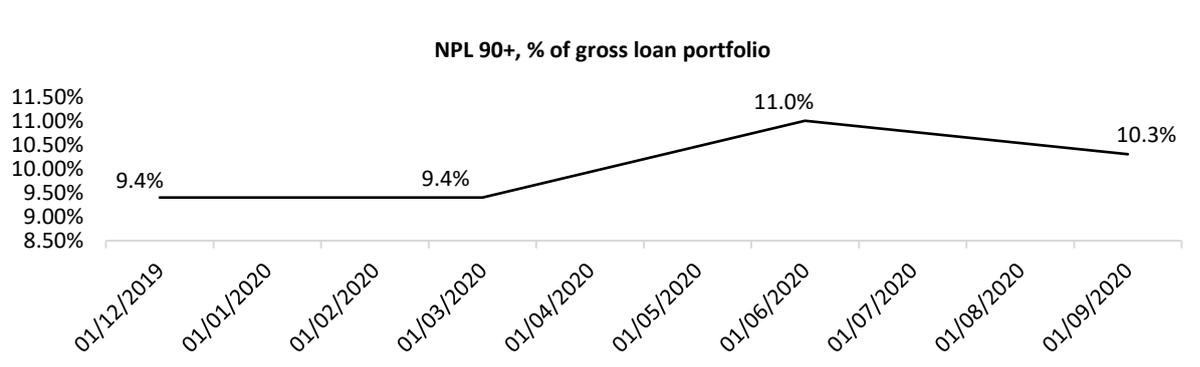
### **2.3. Production and sales trends**

In spite of the negative impact of COVID-19 pandemic and lock-down across Kazakhstan to businesses, market participants, financial markets and economy, the Company demonstrated a significant growth during 9M2020.

In 9M2020, the Company issued 43,721 Solva loans for KZT25,421 mln. As at 30 September 2020, loan portfolio increased by 96% to KZT35,841 mln (including KZT2,4 bn PDL loans which were sold in 4Q 2020) from KZT18,262 mln as at 31 December 2019. Revenue increased by 150% YoY to KZT10,860 mln in 9M2020, mainly due to a rapid growth of the loan portfolio during the same period.

However, due to the lock-down and deteriorating economic situation, the Company has provided 3-month deferral for loan repayments to about 20 per cent of its clients since April 2020. Consequently, the quality of the Issuer's loan portfolio (NPL 90+ ratio) decreased slightly in June-July 2020 reflecting post-lockdown market trend. Starting from August 2020, the NPL ratio started to improve after management has taken a wide range of actions, including investments in collection and stricter risk policy. Further improvement of the NPL ratio is expected in September 2020 due to the sale on 2 September 2020 of a portfolio of loans overdue more than 90 days.

(KZT thousands)	31.12.2018	31.12.2019	30.09.2020
<b>Loans to customers:</b>	<b>20,200,590</b>	<b>28,123,991</b>	<b>40,562,993</b>
Performing	16,556,994	22,879,733	29,622,551
Overdue 1-60 days	1,007,649	1,477,035	3,443,139
Overdue 61-90 days	312,528	337,742	1,551,653
Overdue more than 90 days	1,901,594	2,640,463	4,162,061
Interest and other charges	421,825	789,018	1,783,589
NPL 90+	9.4%	9.4%	10.3%



As can be seen from graph above, the pandemic didn't have a drastic effect on the Issuer's loan portfolio quality, with NPL 90+ slightly increasing from 9.4% as per 31 December 2019 to 10.3% as per 30 September 2020. For more detailed financial information about the Company please see Schedule 2 of this Prospectus.

### 3. Constitution and organisational structure

#### 3.1. Constitution

##### *Issuer's objectives and purpose and where they can be found in the constitution*

The Issuer's objectives and purpose can be found in clause 3 of the Constitution which was approved by the decision of the Issuers Participants (Minutes of the General Meeting of Participants of the Issuer dated 7 August 2020). The primary activities of the Limited Liability Partnership ("Partnership") shall contemplate derivation of net income.

##### *The rights, preferences and restrictions attaching to each class of the existing Securities*

The Issuer's legal form is the Limited Liability Partnership and the Issuer currently does not have any equity securities issued. Participants of the Partnership are entitled to:

- take part in management of the Partnership's affairs, to obtain information concerning activities of the Partnership;
- derive incomes from activities of the Partnership in accordance with the Law, the constituent documents and its resolutions as the Participant;
- in case of liquidation of the Partnership, to receive value of a part of the property remaining after settlement of payments with creditors or a part of that property in kind;
- retire from the Partnership by alienating its interest according to the procedure provided by the Law and this Constitution;
- contest in a judicial procedure the resolutions of the Partnership's bodies infringing their rights provided by the legislation and (or) the Constitution of the Partnership;
- The Partnership's participants also shall have other rights provided by the constituent documents of the Partnership and the effective legislation of the Republic of Kazakhstan.

Participants of the Partnership are obliged to:

- meet the requirements of the Constitution;
- make contributions to the Authorized capital stock of the Partnership according to the procedure, in amount and within terms as provided by the Constituent documents;

- not disclose information declared by the Partnership a trade secret;
- notify in writing the executive body of the Partnership of changes in the list of participants of the Partnership stating their names, locations, addresses, bank details (if the founder is a legal entity) or name, place of residence and details of an identifying document (of the founder is an individual);
- notify in writing of changes in membership the executive body, as well as a registrar if a register of the Partnership's Participants is kept;
- the Partnership's Participants shall bear other obligations provided by the Constitution and the effective legislation of the Republic of Kazakhstan.

***What action is necessary to change the rights of holders of the Securities, indicating where the conditions are more significant than is required by any law applicable to the Issuer***

The Issuer does not have any equity securities issued.

***The conditions governing the manner in which annual general meetings and extraordinary general meetings of holders of Securities are called including the conditions of admission to the meeting***

- The supreme body of the Partnership shall be the General Meeting of its Participants, which shall meet not less than once a year. The regular and extraordinary meetings can be convened.
- A regular General Meeting shall be convened by the General Director at least within three months after the end of a financial year. The General Meeting of Participants of the Limited Liability Partnership shall be convened by the executive body of the Partnership at its own initiative, and if supervisory and controlling bodies are formed – on demand of the supervisory board or the audit commission (auditor) of the Partnership or at initiative of the Partnership's participants holding in the aggregate ten and more per cent of the total votes.
- Any Participant of the Partnership shall be entitled to make its proposals on the agenda of the General Meeting not later than ten days prior thereto.
- A body or person (persons) convening the General Meeting of Participants of the Partnership shall be obliged to consider received proposals and to adopt a resolution on inclusion or refusal to include the same in the agenda of the General Meeting of Participants of the Partnership, within 10 days after receipt of proposals.
- The procedure for holding the General Meeting shall be regulated by the Constitution and the effective legislation.
- The General Meeting of Participants of the Partnership shall be competent, and the conditions of a quorum shall be deemed met if the Partnership's Participants present or represented thereat hold in the aggregate 100% (one hundred per cent) of the total votes.
- In case a quorum is absent, the General Meeting of Participants of the Partnership shall be convened within 45 (forty-five) days after the first convocation. An adjourned meeting shall be
- competent irrespective of a number of votes of the Partnership's Participants present or represented at the meeting. If the Partnership's Participants present or represented thereat hold in the aggregate less than a half of the total votes, then such meeting shall be entitled to adopt resolutions only on the matters not requiring unanimity.
- Resolutions of the meeting on any matters relating to activities of the Partnership shall be deemed binding and subject to strict observance.

***Any provision of the constitution that would have an effect of delaying, deferring or preventing a change in control of the Issuer***

The exclusive competence of the General Meeting of Participants of the Partnership shall include:

- matters concerning the Partnership's Participant alienation of its interest to third persons, pledge of an interest as a security of its obligations, providing an interest as a contribution to the authorized capital stock of the other legal entities in each case upon and subject to such terms and conditions as the Board may think fit to impose.

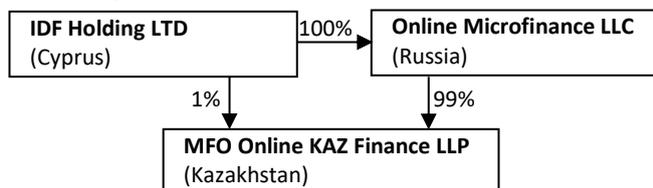
***Any provisions in the constitution, governing the ownership threshold above which shareholder ownership must be disclosed***

There are no provisions in the Constitution, governing the ownership threshold above which shareholder ownership must be disclosed.

***The conditions imposed by the constitution governing changes in the capital, where such conditions are more stringent than is required by law applicable to the Issuer***

No conditions imposed by the Constitution governing changes in the capital are more stringent than is required by law applicable to the Issuer.

### 3.2. Group structure



Shareholders of IDF Holding LTD		
Name	Country of incorporation/citizenship	Stake
Zilencium Limited	Cyprus	20.28%
Alexander Dunaev	Russia	21.61%
Boris Batin	Russia	21.61%
Vadim Dymov	Russia	16.41%
Sergey Freydin	Russia	14.06%
Other (less than 5% stake)		6.03%

Shareholders of Zilencium Limited		
Name	Country of incorporation/citizenship	Stake
Marina Dubrovskaya	Russia	45.00%
Aleksei Shakhmatov	Russia	19.80%
Ivan Savelyev	Russia	20.95%
Dmitry Bakholdin	Russia	11.09%
Others (less than 5% stake)		3.16%

## 4. Assets

### 4.1. Material contracts

Neither the Issuer nor any member of the Group doesn't have any material contracts other than contracts entered into in the ordinary course of business, to which the Issuer or any member of the Group is a party, for the two years immediately preceding publication of the Registration Document.

Listed below is key information regarding the Issuer's outstanding bonds:

<b>Exchange</b>	AIX	Kazakhstan Stock Exchange
<b>Type of security</b>	Unsecured coupon bond	Unsecured coupon bond
<b>ISIN</b>	KZX000000518	KZ2P00006877
<b>Ticker</b>	MFOK.0922	MFOKb1
<b>Currency</b>	USD	KZT
<b>Nominal value</b>	U.S.\$100	KZT1,000
<b>Coupon rate</b>	9.0%	19.0%
<b>Coupon payment frequency</b>	quarterly	quarterly
<b>Amount issued</b>	U.S.\$7,000,000	KZT4,000,000,000
<b>Amount outstanding</b>	U.S.\$7,000,000	KZT4,000,000,000
<b>Issue Date</b>	29 September 2020	20 August 2020
<b>Maturity Date</b>	29 September 2022	20 August 2022

## 5. Capital

### 5.1. Share capital

As of 30 September 2020, the authorized issued capital of the Company amounted to KZT1,120 mln.

## 6. Management of the Issuer

### 6.1. Details relating to Supervisory Board and senior managers ("Key Persons")

Name, position and business address	Functions and principal activities	Management experience
Sergey Boiko – General Director of MFO OnlineKazFinance LLP Almaty, Jandosov street 19, apt. 19, Kazakhstan	<ul style="list-style-type: none"> <li>Strategic planning.</li> <li>Ensuring the company's profitability.</li> <li>Ensuring the legality of the Company's activities, GR.</li> <li>Development and expansion of existing sales channels.</li> <li>Formation of marketing and PR-policy of the company.</li> <li>Negotiating and building relationships with key partners.</li> </ul>	<ul style="list-style-type: none"> <li>02.04.2020 to date – General Director of MFO OnlineKazFinance LLP;</li> <li>11.09.2019 to date – General Director of TechServiceTrade LLP;</li> <li>10.06.2017 to 11.11.2019 – Head of Audit and Internal Control of «Facility Management Group» LLP;</li> <li>18.01.2010 to 8.03.2017 – Head of Security Service of Kazakhstan Housing Company JSC.</li> </ul>
Ekaterina Kazak - Member of Supervisory Board of MFO OnlineKazFinance LLP, Shareholder of IDF Holding LTD	<ul style="list-style-type: none"> <li>Market research and analysis</li> </ul>	<ul style="list-style-type: none"> <li>07.08.2020 to date – Member of Supervisory Board of MFO OnlineKazFinance LLP.</li> </ul>

6 Generala Shlikova str., apt. 231, Moscow, Russia		
Dalida Davliatshina - Member of Supervisory Board of MFO OnlineKazFinance LLP 163 Brusilovskiy str., apt. 16, Almaty, Kazakhstan	<ul style="list-style-type: none"> <li>• Management of the Company's operating activities.</li> <li>• Ensuring the Company's profitability.</li> <li>• Development and expansion of existing sales channels.</li> <li>• Negotiating and building relationships with key partners.</li> </ul>	<ul style="list-style-type: none"> <li>• 07.08.2020 to date – Member of Supervisory Board of MFO OnlineKazFinance LLP;</li> <li>• 06.04.2020 to date – Operating officer of MFO OnlineKazFinance LLP;</li> <li>• 09.09.2019 to 31.03.2020 – General Director of «CreditSmart» LLP;</li> <li>• 23.06.2009 to 01.03.2019 – Head of the Department for the E-Commerce Development of Subsidiary Bank "Home Credit and Finance Bank" JSC.</li> </ul>
Petros Petrides – Director of IDF Holding St. Ayo Augustinou, 40, Strovolos, Nicosia, Cyprus 2054	<ul style="list-style-type: none"> <li>• Hire, supervise, retain, evaluate the CEO or general manager of the business (Group).</li> <li>• Assess the overall direction and strategy of the business of the Group. Provide direction for the Group. The board has a strategic function in providing the vision, mission, and goals of the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• 04.07.2019 to date –Director of IDF Holding LTD;</li> <li>• 01.07.2009 to date –Director of IQ EQ Group;</li> </ul>
Boris Batin – Director, founding member and one of the major ultimate beneficiary owners of IDF Holding Kutuzovsky prospect, 35/30, apt. 185, Moscow, Russia 121165	<ul style="list-style-type: none"> <li>• Overseeing the day-to-day operation of the business.</li> <li>• Establish a policy-based governance system. The board has the responsibility of developing a governance system for the business.</li> </ul>	<ul style="list-style-type: none"> <li>• 04.03.2019 to date – Director of IDF Holding LTD;</li> <li>• 18.01.2021 to date – Chairman of the Supervisory Board of MFO OnlineKazFinance LLP;</li> <li>• 15.05.2019 to date – General Director of IDF Lab LLC;</li> <li>• 01.03.2013 to 10.01.2018 – General Director of MFC Money Man LLC.</li> </ul>
Andres Menelau – Director of IDF Holding Str. Kantaras, d .34 B, q. 201, Strovolos , Nicosia, Cyprus 2049	<ul style="list-style-type: none"> <li>• Protect the organization’s assets and member’s investment. The board has a responsibility to represent and protect the member’s/investor’s interest in the Group.</li> </ul>	<ul style="list-style-type: none"> <li>• 04.07.2019 to date –Director of IDF Holding LTD;</li> <li>• 05.2016 to date – Managing Director of Andreas Menelaou LLC.</li> </ul>
Dmitry Bakholdin – Director of IDF Holding 6 Marshala Zakharova str., block 3, apt. 147, Moscow, 115569, Russia	<ul style="list-style-type: none"> <li>• Monitor and control function. The board of directors has a monitoring and control function. The board is in charge of the auditing process and hires the auditor. It is in charge of making sure the audit is done in a timely manner each year.</li> </ul>	<ul style="list-style-type: none"> <li>• 29.11.2019 to 20.01.2020 and 11.12.2020 to date – Director of IDF Holding LTD;</li> <li>• 02.2015 to 01.2017 – CEO's counselor, managing director of Emery Capita.l</li> </ul>
Maria Spataris – Director of IDF Holding St. Pereandros Korintios 11, Souni, Limassol, Cyprus, 4717		<ul style="list-style-type: none"> <li>• 29.11.2019 to date –Director of IDF Holding LTD.</li> </ul>

There is no information about convictions relating to fraud, wrongful trading, defaults, antitrust violations and any other financial crimes regarding founding members or members of the senior management of the Issuer.

There is no information about any bankruptcies, receiverships or liquidations of another entity with which founding members or members of the senior management of the Issuer was associated with for at least the previous five years when acting in a similar capacity.

There is no information about any official public incrimination and/or sanctions of founding members or members of the senior management of the Issuer by statutory or regulatory authorities (including designated professional bodies) and whether founding members or members of the senior management of the Issuer has ever been disqualified by a court from acting as a Director or from acting in the senior management of, or conduct the affairs of, any issuer for at least the previous five years.

#### **Conflict of interest**

There is no conflict of interests between the personal interests of any Key Person mentioned above and that of the duties such persons owed to the Issuer or interests of the Issuer.

#### **6.2. Other information relating to key Persons**

The Issuer doesn't have audit committee, nomination committee or remuneration committee, as the Issuer is not required to form committees in accordance with the legislation of the Republic of Kazakhstan governing the activities of legal entities operating in the form of limited liability partnerships.

## 7. Financial information about the Issuer

### 7.1. Historical financial information about the Issuer

Consolidated Statement of Profit or Loss (KZT thousands)	9 months 2020 unaudited	9 months 2019 unaudited	2019 audited	2018 audited
Interest and financial services income	10,860,284	4,336,147	5,734,810	1,738,882
Net impairment losses	(3,363,756)	(1,098,007)	(1,601,350)	(798,075)
Interest expenses	(2,932,271)	(854,353)	(1,538,738)	(323,926)
<b>Net interest and financial services income (loss)</b>	<b>4,564,257</b>	<b>2,383,787</b>	<b>2,594,722</b>	<b>616,881</b>
Operating expenses	(1,365,550)	(380,355)	(424,787)	(414,018)
<b>Operating profit (loss)</b>	<b>3,198,707</b>	<b>2,003,432</b>	<b>2,169,935</b>	<b>202,863</b>
General and administrative expenses	(767,569)	(258,902)	(257,476)	(177,122)
Other expenses and incomes, net	(85,427)	(33,221)	39,747	(11,932)
Foreign exchange loss, net	627,543	33,560	(189,758)	(158,961)
<b>Profit/(loss) before tax</b>	<b>2,973,254</b>	<b>1,744,869</b>	<b>1,762,448</b>	<b>(145,152)</b>
Income tax	(729,494)	(375,561)	(331,300)	2,046
<b>Net profit/(loss)</b>	<b>2,243,760</b>	<b>1,369,308</b>	<b>1,431,148</b>	<b>(143,106)</b>
<b>Total comprehensive income/(expense)</b>	<b>2,243,760</b>	<b>1,369,308</b>	<b>1,431,148</b>	<b>(143,106)</b>

Consolidated Statement of Financial Position (KZT thousands)	30 September 2020 unaudited	31 December 2019 audited	31 December 2018 audited
<b>ASSETS</b>			
Cash and cash equivalents	2,717,363	419,070	93,234
Deposits	-	1,143,921	-
Loans due from customers	35,840,639	18,262,172	5,465,596
Capitalised issue costs	999,367	691,856	105,808
Property, plant and equipment and intangible assets	226,779	7,739	3,473
Right-of-use assets	31,626	37,207	-
Deferred tax assets	-	-	2,046
Other assets	483,664	203,534	59,746
<b>Total assets</b>	<b>41,946,554</b>	<b>20,765,499</b>	<b>5,729,903</b>
<b>LIABILITIES</b>			
Loans and borrowings	27,310,764	14,044,438	5,208,176
Current tax liability	239,219	213,424	-
Deferred tax liabilities	483,505	115,830	-
Accounts payable	1,518,923	478,755	86,533
Deferred income	231,494	925,976	50,580
Lease liabilities	38,977	44,104	-
Other liabilities	119,514	126,132	17,267
<b>Total liabilities</b>	<b>29,942,396</b>	<b>15,948,659</b>	<b>5,362,556</b>
<b>EQUITY</b>			
Issued capital	1,120,151	1,120,151	686,651
Subordinated debt	7,528,403	2,584,845	-
Retained earnings/(accumulated loss)	2,355,604	1,111,844	(319,304)
<b>Total equity</b>	<b>12,004,158</b>	<b>4,816,840</b>	<b>367,347</b>
<b>Total equity and liabilities</b>	<b>41,946,554</b>	<b>20,765,499</b>	<b>5,729,903</b>

<b>Consolidated Statement of Cashflows</b> <b>(KZT thousands)</b>	<b>9 months 2020</b> <b>unaudited</b>	<b>9 months 2020</b> <b>unaudited</b>	<b>2019</b> <b>audited</b>	<b>2018</b> <b>audited</b>
<b>Profit/(loss) before tax</b>	2,973,254	1,744,870	1,762,448	(145,152)
Interest expenses	2,932,271	854,353	1,538,738	323,926
Net impairment losses	3,363,756	1,098,007	1,601,350	798,075
Deferred revenue	(694,482)	5,058	875,396	50,580
Impairment reversal on portfolio sale	574,023	426,000	(536,813)	-
Capitalization of issue costs	(307,511)	(383,371)	(586,048)	(105,808)
Depreciation and amortization	22,165	1,588	9,827	1,354
Foreign exchange losses, net	(627,543)	33,221	189,758	158,961
<b>Profit before changes in loan portfolio and working capital</b>	<b>8,235,933</b>	<b>3,779,726</b>	<b>4,854,656</b>	<b>1,081,936</b>
Changes in payables and other liabilities	(684,859)	(593,515)	246,483	117,393
Changes in receivables and other assets	(366,279)	11,072	(143,788)	(23,574)
<b>Net cash flows from operating activities, before changes in loan portfolio</b>	<b>7,184,795</b>	<b>3,197,283</b>	<b>4,957,351</b>	<b>1,175,755</b>
Changes in loan portfolio	(20,362,403)	(9,433,645)	(13,946,655)	(5,784,688)
Revenues from portfolio sale	86,148	150,000	150,000	-
<b>Net cash used in operating activities</b>	<b>(13,091,460)</b>	<b>(6,086,362)</b>	<b>(8,839,304)</b>	<b>(4,608,933)</b>
Acquisition of property, equipment and intangible assets	(235,624)	(3,450)	(6,652)	(2,583)
<b>Net cash used in investing activities</b>	<b>(235,624)</b>	<b>(3,450)</b>	<b>(6,652)</b>	<b>(2,583)</b>
Loans and borrowings received, net, less security deposit	18,403,100	7,857,330	9,795,981	4,398,014
Paid interest	(2,777,723)	(684,644)	(1,057,689)	(104,567)
Capital contributions	-	437,975	433,500	363,001
<b>Net cash flows from financing activities</b>	<b>15,625,377</b>	<b>7,610,661</b>	<b>9,171,792</b>	<b>4,656,448</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,298,293</b>	<b>1,520,849</b>	<b>325,836</b>	<b>44,932</b>

<b>Consolidated Statement of Changes in Equity</b> <b>(KZT thousands)</b>	<b>Issued capital</b>	<b>Subordinated debt</b>	<b>Retained earnings</b>	<b>Total capital</b>
<b>Balance as of 31 December 2018 (audited)</b>	<b>686,651</b>	-	<b>(319,304)</b>	<b>367,347</b>
Comprehensive income for the year	-	-	1,431,148	<b>1,431,148</b>
Increase in issued capital	433,500	-	-	<b>433,500</b>
Subordinated debt	-	2,584,845	-	<b>2,584,845</b>
<b>Balance as of 31 December 2019 (audited)</b>	<b>1,120,151</b>	<b>2,584,845</b>	<b>1,111,844</b>	<b>4,816,840</b>
Comprehensive income for the year	-	-	2,243,760	<b>2,243,760</b>
Issued subordinated debt	-	4,943,558	-	<b>4,943,558</b>
<b>Balance as of 30 September 2020 (unaudited)</b>	<b>1,120,151</b>	<b>7,528,403</b>	<b>2,355,604</b>	<b>12,004,158</b>

Financial statements for the years ended 31 December 2018 and 31 December 2019, including in each case the auditor's report relating to such financial statements, and unaudited financial statements for nine months ended on 30 September 2020 are attached in Schedule 2 of this Prospectus.

As at 30 September 2020, the Issuer was in compliance with all regulatory prudential ratios.

<b>Regulatory prudential ratios</b>	<b>30 September 2020</b>	<b>Requirement</b>
Capital adequacy ratio (k1)	0.154	Not less than 0.1
Maximum level of exposure per borrower ratio (k2)	0.000	No more than 0.25
Leverage ratio (k3)	3.122	No more than 10

## **8. Other information relating to the Issuer**

### **8.1. Information about auditors**

The independent auditor of the Company is BDO Kazakhstan LLP, registered office – 6 Gabdullin St. Almaty, Kazakhstan A15H4E3. BDO Kazakhstan LLP is authorized and regulated by the Ministry of Finance of Kazakhstan under state license №150003448 issued on 19 February 2015.

BDO Kazakhstan LLP is a member of the Chamber of Auditors of the Republic of Kazakhstan.

## **8.2. Connected Persons**

### ***If a Connected Person is a controller, information about that Person***

- ONLINE MICROFINANCE LTD is the major direct shareholder of the Microfinance organisation OnlineKazFinance LLP, holding a 99% stake in the Company. The contact details are: Russian Federation, Moscow, Vasilisa Kozhina street 1, telephone number is 8 495 966 49 90, email: ir@idfinance.com.
- Major ultimate beneficiary owners of ONLINE MICROFINANCE LTD are Alexander Dunaev (21.61%), Boris Batin (21.61%), Vadim Dymov (16.41%), Sergey Freydin (14.06%) and Marina Dubrovskaya (9.13%).

There are no arrangements known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

## **8.3. Legal and other proceedings against the Issuer**

To the best of the Company's knowledge there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened and of which the Company is aware) which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the Company's financial position of profitability.

## **9. Responsibility for the Content of Prospectus**

### **9.1. Responsibility Statement**

The Responsibility Statement is included in Schedule 1 of this Prospectus.

### **9.2. Expert opinions included in a Prospectus**

There are no expert opinions included in this Prospectus.

## **10. Documents on display**

Copies of the following documents may be inspected at, and are available from, the office of the Issuer at the Republic of Kazakhstan, Almaty, Nauryzbay batyr street 8, 5th floor, 050004, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), as long as the Bonds are listed on the AIX:

- this Prospectus and any supplements thereto
- the Constitution of the Issuer
- Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017 including in each case, the audit report relating to such financial statements
- Financial Statements for nine months ended 30 September 2020.

## SECURITIES NOTE

### 1. Key information

#### 1.1. Risk factors material to the Securities

***The Bonds are subject to modification, waivers and substitution.***

The terms and conditions of the Offer set out in “Terms and conditions of the offer” part of the Securities Notes of this Prospectus contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders.

***Delisting of the Bonds from the AIX Official List may subject gains and coupon payments on the Bonds to tax in the Republic of Kazakhstan.***

In order for coupon payments due on the Bonds and gains realized by the Bondholders in relation to disposal, sale, exchange or transfer of the Bonds to be exempt from Kazakhstan withholding tax, it will be necessary for the Bonds to be admitted to the Official List of AIX as at the Coupon Payment Date or the date of such disposal, sale, exchange or transfer of the Bonds. No assurance can be given that the Bonds will remain admitted to the Official List of AIX as at each Coupon Payment Date or during the term of the Bonds, or that there will be no material change in tax and securities laws in Kazakhstan.

***The Bonds will be listed on the AIX and benefit from an exemption on withholding tax which is untested in practice.***

The Issuer believes that coupon payments on the Bonds will be exempt from withholding and income taxes due to the favorable treatment available for securities admitted to the Official List of AIX under the Constitutional Law on “Astana International Financial Center” in effect as of the date of this Prospectus. However, practice is not yet fully developed.

***The AIX has a relatively short history of operations.***

The AIX was launched in July 2018. There can be no assurance that the AIX will attract a sufficient number of issuers to ensure acceptable trading volumes in the foreseeable future or at all.

***The market price of the Bonds may be volatile.***

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer’s operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by analysts and the actual or expected sale of a large number of Bonds.

#### 1.2. Reasons for the offer

**Estimated Net Amount of Proceedings** The net proceeds from the issuance are expected to amount to KZT6,679,000,000 after deduction of fees and expenses related to the issue.

**Use of Proceeds** The issuance is being made, and the net proceeds of the issue of the Bonds will be used by the Issuer for the financing of its core lending activity and the refinancing of existing indebtedness.

#### 1.3. Creditworthiness of the Issuer

***Earnings coverage ratio***

According to the Issuer’s audited financial statements, the earnings coverage ratio for 2019 and nine months 2020 was at 2.15 and 2.01, respectively.

***Relevant credit ratings***

The Issuer and the Bonds do not have any credit ratings assigned.

***Risk factors that may affect the Issuer's ability to fulfil its obligations under the Securities to investors***

All relevant risk factors are described in the “Risk factors” section of the Registration Document.

***Guarantees***

There are no guarantees attached to the Bonds.

## 2. Information relating to the securities offered/admitted to trading

### 2.1. General information relating to Securities

<b>Form of the Bonds</b>	The Bonds will be issued in fully registered and dematerialized form under the Acting law of AIFC.
<b>Aggregate Principal Amount</b>	KZT7,000,000,000.
<b>Nominal Value</b>	KZT1,000 per one Bond.
<b>Type of Securities</b>	Unsecured Coupon Bonds.
<b>ISIN</b>	KZX000000641.
<b>Admission to Listing and Trading</b>	Application has been made for the Bonds to be admitted to the Official List of AIX and to be admitted to trading on the AIX.
<b>Registrar</b>	AIX Registrar.
<b>Depository</b>	AIX CSD.
<b>Governing Law and Jurisdiction</b>	The Bonds and any non-contractual obligations arising out of, or in connection with, the Bonds shall be governed by, and construed in accordance with, the laws of the AIFC. The Issuer has agreed herein the conditions in favor of the Bondholders that any claim, dispute or discrepancy of any nature arising out of, or in connection with, the Bonds (including claims, disputes or discrepancies regarding the existence, termination thereof, or any non-contractual obligations arising out of, or in connection with, the Bonds) shall be brought to, and finally resolved by, the Court of the AIFC in accordance with the rules thereof, or the International Arbitration Center of the AIFC in accordance with the rules thereof, currently in effect, such rules shall be deemed incorporated herein.
<b>Currency</b>	KZT.
<b>Ranking</b>	The Bonds shall constitute direct, general and unconditional obligations of the Issuer which will rank <i>pari passu</i> among themselves and rank <i>pari passu</i> , in terms of payment rights, with all other current or future unsubordinated obligations of the Issuer, except for liabilities mandatorily preferred by law.
<b>Issue Date</b>	18 March 2021.
<b>Maturity Date</b>	18 March 2024.
<b>Redemption and Purchase</b>	<p>Unless previously purchased and cancelled, the Issuer hereby irrevocably covenants in favor of each Bondholder that the Bonds will be redeemed at their Nominal Value concurrently with the final coupon payment on the relevant Maturity Date. In such case the Issuer shall be discharged of any and all payment obligations under the Bonds upon payment made net of any withholding or other taxes due or which may be due under the law of the Republic of Kazakhstan and which is payable by the Bondholders.</p> <p>The Issuer may at any time purchase the Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.</p>
<b>Coupon Interest</b>	<p>The Bonds bear coupon interest at the fixed coupon rate of 18.50% (eighteen and a half percent) per annum on its outstanding principal amount for the first two years the Bonds remain outstanding and at the fixed coupon rate of 18.00% (eighteen percent) per annum on its outstanding principal amount for the third year the Bonds remain outstanding, payable monthly within 10 (ten) business days after (and including) each of the relevant Coupon Payment Dates.</p> <p>Coupon interest amount per one Bond shall be calculated using the following formula:</p> $\text{Nominal value} \times \text{Coupon Interest Rate} \times \text{Day Count Fraction for the relevant Coupon period}$
<b>Coupon Payment Dates</b>	The 18th calendar day in each month of the year, commencing on 18 April 2021 and ending on the Maturity Date.
<b>Coupon Period</b>	Each period beginning on (and including) the Issue Date or any Coupon Payment

	Date and ending on (but excluding) the next Coupon Payment Date.
<b>Day Count Fraction</b>	30/360; Coupon payments on the Bonds shall be calculated on the basis of a year of 360 days consisting of 12 months of 30 days each.
<b>Yield</b>	The yield range of the Bonds is expected to be 18.0-18.5%. It is not an indication of future yield.
<b>Rights Attaching to the Bonds</b>	<p>Bondholders have the right to:</p> <ul style="list-style-type: none"> <li>• receive coupon payments;</li> <li>• receive nominal value upon redemption and at Maturity Date, as per Terms and Conditions of the offer;</li> <li>• freely transfer the Bonds;</li> <li>• receive information concerning the Issuer's operations;</li> <li>• attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond.</li> </ul>
<b>Issue Restrictions</b>	No amendment shall be made by the Issuer to the Prospectus unless the Issuer has secured prior written consent(s) of the Bondholders of at least three-fourth in principal amount of the Bonds then outstanding.
<b>Selling Restrictions</b>	The offering and sale of the Bonds is subject to applicable laws and regulations and the Bonds may not be sold in other jurisdictions, including without limitation the United Kingdom, the European Economic Area, other than in compliance with applicable laws and regulations. The Bonds have not and will not be registered under the U.S. Securities Act of 1933 or the securities laws of any state of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons.
<b>Restrictions on the Free Transferability</b>	The Bonds are freely transferable and, once admitted to the Official List of AIX, shall be transferable only in whole in accordance with the rules and regulations of the AIX amended from time to time.
<b>Time Limit for Claims</b>	Any claim against the Issuer in respect of the Bonds shall become invalid, unless it is filed within three years (in the case of principal and coupon payments), from the date of the relevant payment in respect of the Bonds.
<b>Miscellaneous</b>	For purposes of any calculation specified herein, a value shall be accurate to two decimal places.

### 3. Terms and conditions of the offer

<b>Number of Bonds Offered</b>	7,000,000 Bonds
<b>Offer Price</b>	The offer price of the Bonds is expected to be 100.00% of the nominal value of the Bonds.
<b>Categories of Potential Investors</b>	The Bonds will be publicly offered in Kazakhstan to a wide range of investors (subject to applicable laws and regulations).
<b>Conflict of Interest</b>	No person involved in the offering has any interest in the offering, which is material to the offering.
<b>Offering Method</b>	Offering of the Bonds will be made through subscription using the book-building platform of the trading system of the AIX in accordance with the AIX Market Rules and relevant AIX market notice.
<b>Offer Period</b>	18March 2021
<b>Allotment of the Bonds</b>	The Lead Manager may, at its sole discretion, allot any Bonds to itself or any of its related persons or related persons of the Issuer, without any restriction. The allotment of the Bonds to subscribers shall be at the absolute discretion of the Lead Manager. The Lead Manager may refuse to allot the Bonds subscribed by any subscribers at its sole discretion. The allotment date of the Bonds will be disclosed in the market notice issued by the AIX prior to the book-building process. It is expected that an allotment advice will be dispatched to investors by 18 March 2021.
<b>Lead Manager</b>	The Lead Manager, Freedom Finance Global PLC, has, pursuant to the Underwriting Agreement №ФФ-28012021 dated 28 January 2021, agreed with the Issuer to place the Bonds on a best efforts basis. The Issuer has agreed to pay to the Lead Manager

an underwriting commission.

The Issuer also appointed Freedom Finance Global PLC as a book-runner in connection with the Offering.

#### **Authorisations**

The issue of the Bonds was approved by a resolution of Participants of the Issuer dated 18 January 2021.

#### **Clearing and Settlement**

The payment and settlement will be made through the settlement system of the AIX CSD in accordance with the rules and regulations of the AIX CSD (the "AIX CSD Rules"), in particular delivery of the Bonds through the system of the AIX CSD.

In order to participate in the offering of the Bonds, take delivery of the Bonds and trade the Bonds on the AIX, investors are required to have an account opened with a brokerage company admitted as an AIX Trading Member and an AIX CSD Participant. The Bonds will be held on behalf of investors in the relevant AIX Trading Member's custodial account at AIX CSD.

#### **Notification Process for Investors**

Prior to the start of the book-building process the AIX will issue a market notice setting out, among other things, the main terms and conditions of the book-building and settlement procedures in connection with the offering through AIX, the yield range and the related responsibilities of the AIX trading members.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the AIX or prior to the said notification.

### **3.1 Payment**

Coupon interest payments on the Bonds shall be paid to the Person shown on the register that the Issuer shall procure to be kept by AIX Registrar in accordance with AIX Registrar's regulations at the close of business on the last day of a period which coupon payment is due for (the "Record Date"). Coupon interest payments on Bonds shall be paid within 10 (ten) business days after (and including) each Coupon Payment Date by money transfer (in KZT only) to current bank accounts of the holders of the Bonds specified in the register of Bondholders as at the Record Date. The final coupon interest payment shall be made concurrently with payment of the principal of the Bonds on the relevant Maturity Date. All Payments in respect of the Bonds shall be made in KZT.

If any date for payment in respect of the Bonds is not a Business day, the holder shall not be entitled to payment until the next following Business day nor to any coupon interest or other sum in respect of such postponed payment.

### **3.2 Penalty**

The Issuer shall pay a penalty to the Bondholders for each day, on which any amount payable under the Bonds remains due and unpaid (the "Unpaid Amount"), at the rate equal to the Coupon Interest Rate. The amount of penalty payable per any Unpaid Amount in respect of any Bonds shall be equal to the product of the Coupon Interest Rate, the Unpaid Amount and the number of calendar days on which any such Unpaid Amount remains due and unpaid divided by 360, rounding the resultant figure to the nearest cent, half of any such cent being rounded upwards.

### **3.3 Covenants**

The Bonds shall become immediately due and repayable at their principal amount, together with any accrued interest, if the Issuer is in breach of any of the following financial covenants ("Covenant") and such breach continues for more than 30 calendar days:

- **Equity-to-Assets ratio.** The ratio of total equity to total assets shall not be less than 15% (fifteen per cent). Total equity and total assets are valued according to the requirements of IFRS.
- **Non-performing loans ratio.** Outstanding principal amount of defaulted loans (loans issued by the Issuer with days past due above 60 (sixty) days) shall be less than 25% (twenty-five per cent) of the outstanding principal amount of all issued loans by the Issuer. Outstanding principal amount of defaulted loans and outstanding principal amount of all issued loans are valued according to the requirements of IFRS.
- **Capital adequacy ratio.** The Issuer shall not permit its total capital adequacy ratio calculated in accordance with applicable regulations of FMSA (including, without limitation, the Prudential norms and other mandatory standards and limits and their calculation methodology for the organisations carrying out microfinance activities, approved by Decree No. 192 of the Board of NBK dated 14 November 2019 as amended from time to time) to fall below the minimum ratio required pursuant to such regulations, such calculation to be made by reference to the most recent quarterly financial statements of the Issuer prepared in accordance with IFRS;

The aforementioned ratios shall be measured quarterly starting from September 30, 2020, based on the data of the balance sheet disclosed by the Issuer within a reasonable time period, but not later than 45 days after the end of

each quarter (and 120 days after the end of financial year), on the website of the Kazakhstan Stock Exchange ([www.kase.kz](http://www.kase.kz)), the website of the AIX ([www.aix.kz](http://www.aix.kz)), the website of the Depository of Financial Statements ([www.dfo.kz](http://www.dfo.kz)), or on the corporate website of the Issuer ([www.solva.kz](http://www.solva.kz)).

### **3.4 Events of Default**

The Bonds shall become immediately due and repayable at their principal amount, together with any accrued interest, if any of the following events occur and continue for more than 30 calendar days: (“Events of Default”):

- the Issuer shall fail to pay any interest on any Bond when due; or
- the Issuer duly fails to perform or shall otherwise be in breach of any other material obligation contained in the terms and conditions of the Bonds; or
- an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer; or
- the Issuer stops or suspends payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or cease or threaten to cease to carry on its business or a substantial part of its business; or
- the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- any material indebtedness of the Issuer is not paid when properly due or becomes properly due and payable or any creditor of the Issuer becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer in respect of indebtedness is not honored when properly due and called upon; provided that for the purposes of this provision, material indebtedness shall mean an amount exceeding U.S.\$1,000,000.
- the Issuer is in default in the performance, or is otherwise in breach, of any of the following obligations and such default continues for more than 30 calendar days:
  - the Issuer shall not undertake or introduce any amendments into its constitutional documents, including the Issuer’s Constitution, that would alter the Issuer’s principal business activities unless such amendments aim at expansion of such activities;
  - the Issuer shall not undertake any reorganisation as a legal entity without prior written consent of holders of at least three-fourth in principal amount of the Bonds outstanding;
  - the Issuer shall not amend the Prospectus unless agreed upon in writing with the holders of at least three-fourth in principal amount of the Bonds outstanding;
  - the Issuer shall maintain the listing of the Bonds on the Official List of AIX;
  - the Issuer shall not amend or substitute any entity in place of the Issuer as the principal debtor in respect of the Bonds, without prior written consent of the Bondholders of at least three-fourth in principal amount of the Bonds then outstanding;
  - the Issuer shall not initiate a termination of the activity;
  - the Issuer shall pay any penalty due to any Bondholder in accordance with section 3.2 of this Securities Notes.

### **3.5 Meetings of Bondholders**

- The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of this Prospectus require the approval of a Bondholders’ meeting.
- A meeting of Bondholders shall be called by the General Director of the Issuer by giving all Bondholders listed on the register of Bondholders as at a date being not more than 30 days preceding the date scheduled for the meeting, not less than 14 days’ notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Notes, or in any other part of the Prospectus, may only be made with the approval of the Issuer and of the Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the

commencement of the meeting. For this purpose, at least two Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within 30 minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within 2 days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than 7 days, and not later than 15 days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, representing not less than 30% in nominal value of the Bonds then outstanding, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

- Any person who in accordance with the Constitution of the Issuer is to chair the General Meetings of Participants shall also chair meetings of Bondholders.
- Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- The voting process shall be managed by the Company's representative.
- The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favor of the proposal.
- Save for the above, the rules generally applicable to proceedings at General Meetings of Participants of the Issuer shall apply to meetings of Bondholders.

### **3.6 Notices**

#### ***To the Bondholders***

All notices to the Bondholders shall be deemed to have been duly given if, so long as the Bonds are listed on the Official List of AIX and so long as the rules of the AIX so require, by publication (i) on the internet website of the AIX at [www.aix.kz](http://www.aix.kz) or (ii) otherwise in accordance with the regulations of the AIX. If the Bonds cease to be listed on the AIX, any notice shall be sent to the Bondholders by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the register, and any such notice shall be deemed to have been given on the fourth day after the date of mailing.

#### ***To the Issuer***

Notices to the Issuer will be deemed to be validly given if delivered to the Issuer at Republic of Kazakhstan, Almaty, Naurzybay batyr street 8, 5th floor, 050004 for the attention of the General Director and will be deemed to have been validly given when delivered.

### **3.7 Early redemption**

#### ***Early redemption at the option of the Issuer***

The Bonds may be redeemed in whole at nominal amount before their stated maturity at the option of the Issuer only if the Issuer has secured prior written consent(s) of the Bondholders of at least three-fourth in nominal amount of the Bonds then outstanding.

#### ***Early redemption at the option of holders of the Bonds***

If at any time while any of the Bonds remains outstanding an Event of Default (as defined in the Prospectus) in section 3.4 of this Securities Notes occurs or any Covenant (as defined in the Prospectus) is breached in section 3.3 of this Securities Notes, the Issuer shall, at the option of the holder of the Bonds, upon the holder of the Bonds giving not less than 15 days nor more than 30 days' notice to the Issuer, redeem such Bonds on the day specified in such notice at 100% of its nominal amount together with coupon interest accrued to (but excluding) the date specified for redemption.

Following the occurrence of any Event of Default in section 3.4 or breach of any Covenant in section 3.3 of this Securities Notes, the Issuer may arrange negotiations with the holders of the Bonds in respect of the early redemption at the option of the holders of the Bonds.

The Bondholders are entitled to put the Bonds for redemption after the second year of circulation of the Bonds. The Bondholders shall give a notice for such early redemption (“Put Option Exercise Notice”), in accordance with Condition 3.6 (“Notices”), to the Issuer not less than 60 (sixty) calendar days before the twenty fourth Interest Payment Date. The Bondholders shall clearly state in the Put Option Exercise Notice the number of Bonds they are willing to put for redemption. The Put Option Exercise Notice, once given, shall be irrevocable. The Issuer, upon receiving the Put Option Exercise Notices from the Bondholders, will send a list of such Bondholders to the AIX CSD requesting to block the Bonds put by the Bondholders for early redemption. The Bonds blocked by AIX CSD will not be tradable until they are redeemed by the Issuer. The Issuer shall redeem the Bonds within 5 (five) business days after (and including) the twenty fourth Interest Payment Date at 100% (one hundred percent) of the principal amount of the Bonds together with accrued interest to be paid on the relevant Interest Payment Date. Any such redemption by the Issuer shall be made, if applicable, with relevant accrued interest on such redeemed Bonds.

### **3.8 Taxation**

Under the Constitutional Law on “Astana International Financial Centre” any interest or capital gain on the securities listed on the AIX are tax exempt until 1 January 2066. Accordingly, following the admission of the Bonds to the Official List of AIX, any income derived from owning or selling such Bonds will be tax exempt as long as the Bonds are listed on the AIX Official List.

No stamp, registration or other tax arising out of the transfer of the Bonds exist in the Republic of Kazakhstan.

The discussion above is a general summary. It does not cover all tax matters that may be of importance to a particular purchaser. Each prospective investor is urged to consult its own tax adviser about the tax consequences to it of an investment in the Bonds in light of the purchaser’s own circumstances.

### **3.9 Further issues and further indebtedness**

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

## **4. Other information**

### **4.1. Audit and source of information including use of expert reports**

Audited financials for 2018 and 2019 prepared by the Company’s auditors – BDO Kazakhstan LLP are included in Schedule 2 of this Prospectus.

## **5. Admission to trading**

<b>Admission to:</b>	<b>Actual date</b>
-an Official List of Securities	18 March 2021
-trading on an Authorized Market Institution	19 March 2021

### **An estimate of the total expenses related to the admission to trading**

Fees associated with admission of Bonds to the Official List of AIX and to trading on the AIX are expected to be up to U.S.\$30,000.

## DEFINITIONS AND GLOSSARY

<b>“AIFC”</b>	Astana International Financial Center.
<b>“AIX”</b>	Astana International Exchange.
<b>“AIX CSD”</b>	Astana International Exchange Central Depository.
<b>“AIX Registrar”</b>	Astana International Exchange Registrar.
<b>“bln”</b>	Means billion.
<b>“Board”</b>	The Supervisory Board of Microfinance organisation OnlineKazFinance LLP.
<b>“Bondholder”</b>	A holder of the Bond.
<b>“Business day”</b>	Means a day on which banks and exchange markets are open for business in the Republic of Kazakhstan.
<b>“Company”</b>	Microfinance organisation OnlineKazFinance LLP.
<b>“Constitution”</b>	Articles of association of Microfinance organisation OnlineKazFinance LLP.
<b>“Earnings coverage ratio”</b>	Equal to consolidated net income applicable to common shareholders plus income taxes, interest on long-term and short-term debt, divided by interest on long-term and short-term debt.
<b>“Equity”</b>	Value attributable to the owners of a business. The book value of equity is calculated as the difference between assets and liabilities on the company’s balance sheet.
<b>“FMISA”</b>	The Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Market and Financial Organisations
<b>“Government”</b>	The Government of the Republic of Kazakhstan.
<b>“Group”</b>	IDF HOLDING LTD and ONLINE MICROFINANCE LTD.
<b>“Issuer” and “Company”</b>	Microfinance organisation OnlineKazFinance LLP.
<b>“Lead manager”</b>	Underwriter – Freedom Finance Global Plc.
<b>“mln”</b>	Means million.
<b>“NBK”</b>	National Bank of the Republic of Kazakhstan.
<b>“Person”</b>	Any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other legal entity, whether or not having separate legal personality.
<b>“State”</b>	The Republic of Kazakhstan.
<b>“KZT”</b>	Means the lawful currency of the Republic of Kazakhstan.
<b>“U.S. Dollars” and “U.S.\$”</b>	Means the lawful currency of the United States.

**SCHEDULE 1**

**RESPONSIBILITY STATEMENT**

- a) The Issuer, having made all the reasonable enquiries, accept responsibility for this Prospectus and confirms that this Prospectus complies with the requirements set out in Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules.

Most of the information reflected in this Prospectus has been received by the Issuer from the Auditor's reports, constituent documents, public data placed on the website of the authorized state bodies. The Issuer confirms that such information has been accurately reproduced and is able to ascertain from information published by such third parties that no facts have been omitted which would render the reproduced information inaccurate or misleading.

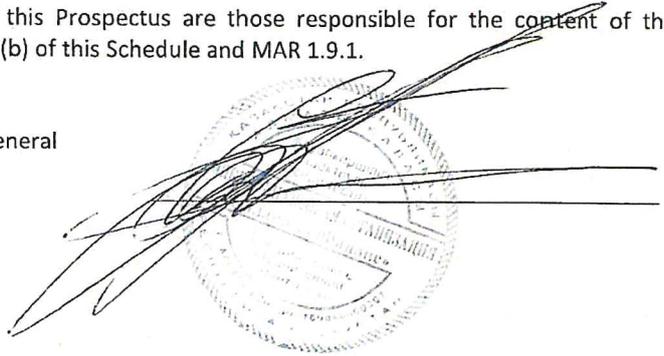
Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances create any implications that there has been no adverse change, or any event reasonably likely to involve an adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

On behalf of the Issuer, the General Director of the Issuer confirms that this Prospectus complies with the requirements set out in Section 69 of the AIFC Framework Regulations №18 of 2018 and Part 1 of the AIFC Market Rules and contains all information which is material in the context of the issue and offering of the Bonds, that the information contained in this Prospectus is correct to the best of his knowledge and that no material facts or circumstances have been omitted.

- b) The Issuer's Supervisory Board is responsible for the information contained in the Prospectus, which to any extent relates to the Issuer's financial activity and financial statements.
- c) The persons responsible for the content of this Prospectus are those responsible for the content of this Prospectus in accordance with clauses (a) and (b) of this Schedule and MAR 1.9.1.

In accordance with  
MAR 1.9.1 (c) (i)

Sergey Boiko as the General  
Director of the Issuer



In accordance with  
MAR 1.9.1 (e)

Boris Batin as the Chairman of  
the Supervisory Board



**OnlineKazFinance Microfinance  
Organization Limited Liability Partnership  
Financial Statements  
for the Years ended 31 December 2019,  
31 December 2018 and 31 December 2017  
and Independent Auditor's Report**

**OnlineKazFinance Microfinance Organization LLP**

**Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31  
December 2017**

**and Independent Auditor's Report**

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## TO THE FOUNDERS OF ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LIMITED LIABILITY PARTNERSHIP

### INDEPENDENT AUDITOR'S REPORT

#### Opinion

We have audited the financial statements of OnlineKazFinance Microfinance Organization Limited Liability Partnership (hereinafter - the Company) which comprise the statements of financial position as of 31 December 2019, 2018, and 2017, and statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the applied financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2019, 2018, and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants* (IESBA Code) and ethical requirements that are relevant to our audit of the financial statements in 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.

#### Emphasis of matter

We draw attention to Note 18 of the financial statements which describes conditions for recognizing the subordinated loans from related parties as capital. Our opinion is not modified in respect of this matter.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for internal control, as management determines is necessary to enable the preparation of a financial statement that is 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 relating 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.

Товарищество с ограниченной ответственностью "BDO Kazakhstan", зарегистрированное в соответствии с законодательством Республики Казахстан, является участником международного объединения BDO International Limited, британского общества с ответственностью, ограниченной гарантией его участников, и является частью международной сети независимых компаний BDO.

BDO Kazakhstan, a limited liability partnership, registered under the laws of the Republic of Kazakhstan, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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 International Standards on Auditing 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 based on these financial statements.

As a part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ✓ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the 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 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 all relevant ethical requirements regarding independence and communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where required, related safeguards.

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 conclude that the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Auditor T.A. Omarov

Auditor's Qualification Certificate  
No.0000237 dated 29.04.1996

issued by the  
Qualification Commission  
for certification of the  
auditors of the RK.

BDO Kazakhstan LLP

State license No.15003448 issued on 19 February  
2015 by the Committee of financial control of the  
Ministry of Finance of the Republic of Kazakhstan,  
Astana City.

6 May 2020

Almaty City



Director T.A. Omarov

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

	Notes	2019 thousand tenge	2018 thousand tenge	2017 thousand tenge
Interest and financial services income	4	5 734 810	1 738 882	107 372
Net impairment losses	9	(1 601 350)	(798 075)	(107 395)
Interest expenses		<u>(1 538 738)</u>	<u>(323 926)</u>	<u>(34 071)</u>
<b>Net interest and financial services income (loss)</b>		<b>2 594 722</b>	<b>616 881</b>	<b>(34 094)</b>
Operating expenses	5	<u>(424 787)</u>	<u>(414 018)</u>	<u>(80 384)</u>
<b>Operating profit (loss)</b>		<b>2 169 935</b>	<b>202 863</b>	<b>(114 478)</b>
General and administrative expenses	6	(257 476)	(177 122)	(39 017)
Other expenses and incomes, net		39 747	(11 932)	(9 542)
Foreign exchange loss, net		<u>(189 758)</u>	<u>(158 961)</u>	<u>(13 161)</u>
<b>Profit/(loss) before tax</b>		<b>1 762 448</b>	<b>(145 152)</b>	<b>(176 198)</b>
Income tax	12	(331 300)	2 046	-
<b>Net profit/(loss)</b>		<b>1 431 148</b>	<b>(143 106)</b>	<b>(176 198)</b>
<b>Total comprehensive income/(expense)</b>		<b>1 431 148</b>	<b>(143 106)</b>	<b>(176 198)</b>



  
Assel Kerimbayeva  
Chief Accountant

"6" May 2020

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF FINANCIAL POSITION**  
as of 31 December 2019, 31 December 2018 and 31 December 2017

	Notes	31 December 2019 thousand tenge	31 December 2018 thousand tenge	31 December 2017 thousand tenge
<b>ASSETS</b>				
Cash and cash equivalents	7	419 070	93 234	48 302
Deposits	8	1 143 921	-	-
Loans due from customers	9	18 262 172	5 465 596	513 051
Capitalised issue costs	10	691 856	105 808	-
Property, plant and equipment and intangible assets		7 739	3 473	2 244
Right-of-use assets	14	37 207	-	-
Deferred tax assets		-	2 046	-
Other assets	15	203 534	59 746	36 172
<b>Total assets</b>		<b>20 765 499</b>	<b>5 729 903</b>	<b>599 769</b>
<b>LIABILITIES</b>				
Loans and borrowings	11	14 044 438	5 208 176	431 842
Current tax liability	12	213 424	-	-
Deferred tax liabilities	12	115 830	-	-
Accounts payable	16	478 755	86 533	11 021
Deferred income	17	925 976	50 580	-
Lease liabilities	14	44 104	-	-
Other liabilities	15	126 132	17 267	9 454
<b>Total liabilities</b>		<b>15 948 659</b>	<b>5 362 556</b>	<b>452 317</b>
<b>EQUITY</b>				
Issued capital	13	1 120 151	686 651	323 650
Subordinated debt	11	2 584 845	-	-
Retained earnings/(accumulated loss)		1 111 844	(319 304)	(176 198)
<b>Total equity</b>		<b>4 816 840</b>	<b>367 347</b>	<b>147 452</b>
<b>Total equity and liabilities</b>		<b>20 765 499</b>	<b>5 729 903</b>	<b>599 769</b>



  
Assel Kerimbayeva  
Chief Accountant

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF CHANGES IN EQUITY**  
for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

	Issued capital thousand tenge	Subordinated debt thousand tenge	Retained earnings thousand tenge	Total capital thousand tenge
<b>Balance as of 1 January 2017</b>	-	-	-	-
Increase in issued capital	323 650	-	-	323 650
Comprehensive loss for the year	-	-	(176 198)	(176 198)
<b>Balance as of 31 December 2017</b>	<b>323 650</b>	-	<b>(176 198)</b>	<b>147 452</b>
Comprehensive loss for the year	-	-	(143 106)	(143 106)
Increase in issued capital	363 001	-	-	363 001
<b>Balance as of 31 December 2018</b>	<b>686 651</b>	-	<b>(319 304)</b>	<b>367 347</b>
Comprehensive income for the year	-	-	1 431 148	1 431 148
Increase in issued capital	433 500	-	-	433 500
Subordinated debt	-	2 584 845	-	2 584 845
<b>Balance as of 31 December 2019</b>	<b>1 120 151</b>	<b>2 584 845</b>	<b>1 111 844</b>	<b>4 816 840</b>



  
Assel Kerimbayeva  
Chief Accountant

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF CASH FLOWS**  
**for the years ended 31 December 2019, 31 December 2018 and 31 December 2017**

	Notes	2019 thousand tenge	2018 thousand tenge	2017 thousand tenge
<b>Operating activities</b>				
<b>Profit/(loss) before tax</b>		1 762 448	(145 152)	(176 198)
<i>Adjustments:</i>				
Interest expenses		1 538 738	323 926	34 071
Net impairment losses	9	1 601 350	798 075	107 395
Deferred revenue	17	875 396	50 580	-
Impairment reversal on portfolio sale	9	(536 813)	-	-
Capitalization of issue costs	10	(586 048)	(105 808)	-
Depreciation and amortization		9 827	1 354	356
Foreign exchange losses, net		189 758	158 961	13 161
<b>Profit before changes in loan portfolio and working capital</b>		<b>4 854 656</b>	<b>1 081 936</b>	<b>(21 215)</b>
<i>Adjustments:</i>				
Changes in payables and other liabilities		246 483	117 393	19 276
Changes in receivables and other assets		(143 788)	(23 574)	(36 172)
<b>Net cash flows from operating activities, before changes in loan portfolio</b>		<b>4 957 351</b>	<b>1 175 755</b>	<b>(38 111)</b>
Changes in loan portfolio		(13 946 655)	(5 784 688)	(619 247)
Revenues from portfolio sale		150 000	-	-
<b>Net cash used in operating activities</b>		<b>(8 839 304)</b>	<b>(4 608 933)</b>	<b>(657 358)</b>
<b>Investing activities</b>				
Acquisition of property, plant and equipment and intangible assets		(6,652)	(2,583)	(2,600)
<b>Net cash used in investing activities</b>		<b>(6 652)</b>	<b>(2 583)</b>	<b>(2 600)</b>
<b>Financing activities</b>				
Loans and borrowings received, net, less security deposit		9 795 981	4 398 014	399 306
Paid interest		(1 057 689)	(104 567)	(14 696)
Capital contributions		433 500	363 001	323 650
<b>Net cash flows from financing activities</b>		<b>9 171 792</b>	<b>4 656 448</b>	<b>708 260</b>
<b>Net increase in cash and cash equivalents</b>		<b>325 836</b>	<b>44 932</b>	<b>48 302</b>
Cash and cash equivalents at the beginning of the year		93 234	48 302	-
<b>Cash and cash equivalents at the end of the year</b>	7	<b>419 070</b>	<b>93 234</b>	<b>48 302</b>



*Assel Kerimbayeva*  
**Assel Kerimbayeva**  
**Chief Accountant**

**1. CORPORATE INFORMATION**

OnlineKazFinance Microfinance Organization Limited Liability Partnership (hereinafter – the Company) was registered in the Republic of Kazakhstan based on the Minutes of the General Meeting of Members dated “21” July 2016 and carries out its activities under the legislation of the Republic of Kazakhstan. The registered office of the Company is located at the address: building 8, Naurzybay batyr St., Almaty District, Almaty City, 050004, Republic of Kazakhstan.

Under notice No.KZ41VGY00000314 dated 17.04.2017 from the National Bank of the Republic of Kazakhstan; the Company is included in the register of microfinance organizations of the Republic of Kazakhstan on 17 April 2017 under No.05.17.006. From 01.01.2020, the Company’s activity is regulated and supervised by the Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market.

The Company works in Kazakhstan under *Solva* and *Moneyman* trademarks. The Company’s core business is microloans to individuals and small and medium-scale business entities (SMEs) for the amounts of 200,000 – 2,000,000 tenges, for a period between 6 months and 3 years, at the fee rates not exceeding the limit rates permitted by the National Bank of the Republic of Kazakhstan. The microloans and SME loans are issued based on credit scoring, without a pledge and security. The Company’s products are characterized by high availability in the regions, as well as the speed of approval and issue. The Company is the first and the only digital microfinance business in Kazakhstan working online only.

In 2019, the Company expanded its business by launching the new product – loans for the small and medium-scale businesses (SME). After thorough market research, it was discovered that many entrepreneurs are in need of financing and are underbanked. High street banks often do not consider SMEs as an attractive segment to provide lending services. Company’s new product is aimed is to boost the development of small and medium-scale businesses in the country, with financing terms that are simple and understandable for every entrepreneur: (1) fast and easy – minimum documents required, substantially less paperwork; (2) no pledge – it is not required to pledge property or to attract sureties; (3) convenient – no need to visit an office, an application could be made on-line; (4) for any purposes – business development, replenishment of working assets or cash deficiency. In 2020, the Company decided to increase the maximum loan value for the SMEs to 4 million tenges.

To avoid risks, besides classic instruments, the financial organization actively uses all possible parameters to analyze a borrower: fraud-scoring, behavioural biometrics, “digital footprint” on the Internet. At the end of 2019, over 1000 entrepreneurs became the Company’s customers. SME loans became the Company’s premium product and the most attractive for investing due to its low NPL ratio combined with high loan value.

As of 31 December 2019, 2018, and 2017, the Company’s equity holders were:

	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Company’s founders (first level members):</b>	<b>Interest (%)</b>	<b>Interest (%)</b>	<b>Interest (%)</b>
IDF HOLDING LIMITED	1%	1%	1%
OnlineMicrofinance LLC	99%	99%	99%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As of 31.12.2019, 31.12.2018, and 31.12.2017, the Company did not have a single ultimate beneficiary holding a controlling interest. No beneficiaries were holding over 25% of interest, and the largest interests were held by the co-founders of ID Finance Eurasia – Boris Batine and Alexander Dunaev.

**Operating environment**

The Company’s business is based in Kazakhstan. Accordingly, the Company’s business is affected by the economy and financial markets of Kazakhstan which is a developing economy. The legal, tax and administrative systems continue to develop, while associated with a risk of uncertainties in the interpretation of requirements thereof that are exposed to frequent changes. The financial statements reflect the management estimates of the possible impact of existing conditions to conduct financial and business activity on the performance and financial position of the Company. Subsequent changes in conditions to conduct financial and business activity can be different from the management estimates.

**2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS**

**Statement of compliance**

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

OnlineKazFinance LLP keeps the accounting records and presents the financial statements in accordance with the requirements of the legislation in the field of accounting and taxation, as well as based on the practice applicable in the Republic of Kazakhstan.

The presented financial statements have been prepared based on the primary accounting data. The Company's financial statements are presented in a thousand tenge unless otherwise stated.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation

The financial statements have been prepared on a historical cost basis, except the assets and liabilities accounted for at fair value as stated below.

#### (b) Functional and presentation currency of these financial statements

The functional currency of the Company is the Kazakhstan tenge, which, being the national currency of the Republic of Kazakhstan, represents in the best way the economic substance of the most of operations made by the Company and related liabilities affecting its activities. The Kazakhstan tenge is also the presentation currency of these financial statements. All numerical indicators denominated in the tenge are rounded to the nearest thousand unless otherwise stated.

#### (c) Transition to the new or revised standards and interpretations

The amendments below to the standards became applicable for the Company as from 1 January 2019, but they had no significant impact on the Company.

- IFRIC Interpretation 23 *Uncertainty over Income Tax treatment* (issued on 7 June 2017 and effective for the annual periods beginning on or after 1 January 2019).
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on 12 October 2017 and effective for the annual periods beginning on or after 1 January 2019).
- Amendments to IAS 19 *Plan Amendments, Curtailment, Settlement* (issued on 7 February 2018 and effective for the annual periods beginning on or after 1 January 2019).
- Annual improvements of IFRSs, cycle 2015-2017 – Amendments to IFRS 3, IFRS 11, IAS 12, and IAS 23 (issued on 12 December 2017 and effective for the annual periods beginning on or after 1 January 2019).

The effect of the adoption of IFRS 16 *Leases* issued on 13 January 2016 and effective for the annual periods beginning on or after 1 January 2019 is described in note 14.

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

In May 2017, the IAS Board issued the new standard IFRS 17 *Insurance Contracts*. IFRS 17 is a common guideline to account for insurance contracts and sets out all requirements for respective disclosures in the financial statements. The new standard replaces the same-name standard IFRS 4. IFRS 17 is effective for the annual periods beginning on and after 1 January 2021. The Company evaluates materiality of the impact on the financial statements.

In March 2018, the IAS Board issued the revised Conceptual Framework for Financial Reporting. In particular, the new definitions of assets and liabilities were provided and the definitions of incomes and expenses were clarified. The revised document becomes effective and binding starting from the annual periods after 1 January 2020. The mentioned revised version will not have a significant impact on the financial statements.

In October 2018, the IAS Board issued the amendment to IFRS 3 *Business Combination*. The amendment clarifies a definition of a business that is introduced by the standard. The amendment becomes effective for operations to purchase a business or a group of assets that will be made after 1 January 2020. It is allowed to early adopt the amendment. The Company does not have investments in subsidiaries of the Company, so, the revised version will not have a significant impact on the financial statements.

In October 2018, the IAS Board issued the amendments to IAS 1 *Presentation of Financial Statements*, and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments to IAS 1 and IAS 8 provide a new definition of materiality. The amendments to IAS 1 and IAS 8 become effective on or after 1 January 2020. Early adoption is allowed. The mentioned amendments will not have a significant impact on the financial statements.

In September 2019, the IAS Board issued the amendments to IFRS 7 *Financial Instruments: Disclosures* and IFRS 9 *Financial Instruments* titled: *Interest Rate Benchmark Reform*. The adopted amendments provide exceptions from applying specific hedge accounting requirements that can result in the termination of hedge accounting due to uncertainty arising from the interest rate benchmark reform. The amendments become effective from 1 January 2020. Early adoption is allowed. The mentioned amendments will not have a significant impact on the financial statements.

In January 2020, the IAS Board issued the amendment to IAS 1 *Presentation of Financial Statements* titled *Classification of Liabilities as Current and Non-current*. The adopted amendment clarifies the criteria of the classification of liabilities as current or non-current. The amendment becomes effective from 1 January 2022. Early adoption is allowed. The mentioned amendment will not have a significant impact on the financial statements since the Company already applies clarified criteria.

The Company is not going to early apply the above-mentioned new standards and amendments to effective standards for which such an application is possible.

**(e) Critical assumptions and sources of estimation uncertainties**

In the course of application of the accounting policies, the Company management makes judgments, estimates, and assumptions relating to the carrying amount of the assets and liabilities that are not obvious from other sources. The accounting estimates and underlying assumptions are formed based on experience and other factors that are deemed relevant under the circumstances. The actual results can differ from those estimates.

The estimates and related assumptions are regularly reviewed. The changes in estimates are reported in the period in which an estimate is reviewed if a change affects only that period, or in that period which a change relates to, and in the future periods if a change affects both the current and future periods.

The basic assumptions regarding the future and other basic sources of estimation uncertainty at the end of the reporting period that most likely can lead to significant adjustments to the carrying amount of the assets and liabilities during the next financial year are given below.

**Impairment of loans and receivables**

The Company regularly estimates existing debt on loans and receivables for impairment. The Company's provisions for loan impairment are formed to recognize expected impairment losses in the portfolio of loans and receivables. The Company considers the accounting estimates related with provision for impairment of loans and receivables to be the key source of estimation uncertainty because: (a) they are strongly exposed to changes from period to period since assumptions of future loss rates and estimation of potential losses on impaired loans and receivables are based on actual indications available as of the current date, and (b) if there is a material difference between accounting estimate of loss and losses incurred by the Company it will be required to form provisions that can significantly impact on the financial statements of the Company in subsequent periods.

The key assumptions include the following:

- the Company continues to recover loans during 24 months after a delay;
- the management predicts a level of default based on historic experience of losses on assets having characteristics of credit risk and objective data of impairment for each category of delay. The Company uses the management estimates to adjust available data regarding a group of loans to present therein the current liabilities not accounted for in historical data;
- the Company considers that a default under a financial instrument occurs when a borrower delays for 90 days in the payments provided by a contract.

**Classification of subordinated debt from related parties**

In December 2019, the Company made amendments to the loans received from related parties for the total amount of 2,584,845 thousand tenges. As a result, loans were recognised as subordinated debt (to all existing and future Company's liabilities); a new repayment term was extended to at least 5 years for loans amounting to 600,000 thousand tenges and at least 10 years for loans amounting to 1,984,845 thousand tenges.

Subject to the lenders' representation of intention to extend the loans thereafter, as well as subject to the Company' rights to unilaterally refuse to repay the loan amount up to and including the expiration of the loan agreements, the Company management concluded that those instruments match a definition of an equity instrument under IFRS 32.

**(f) Interest and financial services income**

The interest incomes are recorded as profit or loss using the effective interest method. The effective interest rate is a rate discounting estimated future cash payments or receipts throughout an expected term of a financial instrument accurate to the gross carrying amount of a financial asset. When calculating the effective interest rate for financial instruments that are not purchased or created by credit-impaired assets, the Company estimates the future cash flows considering all contractual terms of that financial instrument, but without regard to expected credit losses. For purchased or created credit-impaired financial assets an effective interest rate adjusted subject to the credit risk is calculated using an amount of expected future cash flows, including expected credit losses.

For the financial assets that became credit-impaired after initial recognition, the interest income is calculated by applying an effective interest rate to the amortized cost of a financial asset. If a financial asset is not credit-impaired any longer, then the interest income is calculated again based on the gross carrying amount.

Commission incomes and fees for loan issues are recorded as an amount, which the Company expects to obtain in exchange for provided services, and are recognized when or as far as the Company provides the services to the customers.

The Company provides the services of an insurance agent by offering life insurance policies from different insurance companies at its points of sale of retail loans and obtains an agency fee in proportion to documented insurance premiums. Since the purchase of a life insurance policy is voluntary and is not a condition to obtain a loan, it does not affect an interest rate on a loan. Therefore, commission incomes on agency are not components of the effective interest rate. A service is deemed provided in full after an insurance policy is issued (an insurance contract is concluded), for this reason, the Company recognizes a commission immediately when an obligation to be fulfilled is discharged, i.e. an insurance policy is issued (an insurance contract is concluded).

**(e) Income tax**

An amount of income tax includes the amount of current tax and the amount of deferred tax. An amount of current tax is calculated based on expected taxable annual income using the tax rates prevailing or substantially prevailing at the reporting date, including adjustments to income tax for previous years.

Deferred tax assets and deferred tax liabilities are recognized for temporary differences arising between the carrying amount of the assets and liabilities assessed to present them in the financial statements and their tax base.

Deferred tax assets are recognized for unused tax losses, unused tax credits, and deductible temporary differences only to the extent it is probable to earn future taxable profit against which they can be realized. The amount of future taxable profit is determined based on the amount of respective taxable temporary differences to be recovered. The amount of deferred tax assets is analyzed at each reporting date and reduced to the extent it is not probable any longer to realize respective tax benefits. Such deductions are to be recovered if the availability of future taxable profit becomes probable. Unrecognized deferred tax assets are measured again at each reporting date and recognized to the extent it becomes probable that the future taxable profit will allow reimbursing that deferred tax asset.

**(f) Cash and cash equivalents**

The cash and cash equivalents include cash on hand, unrestricted balances on bank accounts, and cash in lending organizations maturing not later than 90 days after a date of receipt that is not encumbered with any contract liabilities.

**(g) Capitalized issue costs**

Transaction costs directly related to issuing of long-term loans (for up to three-year period) are included in the effective interest rate of a respective financial asset. The Company capitalizes such costs, including direct expenses for marketing and scoring, and further amortizes it based on the expected average lifecycle of a respective financial asset.

**(h) Financial assets**

The Company recognizes a financial asset in the statement of financial position only if it becomes a party to a contract for that financial instrument. At initial recognition, the financial assets are measured at fair value, which, as a rule, is a transaction price, i.e. a fair value of paid or received consideration.

The Company classifies financial assets based on a business model used by the Company to manage financial assets and characteristics of a financial asset related to contract cash flows.

Fair value is a price, which would be obtained upon the sale of an asset or paid upon transfer of liability when settling an operation voluntarily between the market participants at the date of measurement. After initial recognition, a fair value of financial instruments measured at fair value that are quoted in an active market is determined as a quotation to purchase assets and a quotation to sell issued bonds at the date of measurement.

If the market for financial assets is not active, then the Company assesses a fair value using the following methods:

- analysis of transactions with the same instrument recently settled between independent parties;
- current fair value of similar financial instruments; and
- future cash flows discounting.

A discounting rate reflects a minimal permitted return on invested capital given which an investor would not prefer to take part in an alternative project to invest the same funds providing a comparative degree of risk.

The basic financial assets of the Company are issued loans, receivables, and deposits placed for a period not exceeding 3 months. The Company measures them at an amortized cost since both of the following conditions are met:

- (a) a financial asset is held under a business model the goal of which is to hold financial assets to receive contract cash flows; and
- (b) contract terms of a financial asset stipulate receiving within the fixed terms the cash flows that are solely payments of principal debt and interest on the outstanding part of the principal debt.

**(i) Financial liabilities**

The Company recognizes a financial liability in the statement of financial position only when it becomes a party to a contract for that financial instrument. At initial recognition, the financial liabilities are measured at fair value, which, as a rule, is a price of the transaction, i.e. a fair value of paid or received consideration.

The Company initially measures a financial liability at its fair value less expenses for settling a transaction that directly relates to acquisition or issue of a financial obligation.

The Company derecognizes financial liabilities only if they are discharged, cancelled, or expired.

When existing financial liability is replaced with another liability to the same creditor subject to substantially different terms, or the terms of an existing liability are substantially changed, then such replacement or change are recorded as the write-off of initial liability and recognition of a new liability, and a difference between their carrying amounts is recognized in the statement of profit and loss.

*Financial liabilities reported at amortized cost.* The financial liabilities reported at amortized cost include payables on loans. The payables on loans are reported in the accounting records when the financial organizations being counterparties provide the Company with cash or other assets.

**(j) Impairment of financial assets**

The impairment losses on issued loans are calculated based on a model of forecast expected credit losses (ECL). The provision for ECL is measured in several credit losses that are expected to be incurred throughout a lifecycle of an asset (expected credit losses for the entire lifecycle) if the credit risk on that financial asset has significantly increased after initial recognition.

Otherwise, the provision for losses will be measured in the amount equal to 12-month expected credit losses. 12-month ECL is parts of the ECL for the entire lifecycle representing the ECL that are incurred due to defaults under a financial instrument expected during 12 months after the reporting date. The ECL for the entire lifecycle and 12-month ECL is calculated either on an individual basis or a group basis depending on the nature of a portfolio of financial instruments. The Company determined the policy of measurement at the end of each reporting period whether the credit risk on a financial instrument significantly increased after initial recognition, by accounting for a change of risk of default throughout the remainder of a lifecycle of a financial instrument. Based on the process described above, the Company groups issued loans as follows:

**1 group.** Allowance for losses measured in the amount equal to 12-month expected credit losses. The Company includes in this Group the contracts for which the following conditions are met: (1) a contract is not credit-impaired; (2) a credit risk has not increased significantly. This group includes undue loans, as well as the loans delayed for 1-30 days, inclusive.

**2 group.** Allowance for losses measured in the amount equal to expected credit losses for the entire lifecycle. The Company includes in this Group the contracts a credit risk on which has increased significantly after the date of initial recognition, but that is not credit-impaired. A criterion of the increase in credit risk is an increase in the level of delay. This group includes the loans delayed for 31-90 days, inclusive.

**3 group.** Allowance for losses on financial assets that are credit-impaired at initial recognition. A criterion of recognition of a loan as credit-impaired is a significant increase in delay on a loan (i.e. default). This group includes loans delayed for more than 90 days.

The expected credit losses (ECL) are measured on a group basis. An amount of expected credit losses on a contract is measured based on the probability of default (PD), exposure at default (EAD), as well as a level of losses given default (LGD).

The probability of default (PD) is an estimate of the probability of default for a fixed time. The default can occur only at a certain moment during a period concerned if an asset is not derecognized and it is still a part of a portfolio.

Exposure at default (EAD) is an estimate of exposure at default at any date in the future, subject to expected change of that exposure after the reporting date, including payment of principal debt and interest provided by a contract or otherwise, repayment of issued loans and interest charged as a result of a delay in payments.

Losses given default (LGD) are an estimate of losses incurred in case of default at a certain time. LGD is calculated as a difference between contract cash flows and those cash flows that a creditor expects to receive. That indication is usually expressed in a percentage of EAD.

**(k) Property, plant, and equipment**

The property, plant and equipment are reported at acquisition cost less accumulated depreciation and provision for impairment.

At each reporting date, the Company tests the property, plant and equipment for any indications of impairment. If such an indication exists the management measures recoverable amount, which is determined as the highest of two values: fair value less expenses to sell an asset and its value in use. If a carrying amount of the property, plant and equipment exceeds their estimated recoverable amount, then a carrying amount of an asset is reduced to its recoverable amount, and a difference is reported as an impairment loss in the statement of profit and loss.

**Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017**

Profits and losses resulting from the disposal of the property, plant and equipment are determined based on their carrying amount and reported as operating expenses in the statement of profit and loss.

Costs for repair and technical maintenance are reported in the statement of profit and loss when incurred.

Depreciation of the property, plant and equipment is charged from the moment of operating readiness of the items. Depreciation is charged in the straight-line method during the useful lives of the assets.

**(l) Lease contracts (the accounting policy is effective as from 01.01.2019)**

Before the introduction of IFRS 16 into effect, the Company accounted for lease contracts under the effective IAS 17 *Leases* and reported the office rent as an operating lease. The Company has applied the modified retrospective approach, which implies the presentation of the cumulative effect of the initial application of the standard at the first adoption date, i.e. on 1 January 2019. At the first adoption, the Company did not use the judgments retroactively.

For the contracts (or separate components of contracts) under which a right to control the use of an identified asset (as defined in IFRS 16 *Leases*) during a certain period is transferred to the Company in exchange for a consideration, the Company recognizes a right-of-use asset and relative liability at inception of the lease.

Under requirements of IFRS 16 *Leases*, the Company does not apply the mentioned standard to the contracts of the lease for a period less than 12 months, subject to economically sound prolongations, as well as to the contracts of lease of the assets with low original cost.

The Company determines a term of the lease as a term of lease not subject to early termination with the periods for which an option is provided to prolong a lease if it is rather probable that a lessee will exercise that option; and the periods for which an option is provided to terminate a lease if it is rather probable that a lessee will not exercise that option.

At the inception of the lease, the Company measures a liability on lease at the present value of lease payments that are not made yet at that date. Discounting is carried out mainly by using an interest rate for obtaining additional borrowed funds by a lessee since a rate provided in a lease contract, as a rule, cannot be easily determined.

At the inception of the lease, the Company measures a right-of-use asset at original cost, which includes initial measurement of a liability on the lease, lease payments at or before the inception of the lease, less received facilitating payments on the lease, any initial direct costs incurred by a lessee, an estimate of costs that would be incurred by a lessee in case of dismantling and relocation of an underlying asset, restoration of a site on which it is situated, or restoration of an underlying asset to bring it to the condition required under the lease conditions.

Lease payments are distributed on a straight-line basis between financial expenses and reduction of liability on lease to provide a constant interest rate of a liability balance. Financial expenses are reported in the statement of comprehensive income.

**(m) Intangible assets**

The intangible assets include investments in licenses for software and customization thereof for a client.

The intangible assets with definite useful lives purchased under separate transactions are accounted for at acquisition cost less accumulated amortization and accumulated impairment loss. Amortization is charged on a straight-line basis during a useful life of intangible assets. Expected useful lives and amortization methods are analyzed at the end of each reporting period, and all changes in estimates are reported in the accounting records and the statements in subsequent periods.

**(n) Issued capital and dividends**

The contributions of the partnership's members are included in the issued capital.

**(o) Deferred incomes**

Deferred incomes are the fees on issued loans that the Company takes into account in the calculation of an effective interest rate and depreciates throughout a term of an issued loan.

**(p) Contingent assets and liabilities**

The contingent assets are not reported in the statement of financial position, but they are disclosed in the financial statements where inflows of economic benefits are likely.

The contingent liabilities are not recognized in the statement of financial position, but they are disclosed in the financial statements except the case where outflows of cash due to repayment are unlikely.

(q) Foreign currency

In preparation for the financial statements, the transactions in currencies other than the functional currency of the Company (“foreign currencies”) are reported at the exchange rate prevailing at the date of the transaction. The monetary assets and liabilities denominated in foreign currencies are translated at the respective foreign exchange rate at the date of statements. For these statements, the Company used the following foreign exchange rates:

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Kazakhstan Tenge to the Russian rouble	6,16	5,52	5,77
Kazakhstan Tenge to Euro	429,00	439,37	398,23
Kazakhstan Tenge to US dollar	382,59	384,20	332,33

4. INTEREST AND FINANCIAL SERVICES INCOME

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Interest income	3 762 695	1 056 373	79 983
Accrued fees	1 047 710	399 014	11 097
Insurance services income	644 476	197 134	6 678
Accrued penalties	247 484	85 271	9 614
Other incomes	32 445	1 090	-
<b>Total</b>	<b><u>5 734 810</u></b>	<b><u>1 738 882</u></b>	<b><u>107 372</u></b>

The Company charges loan issue fees that are included in the calculation of an effective interest rate. Accident insurance is not a binding condition to obtain a loan.

The Company charges agency fee on insurance contracts and recognizes insurance services fee upon the conclusion of an insurance contract. Penalties are charged for missing payments dates under loan agreements

5. OPERATING EXPENSES

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Advertisement and marketing	183 377	230 179	53 126
Processing	91 385	74 504	9 961
Collection expenses	54 933	46 312	-
Scoring and verification	58 157	36 431	6 652
Customer support	36 935	24 661	6 015
Other	-	1 931	4 630
<b>Total</b>	<b><u>424 787</u></b>	<b><u>414 018</u></b>	<b><u>80 384</u></b>

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Employee benefits	78 362	99 981	28 959
Taxes, except income tax	77 423	20 443	3 176
Bank charges	67 164	32 878	-
Taxes and withholdings from salary	19 745	9 427	3 593
Professional services	1 165	2 280	1 005
Other	13 617	12 113	2 284
<b>Total</b>	<b><u>257 476</u></b>	<b><u>177 122</u></b>	<b><u>39 017</u></b>

7. CASH AND CASH EQUIVALENTS

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Cash on accounts	381 080	46 582	40 603
Cash in transit	37 990	46 652	7 699
<b>Total cash and cash equivalents</b>	<b><u>419 070</u></b>	<b><u>93 234</u></b>	<b><u>48 302</u></b>

8. DEPOSIT

In December 2019, the Company placed security deposit in the amount of 1,143,921 thousand tenges equivalent to 3 million US dollars (2018: 0), at the interest rate of 1% per annum, and for the period up to 730 days. That deposit can be repaid on demand of the Company. That deposit is a pledge under obtained bank loan (Notes 11, 23).

9. LOANS TO CUSTOMERS

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
<b>Loans to customers measured at amortized cost, gross</b>	20 200 590	6 339 477	619 247
Less: Impairment allowance	(1 938 418)	(873 881)	(106 196)
<b>Loans to customers measured at amortized cost, net</b>	<b><u>18 262 172</u></b>	<b><u>5 465 596</u></b>	<b><u>513 051</u></b>

Movements in the loan impairment allowance for the respective periods are as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Impairment allowance as of 1 January	(873 881)	(106 196)	-
Charged for the period	(1 601 350)	(798 075)	(107 395)
Amounts written off	-	30 390	-
Impairment reversal on portfolio sale	536 813	-	-
Other changes in the provision	-	-	1 199
<b>Impairment allowance as of 31 December</b>	<b><u>(1 938 418)</u></b>	<b><u>(873 881)</u></b>	<b><u>(106 196)</u></b>

10. CAPITALIZED ISSUE COSTS

Operating expenses related to the issue of long-term loans (up to three years) are included in the effective interest rate calculation of a respective asset. Issue costs primarily include direct expenses for marketing and scoring. The Company capitalizes such costs and thereafter depreciates them based on the expected average lifecycle of a respective financial asset. As of 31 December 2019, the capitalized costs amounted to 691,856 thousand tenges (2018: 105,808 thousand tenges). During 2019, depreciation of such expenses was recognized in the statement of profit and loss in the amount of 363,941 million tenges (2018: 31,105 million tenges).

11. LOANS AND BORROWINGS

	<b>Effective interest rate</b>	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Loans from related parties (Note 18)	12-18%	1 354 189	2 492 166	431 842
Bank loans and credit facilities	12-13%	1 419 496	-	-
Loans obtained through regulated marketplaces	9-20%	11 270 753	2 716 010	-
<b>Total loans and borrowings</b>		<b><u>14 044 438</u></b>	<b><u>5 208 176</u></b>	<b><u>431 842</u></b>
<b>Short-term part of long-term debt</b>		<b><u>6 819 377</u></b>	<b><u>4 161 120</u></b>	<b><u>431 842</u></b>

Loans obtained at administered investment platforms provide compliance with the covenants. As of 31 December 2019 and 2018, the Company complied with the covenants on loans.

During the reporting period, the Company delayed payment of liabilities on interest on the loans obtained from related parties. As stated in Note 23, at the date of the issue of the financial statements that debt was repaid in part. As of 31 December 2019, the overdue debt on interest liabilities amounted to 340,034 thousand tenges (2018: 176,452 thousand tenges).

Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

As of 31.12.2019, the bank loans were secured with the deposit (Note 8). As stated in Note 23, at the date of the issue of the financial statements the bank loan was prepaid in part.

The information on the repayment dates of the loans is disclosed in Note 19.

**12. INCOME TAX**

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Corporate income tax	(213 424)	-	-
Deferred tax (expense)/benefit	(117 876)	2 046	-
<b>Total</b>	<b>(331 300)</b>	<b>2 046</b>	-

The rate of corporate income tax is 20%.

Amount of income tax calculated based on effective rates of income tax and amount of profit before tax differs from the amount of income tax recognized in profit or loss due to the following factors:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Profit before tax</b>	<b>1 762 448</b>	<b>(145 152)</b>	<b>(176 198)</b>
Income tax at 20% rate fixed by the legislation	(352 490)	29 030	35 240
Effect of non-taxable incomes and expenses non-deductible for tax purposes	21 190	(26 984)	-
Effect of unrecognized deferred tax assets	-	-	(35 240)
	<b>(331 300)</b>	<b>2 046</b>	-

Temporary differences arising between data of these financial statements and data of the tax accounts resulted in the appearance of the following deferred tax assets and (liabilities):

	<b>31.12.2019</b>	<b>Recognized in the statement of comprehensive income in 2019</b>	<b>31.12.2018</b>	<b>Recognized in the statement of comprehensive income in 2018</b>	<b>31.12.2017</b>
<b>Deferred tax assets</b>					
Loans to customers	-	(23 207)	23 207	23 207	-
<b>Total</b>	-	<b>(23 207)</b>	<b>23 207</b>	<b>23 207</b>	-
<b>Deferred tax liabilities</b>					
Capitalized expenses related to the issue	(115 830)	(94 669)	(21 161)	(21 161)	-
<b>Total</b>	<b>(115 830)</b>	<b>(94 669)</b>	<b>(21 161)</b>	<b>(21 161)</b>	-
<b>Deferred tax assets (liabilities), net</b>	<b>(115 830)</b>	<b>(117 876)</b>	<b>2 046</b>	<b>2 046</b>	-

As of 31 December 2018, the Company had unused tax losses carried over to the future periods amounting to 171,479 thousand tenges.

**13. ISSUED CAPITAL**

As of 31 December 2019, the authorized issued capital of the Company amounted to 1,120,151 thousand tenges (as of 31 December 2018: 686,651 thousand tenges, as of 31 December 2017: 323,650 thousand tenges). As of 31.12.2019, the issued capital of the Company was paid in full. As described in Note 18, the Company recognized in the reporting period as equity the subordinated loans obtained from related parties for 2,584,845 thousand tenges.

**14. RIGHT-OF-USE ASSETS**

The new standard IFRS 16 *Leases* issued in 2016 replaces IAS 17 *Leases*, as well as respective interpretations of the provisions of IFRSs regarding lease; with abolishing classification of a lease as operating and finance, the standard is a common guideline to account for lease by a lessee.

The Company applied the modified retrospective approach, which implies the presentation of the cumulative effect of initial application of the standard at the first adoption date, id est on 1 January 2019. At the first adoption, the Company did not use the judgments retroactively.

Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

One-time increase of non-current assets and financial liabilities as a result of record of operating lease in the balance sheet as of 1 January 2019 amounted to 44,649 thousand tenges.

Change of carrying amount of the right-of-use assets for 2019 is stated in the table below:

	<b>2019</b>
<b>Original cost as of 1 January 2019</b>	<b>44,649</b>
Charged amortization	(7,442)
<b>Net carrying amount as of 31 December 2019</b>	<b>37,207</b>

Change of carrying amount of the liabilities on lease contracts for 2019 is stated below:

	<b>2019</b>
<b>Liability on lease contracts as of 1 January 2019</b>	<b>44,649</b>
Interest expense	8,744
Payments	(9,289)
<b>Liability on lease contracts as of 31 December 2019</b>	<b>44,104</b>

**15. OTHER ASSETS AND LIABILITIES**

As of 31 December 2019, 31 December 2018, and 31 December 2017, the other assets are short-term receivables, including receivables from a counterparty concerning investments not transferred to the Company's accounts at administered investment platforms for 160,128 thousand tenges.

As of 31 December 2019, 31 December 2018, and 31 December 2017, the other liabilities are financial liabilities. As of 31 December 2019, the liabilities to borrowers for 89,064 thousand tenges (2018: 0) given the Decree of the RK president on reducing debt load of the RK nationals under unsecured consumer loans are recognized as the other liabilities.

**16. PAYABLES**

	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Payables to related parties (Note 18)	253 809	-	-
Corporate income tax payable for a non-resident	120 050	1 566	-
Debt on unallocated payments of individuals	63 193	57 158	-
Other payables	41 703	27 809	11 021
<b>Total</b>	<b>478 755</b>	<b>86 533</b>	<b>11 021</b>

**17. DEFERRED INCOMES**

Deferred incomes are a facility fee relating to subsequent periods. Such fees are attributed to the future periods and recognized as adjustments to an effective rate on a loan subject to a credit term fixed by a contract. As of 31 December 2019, recognized deferred incomes amounted to 925,976 thousand tenges (2018: 50,580 thousand tenges).

**18. RELATED PARTY TRANSACTIONS**

**(a) Parent company and related party transactions**

During the years ended 31 December 2019, 2018, and 2017, the Company settled the following parent company and related party transactions:

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Recognized in comprehensive income:</b>			
Interest expenses	422 518	221 947	47 536
Operating expenses	251 946	-	-
General and administrative expenses	9 267	-	-
<b>Other types of transactions</b>			
Loans received, including subordinated loans	2 406 849	3 030 017	1 195 198
Repaid loans	1 533 126	1 475 717	643 606

**Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017**

As of 31 December 2019, 31 December 2018, and 31 December 2017, the Company had the following balances concerning related parties under all concluded contracts:

	<u>31 December 2019</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Loans and borrowings	1 371 339	2 492 165	431 842
Payables	253 809	-	-
Subordinated debt	<u>2 584 845</u>	<u>-</u>	<u>-</u>

In December 2019, the Company made amendments to the loans received from related parties for the total amount of 2,584,845 thousand tenges. As a result, loans were recognised as subordinated debt (to all existing and future Company's liabilities); a new repayment term was extended to at least 5 years for loans amounting to 600,000 thousand tenges and at least 10 years for loans amounting to 1,984,845 thousand tenges. Interest on loans is payable under agreement schedule, i.e. every month. Besides, the Company has the right to unilaterally refuse to repay the loan until the expiration of the loan agreements. The Company obtained representations from the lenders of intention to extended subordinated debt beyond the original maturity.

**(b) Key management personnel remuneration**

The accrued fee to the Company's top management, subject to management team rotation, including salary, bonuses, and severance payments, subject to tax on incomes of individuals, amounted to 77 million tenges in 2019, 47 million tenges in 2018, and 30 million tenges in 2017.

**19. FINANCIAL RISK MANAGEMENT**

The General Director is in charge of general risk management. In particular, its competence includes 1) approval of the basic principles of risk management and evaluation of the adequacy of the Company's organization chart to those principles; 2) control of activities of the Company's business units in charge of risk management, determination of weaknesses in the risk management and taking respective measures.

Financial risks are managed through limits on transactions for the respective business units and officials of the Company authorized to settle such transactions.

The Company's business units regularly prepare management accounts providing top-management of the Company with the information required to make decisions. The Company manages and assesses the risks mentioned below regularly.

**(a) Credit risk**

The Company assumes the credit risk, specifically the risk that a borrower cannot fully repay the debt according to schedule. When settling transactions bearing the credit risk, limits are determined on the credit risk in a form of the limits on borrowers/credit products/other sections of the loan portfolio. The Company established automatised limits and restriction management process for timely detection and elimination of the reasons for increased credit risk.

The purpose of credit risk management is set to minimize losses of the Company due to the borrower's failure to fulfil their obligations and to maximize the Company's earnings adjusted for credit risk.

The credit risk management include:

- analysis and assessment of credit risks;
- determination of an extent of risks;
- credit risk management; and
- control of the effectiveness of credit risk management.

	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Cash and cash equivalents	419 070	93 234	48 302
Deposits	1 143 921	-	-
Loans to customers	18 262 172	5 465 596	513 051
Other financial assets	203 534	59 746	36 172
<b>Total financial assets</b>	<u><b>20 028 697</b></u>	<u><b>5 618 576</b></u>	<u><b>597 525</b></u>

**Cash and deposit**

In the context of the credit and liquidity risk management, the Company regularly analyses the financial stability of financial and bank institutions with which it places cash and cash equivalents. The cash and cash equivalents, as well as the deposit, were placed with the major banks of Kazakhstan having the credit rating of B- to BB+ (2018: B- to BB, 2017: B- to BB).

**Loans portfolio**

The basic criteria to assess the loans to customers are:

- the financial position of a borrower; and
- quality of debt servicing by a borrower.

Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

The Risk Management department is in charge of development, updating, and control of compliance with the credit risk policies in the Company. In assessing a level of risk on all assets exposed to the credit risk the portfolio approach is used when a level of risk is assessed based on a pool of homogeneous loans combined in the portfolio, without analyzing specific loans (individual approach). A fundamental criterion to combine the loans in one portfolio is a product: (1) consumer loan for individuals, (2) loan issued to SMEs.

In assessing the loan portfolio, the Risk Management Service estimates the concentration of risk in the loan portfolio. The concentration takes a lot of forms and appears when a significant number of loans have similar characteristics. In the Company, diversification of the loan portfolio is taken into consideration based on several criteria and the key ones are maturity, applications from a borrower, fixed interest rates, and a number of the days of delay.

The basic aspect of the evaluation of the quality of the Company's loan portfolio is the analysis of the level of overdue principal debt: regular analysis of the amount and dynamics of overdue principal debt to control conformance of actual indications to planned ones.

As of December 31, the ageing analysis of loans due from customers is, as follows:

**Retail loans and loans to SMEs as of 31 December 2019:**

<b>(1) Retail loans</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	15 736 522	(76 452)	15 660 070
Overdue for 1-60 days	967 079	(284 598)	682 481
Overdue for 61-90 days	301 654	(189 127)	112 527
Overdue for more than 90 days	1 871 298	(1 220 757)	650 541
<b>Total main debt</b>	<b>18 876 553</b>	<b>(1 770 934)</b>	<b>17 105 619</b>
Interest and other charges	407 889	(121 024)	286 865
<b>Total main debt, interest, and other charges</b>	<b>19 284 442</b>	<b>(1 891 958)</b>	<b>17 392 484</b>

<b>(2) Loans to SMEs</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	820 472	(3 779)	816 693
Overdue for 1-60 days	40 570	(11 842)	28 728
Overdue for 61-90 days	10 874	(6 765)	4 109
Overdue for more than 90 days	30 296	(20 714)	9 582
<b>Total main debt</b>	<b>902 212</b>	<b>(43 100)</b>	<b>859 112</b>
Interest and other charges	13 936	(3 360)	10 576
<b>Total main debt, interest, and other charges</b>	<b>916 148</b>	<b>(46 460)</b>	<b>869 688</b>

**Retail loans as of 31 December 2018:**

<b>Retail loans</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	5 179 913	(64 485)	5 115 428
Overdue for 1-60 days	265 111	(148 866)	116 245
Overdue for 61-90 days	87 031	(57 389)	29 642
Overdue for more than 90 days	592 111	(472 534)	119 577
<b>Total main debt</b>	<b>6 124 166</b>	<b>(743 274)</b>	<b>5 380 892</b>
Interest and other charges	215 311	(130 607)	84 704
<b>Total main debt, interest, and other charges</b>	<b>6 339 477</b>	<b>(873 881)</b>	<b>5 465 596</b>

## Retail loans as of 31 December 2017:

Retail loans	Loans to customers	Provision for credit losses	Loans to customers, less provision
No delay	500 936	(15 032)	485 904
Overdue for 1-60 days	32 175	(23 721)	8 454
Overdue for 61-90 days	13 129	(12 367)	762
Overdue for more than 90 days	43 834	(42 699)	1 135
<b>Total main debt</b>	<b>590 074</b>	<b>(93 819)</b>	<b>496 255</b>
Interest and other charges	29 173	(12 377)	16 796
<b>Total main debt, interest, and other charges</b>	<b>619 247</b>	<b>(106 196)</b>	<b>513 051</b>

**(b) Liquidity risk**

The liquidity risk is a risk of maturity mismatch between active transactions and liabilities.

The liquidity is evaluated:

- depending on a number of the assets available to the Company and possible periods to dispose of them without significant losses for the Company; and
- depending on available liabilities, their maturities, and the dynamics of changes in the number of liabilities in time.

An item is deemed risky if the liquid assets and foreseeable receipt of funds are insufficient to discharge a liability during some period.

The activities relating to liquidity management is coordinated by the General Director or its deputy by controlling short-term, medium-term, and long-term liquidity.

The liquidity risk is regulated by controlling a deficit/surplus of cash resources, allocation and reallocation of cash resources to instruments depending on the maturity date, degree of their liquidity, and a level of return. Liquidity management requires to analyze a level of liquid assets required to settle liabilities at their maturity; to provide access to different finance sources; to make available the plans in case of problems about financing, and to control conformance of balance sheet ratios of the liquidity to the requirements of the legislation and the National Bank of the Republic of Kazakhstan. As of 31 December 2019, 31 December 2018, and 31 December 2017, calculated ratios were significantly exceeding the regulatory thresholds.

The tables below show the allocation of non-discounted contract cash flows to financial liabilities (including future payments of interest) to the Company's liabilities by contract periods remaining to maturity:

ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP

Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017

As of 31 December 2019	Carrying amount	Future cash outflows, gross	During 1 month	1-6 months	6 months - 1 year	1-3 years	More than 3 years
Loans and borrowings	14 044 438	14 044 438	506 208	1,745,087	3,532,019	8,214,689	46 435
Payables	478 755	478 755	118 838	359 917	-	-	-
Liabilities on lease	44 104	44 104	629	2 898	3 040	15 326	22 211
Other financial liabilities	126 132	126 132	19 212	90 118	16 802	-	-
<b>Total financial liabilities</b>	<b>14 693 429</b>	<b>14 693 429</b>	<b>644 887</b>	<b>2,198,020</b>	<b>3,551,861</b>	<b>8,230,015</b>	<b>68 646</b>

As of 31 December 2018	Carrying amount	Future cash outflows, gross	During 1 month	1-6 months	6 months - 1 year	1-3 years	More than 3 years
Loans and borrowings	5 208 176	5 208 176	1 460 643	1 832 073	868 404	1 047 056	-
Payables	86 533	86 533	3 738	82 795	-	-	-
Other financial liabilities	17 267	17 267	628	2 751	13 888	-	-
<b>Total financial liabilities</b>	<b>5 311 976</b>	<b>5 311 976</b>	<b>1 465 009</b>	<b>1 917 619</b>	<b>882 292</b>	<b>1 047 056</b>	<b>-</b>

As of 31 December 2017	Carrying amount	Future cash outflows, gross	During 1 month	1-6 months	6 months - 1 year	1-3 years	More than 3 years
Loans and borrowings	431 842	431 842	-	-	431 842	-	-
Payables	11 021	11 021	-	11 021	-	-	-
Other financial liabilities	9 454	9 454	-	9 454	-	-	-
<b>Total financial liabilities</b>	<b>452 317</b>	<b>452 317</b>	<b>-</b>	<b>20 475</b>	<b>431 842</b>	<b>-</b>	<b>-</b>

(c) Market risk

The market risk is a risk that the fair value of the future cash flows under financial instruments will fluctuate due to changes in the market parameters. Considering that the Company does not issue instruments with floating interest rates, as well as it does not issue equity instruments, the Company's management evaluates the impact of changes in the foreign exchange rate as a key market parameter affecting the future cash flows of the Company.

The foreign exchange risk is a risk of losses due to adverse changes in the foreign exchange rates for open positions in foreign currencies.

The Company manages the foreign exchange risk by balancing the financial assets and financial liabilities denominated in the Russian rouble, US dollar, and Euro.

The foreign exchange risk is assessed every month using sensitivity analysis. The table below shows the change of the Company profit before tax subject to historic volatility of the currency to the tenge and foreign exchange position at the end of each reporting period. Such analysis assumes that all other parameters, specifically interest rates, remain unchanged.

	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2016</u>
Rate of US dollar to tenge, the average for the year	382.9	344.9	326.1	342.2
Year-by-year change of average rate	11.0%	5.8%	-4.7%	<i>not applicable</i>
Effect on the profit of the Company, before tax	81,641	(18,966)	19,108	<i>not applicable</i>
Rate of Euro to tenge, the average for the year	428.6	406.8	368.5	378.6
Year-by-year change of average rate	5.4%	10.4%	-2.7%	<i>not applicable</i>
Effect on the profit of the Company, before tax	(457,966)	(210,845)	675	<i>not applicable</i>
Rate of the rouble to tenge, the average for the year	5.92	5.50	5.59	5.11
Year-by-year change of average rate	7.6%	-1.6%	9.4%	<i>not applicable</i>
Effect on the profit of the Company, before tax	(82,888)	20,330	(803)	<i>not applicable</i>

(d) Operating risk

The operating risk is a risk resulting from systemic failure, errors of personnel, fraud, or external events. When the control system stops to function, the operating risks can damage the reputation, have legal consequences, or result in financial losses. The Company cannot assume that all operating risks are eliminated, but through the control system and by monitoring and respective response to potential risks, the Company actively manages such risks. The control system provides effective segregation of duties, right of access, the procedure for approval and reconciliation, personnel training, as well as procedures for evaluation, including internal audits.

20. CAPITAL MANAGEMENT

The main objective of the Company management concerning capital management is to ensure a going concern and to maximize the profit of shareholders by keeping optimal equity-debt ratio, as well as maintaining the quality of the loan portfolio.

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

	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Total debt	14 044 438	5 208 176	431 842
Cash and cash equivalents	(419,070)	(93 234)	(48 ,302)
Deposit	(1 143 921)	-	-
<b>Net debt</b>	<b>12 481 447</b>	<b>5 114 942</b>	<b>383 540</b>
<b>Equity</b>	<b>4 816 840</b>	<b>367 347</b>	<b>147 452</b>
<b>Equity to net debt ratio</b>	<b>0,39</b>	<b>0,07</b>	<b>0,38</b>

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

	<u>31.12.2019</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
Loans to customers	18 262 172	5 465 596	513 051
<b>Equity</b>	<b>4 816 840</b>	<b>367 347</b>	<b>147 452</b>
<b>Equity to loan portfolio ratio</b>	<b>0,26</b>	<b>0,07</b>	<b>0,29</b>

**21. CONTINGENCIES****(a) Pending legal proceedings**

In the course of its normal activities in the market, the Company faces various types of legal claims. The management of the Company believes that the final liabilities of the Company resulting from legal proceedings (if any) will not have a significant adverse impact on the financial conditions or performance of the Company in the future.

**(b) Taxation**

The tax system of Kazakhstan, which is relatively new, is characterized with frequent changes in legislative regulations, official interpretations and judicial decisions that are often unclear and contradictory that allows their varying interpretations by various taxation authorities, including conclusions relating to accounting for income, expenses, and other items in the financial statements under the requirements of IFRSs. Several regulating authorities entitled to impose heavy penalties and to charge fines are in charge of audits and investigations concerning the accuracy of tax assessment. Accuracy of tax assessment can be checked during five consecutive calendar years, but under certain circumstances, that period can be extended.

Based on its understanding of the applicable tax laws, regulatory requirements and judicial decisions, the management of the Company thinks that the tax liabilities are reported in full.

**22. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS****(a) Accounting classifications and fair value**

The fair value measurement is aimed at fixing a price, which would be obtained upon the sale of an asset or paid upon transfer of liability when settling an operation in the organized market between the market participants at the date of measurement. Nevertheless, considering uncertainty and the use of subjective judgments, fair value must not be interpreted as realized in the immediate sale of the assets or transfer of liabilities.

The fair value of financial assets and financial liabilities traded in an active market is based on the market quotations or dealer prices. The Company determines the fair value of all other financial instruments of the Company using the other valuation methods. Nevertheless, due to existing uncertainties and subjectivity of valuations, fair value must not be considered as a price at which the assets can be immediately sold or the liabilities can be immediately discharged.

The expected value of all financial instruments approximates their carrying amount.

**(b) Fair value hierarchy**

The Company measures a fair value using the following fair value hierarchy considering the materiality of data used in the mentioned measurements:

- Level 1: quotations in an active market (unadjusted) for identical financial instruments.
- Level 2: data other than quotations in Level 1 that are available directly (i.e. quotations) or indirectly (i.e. quotation derivatives). This category includes instruments measured using: the market quotations in active markets for identical instruments, the market quotations for identical or similar instruments in the markets not considered to be active, or other valuation methods in which all used data is directly or indirectly based on observable inputs.
- Level 3: data that is not available. This category includes instruments measured using the data not based on observable market data, and such non-observable data materially affects the measurement of an instrument. This category includes instruments measured based on quotations for identical instruments that require using material non-observable adjustments or judgments to state a difference between instruments.

The Company management attributes a fair value of financial assets and liabilities of the Company to the second level in the fair value hierarchy.

**23. EVENTS AFTER THE REPORTING PERIOD**

In April 2020, the Company decided to prepay the credit facility for 1,234 million tenges partially out of the security deposit (Notes 8, 11).

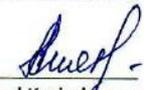
In January-April, the Company obtained additional financing for the amount exceeding 8 billion tenges to increase the portfolio of loans issued to individuals and loans issued to SMEs. After the reporting date, the Company proceeded to pay interest on loans from related parties that were overdue at the reporting date.

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**

**Notes to the Financial Statements for the years ended 31 December 2019, 31 December 2018 and 31 December 2017**

Due to coronavirus pandemics (COVID-19) at the beginning of 2020, many countries, including Kazakhstan, introduced the quarantine measures that materially affected the level and scales of business of the market participants. Starting from March 2020, significant volatility can be observed on the stock, foreign exchange, and raw material markets, including a drop in prices for oil and reduction of the rate of tenge to US dollar and Euro. The management of the Company continues to analyze the possible effect of changing micro- and macroeconomic conditions on the financial position and performance of the Company. Devaluation of the Kazakhstan tenge occurred in March 2020 and reduction of the price for oil in the world markets increased the level of uncertainty of the conditions of business activity. The management of the Company continues to evaluate the influence of the mentioned events on the financial performances of the Company in 2020.

  
Sergey Borok  
General Director  
  
"6" May 2020

  
Assel Kerimbayeva  
Chief Accountant

**OnlineKazFinance Microfinance Organization**  
**Limited Liability Partnership**  
**Financial Statements**  
**for the nine months ended 30 of September 2020**

**OnlineKazFinance Microfinance Organization LLP**

**Financial Statements for the nine months ended 30 of September 2020**

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**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30st SEPTEMBER 2020**

	Note	9 months of 2020 thousand tenge	9 months of 2019 thousand tenge
Interest and financial services income	4	10 860 284	4 336 147
Net impairment losses	9	(3 363 756)	(1 098 007)
Interest expenses		(2 932 271)	(854 353)
<b>Net interest and financial services income</b>		<b>4 564 257</b>	<b>2 383 787</b>
Operating expenses	5	(1 365 550)	(380 355)
<b>Operating profit</b>		<b>3 198 707</b>	<b>2 003 432</b>
General and administrative expenses	6	(767 569)	(258 902)
Foreign exchange rate gain, net		627 543	(33 221)
Other expenses and income, net		(85 427)	33 560
<b>Profit before tax</b>		<b>2 973 254</b>	<b>1 744 870</b>
Income tax	12	(729 494)	(375 561)
<b>Net profit</b>		<b>2 243 760</b>	<b>1 369 309</b>
<b>Total comprehensive income</b>		<b>2 243 760</b>	<b>1 369 309</b>

  
**Sergey Boiko**  
**General Director**  
**November 11, 2020**



  
**Aliya Baizhanova**  
**Chief Accountant**

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF FINANCIAL POSITION FOR THE NINE MONTHS ENDED 30st SEPTEMBER 2020**

ASSETS		30 September 2020 thousand tenge	31 December 2019 thousand tenge
	<b>Note</b>		
Cash and cash equivalents	7	2 717 363	419 070
Deposits	8	-	1 143 921
Derivatives	18	1 647 116	-
Loans due from customers	9	35 840 639	18 262 172
Capitalized issue costs	10	999 367	691 856
Fixed assets and intangible assets		226 779	7 739
Right-of-use assets	14	31 626	37 207
Other assets	15	483 664	203 534
<b>Total assets</b>		<b>41 946 554</b>	<b>20 765 499</b>
<b>LIABILITIES</b>			
Loans and credits	11	27 310 764	14 044 438
Income tax liabilities		239 219	213 424
Deferred tax liabilities		483 505	115 830
Accounts payable	16	1 518 923	478 755
Deferred revenue	17	231 494	925 976
Lease liabilities	14	38 977	44 104
Other liabilities	15	119 514	126 132
<b>Total liabilities</b>		<b>29 942 396</b>	<b>15 948 659</b>
<b>EQUITY</b>			
Issued capital	13	1 120 151	1 120 151
Subordinated debt	11	7 528 403	2 584 845
Retained earnings		3 355 604	1 111 844
<b>Total equity</b>		<b>12 004 158</b>	<b>4 816 840</b>
<b>Total equity and liabilities</b>		<b>41 946 554</b>	<b>20 765 499</b>

  
  
**Sergey Boiko**  
**General Director**  
**November 11, 2020**

  
**Aliya Baizhanova**  
**Chief Accountant**

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30st SEPTEMBER 2020**

	Issued capital  thousand tenge	Subordinated debt  thousand tenge	Retained earnings  thousand tenge	Total equity  thousand tenge
<b>Balance at 1 January 2019</b>	<b>686 651</b>	-	<b>(319 304)</b>	<b>367 347</b>
Comprehensive income for the period	-	-	1 369 309	1 369 309
Increase of the authorized capital	437 975	-	-	437 975
<b>Balance at 30 September 2019</b>	<b>1 124 626</b>	-	<b>1 050 005</b>	<b>2 174 630</b>
<b>Balance at 1 January 2020</b>	<b>1 120 151</b>	<b>2 584 845</b>	<b>1 111 844</b>	<b>4 816 840</b>
Comprehensive income for the period	-	-	2 243 760	2 243 760
Subordinated debt	-	4 943 558	-	4 943 558
<b>Balance at 30 September 2020</b>	<b>1 120 151</b>	<b>7 528 403</b>	<b>3 355 604</b>	<b>12 004 158</b>

  
 Сергей Бойко  
 General Director  
 November 11, 2020



  
 Aliya Baizhanova  
 Chief Accountant

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**STATEMENT OF CASH FLOW FOR THE NINE MONTHS ENDED 30st SEPTEMBER 2020**

		9 months of 2020	9 months of 2019
	Note	thousand tenge	thousand tenge
<b>Operating activities</b>			
<b>Profit before tax</b>		2 973 254	1 744 870
<i>Adjustments:</i>			
Interest expenses		2 932 271	854 353
Net impairment losses	9	3 363 756	1 098 007
Deferred revenue	17	(694 482)	5 058
Impairment reversal on portfolio sale		574 023	426 000
Capitalization of issue cost	10	(307 511)	(383 371)
Depreciation and amortization		22 165	1 588
Foreign exchange gain, net		(627 543)	33 221
<b>Profit before changes in loan portfolio and working capital</b>		<b>8 235 933</b>	<b>3 779 726</b>
<i>Adjustments:</i>			
Change in accounts payable and other liabilities		(684 859)	(593 515)
Change in receivables and other assets		(366 279)	11 072
<b>Net cash from operating activities before changes in the loan portfolio</b>		<b>7 184 795</b>	<b>3 197 283</b>
Changes in the loan portfolio		(20 362 403)	(9 433 645)
Revenues from portfolio sale		86 148	150 000
<b>Net cash used in operating activities</b>		<b>(13 091 460)</b>	<b>(6 086 362)</b>
<b>Investment activities</b>			
Acquisition of fixed assets and intangible assets		(235 624)	(3 450)
<b>Net cash used in investing activities</b>		<b>(235 624)</b>	<b>(3 450)</b>
<b>Financial activities</b>			
Loans and borrowings received, net, less security deposit		18 403 100	7 857 330
Interest paid		(2 777 723)	(684 644)
Capital contributions		-	437 975
<b>Net cash flows from financing activities</b>		<b>15 625 377</b>	<b>7 610 661</b>
<b>Net increase cash and cash equivalents</b>		<b>2 298 293</b>	<b>1 520 849</b>
Cash and cash equivalents at the beginning of the period		419 070	93 234
<b>Cash and cash equivalents at the end of the period</b>	<b>7</b>	<b>2 717 363</b>	<b>1 614 083</b>

  
**Sergey Boiko**  
 General Director  
 November 11, 2020

  
**Aliya Baizhanova**  
 Chief Accountant

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**1. GENERAL INFORMATION**

OnlineKazFinance Microfinance Organization Limited Liability Partnership (hereinafter – the Company) was registered in the Republic of Kazakhstan based on the Minutes of the General Meeting of Members dated “21” July 2016 and carries out its activities under the legislation of the Republic of Kazakhstan. The registered office of the Company is located at the address: building 8, Nauryzbay batyr St., Almaty District, Almaty City, 050004, Republic of Kazakhstan.

Under notice No.KZ41VGY00000314 dated 17.04.2017 from the National Bank of the Republic of Kazakhstan; the Company is included in the register of microfinance organizations of the Republic of Kazakhstan on 17 April 2017 under No.05.17.006. From 01.01.2020, the Company’s activity is regulated and supervised by the Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market.

The Company works in Kazakhstan under *Solva* and *Moneyman* trademarks. The Company’s core business is microloans to individuals and small and medium-scale business entities (SMEs) for the amounts of 200,000 – 2,000,000 tenges, for a period between 6 months and 3 years, at the fee rates not exceeding the limit rates permitted by the National Bank of the Republic of Kazakhstan. The microloans and SME loans are issued based on credit scoring, without a pledge and security. The Company’s products are characterized by high availability in the regions, as well as the speed of approval and issue. The Company is the first and the only digital microfinance business in Kazakhstan working online only.

In 2019, the Company expanded its activities in the direction of small and medium-sized businesses and launched a new product - a loan for representatives of small and medium-sized businesses (“SMEs”). After conducting market research, it turned out that many entrepreneurs needed loans due to the fact that banks often do not consider SMEs as an attractive segment for providing credit services. The main goal of selling this product on the credit market of the Republic of Kazakhstan is to stimulate the development of small and medium-sized businesses in the country. Simple and understandable crediting conditions have been developed for every entrepreneur: (1) fast - simple registration with a minimum number of certificates, (2) no collateral - no need to pledge property or attract guarantors, (3) convenient - no need to visit the office - an application can be made online, (4) for any purpose - business development, working capital credit or cash gap. In 2020, the Company took a decision to increase the maximum loan size for SMEs to 4 million tenge.

In February 2020 the Company established new business line - payday loans (PDLs) for individuals. PDLs are short-term (30-45 days on average) loans for the amount of up to 130,000-150,000 tenges.

To avoid risks, a Financial Organization, in addition to classical tools, actively uses all sorts of parameters for analyzing a borrower: fraud-scoring, behavioral biometrics, “digital footprint” in the Internet. As of September 30, 2020 more than 5300 entrepreneurs became clients of the Company. Loans to SMEs are distinguished by a lower percentage of delinquencies with a larger average check, which makes this product a premium product and one of the most promising for the Company.

As of September 30, 2020 and December 31, 2019, the shareholders of the Company are:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
	<b>Shares (%)</b>	<b>Shares (%)</b>
IDF HOLDING LIMITED	1%	1%
“OnlineMicrofinance” LLP	99%	99%
<b>Total</b>	<b>100%</b>	<b>100%</b>

As of September 30, 2020 and December 31, 2019, the Company did not have a sole beneficiary with a controlling share participation. The maximum share of ownership of one beneficiary does not exceed 25%, while the largest shares were held by co-founders of ID Finance Eurasia Boris Batine and Alexander Dunaev.

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**2. BASIS FOR PREPARATION OF FINANCIAL STATEMENTS**

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standard (“IFRS”) (IAS) 34 “Interim Financial Reporting”. These interim condensed financial statements should be read in conjunction with the 2019 financial statements prepared in accordance with IFRS.

These interim condensed financial statements are unaudited and do not include all the information and disclosures required for annual IFRS financial statements. The Company did not disclose information that duplicates information contained in the audited financial statements for 2019, for example, accounting policies and detailed descriptions of items, where there were no significant changes in amounts or composition. In addition, the Company disclosed information on significant events that occurred after the release of the audited financial statements for 2019. The management of the Company believes that the information presented in these interim condensed financial statements is sufficient and not mislead users, provided that these interim condensed financial statements are used in conjunction with the audited financial statements of the Company for 2019 and corresponding notes. In the opinion of management, the financial statements reflect all corrections necessary to reliably present the Company's financial position, results of activities, statements of changes in equity and cash flows for interim periods

OnlineKazFinance LLP keeps records and provides financial statements in accordance with the requirements of the legislation in the field of accounting and taxation, as well as based on the practice applied in the Republic of Kazakhstan.

The presented financial statements have been prepared on the basis of primary accounting data. The financial statements of the Company are presented in thousands of tenge, unless otherwise indicated.

The interim condensed financial statements for the six months ended September 30, 2020 were authorized for issue on November 11, 2020.

**3. CHANGES TO ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the Revised version of Conceptual Framework for Financial Reporting as well as amendments to existing standards effective as of January 1, 2020:

- Revised version of Conceptual Framework for Financial Reporting. In particular, the revised version introduced new definitions of assets and liabilities, as well as amended definitions of income and expenses. The revised version of Conceptual Framework did not have a material impact on the financial statements.
- Amendments to IFRS 3 Business Combinations. The amendments enhanced definition of a business set out by the standard. The amendments did not have a material impact on the financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments to IAS 1 and IAS 8 introduced new definition of material. The amendments did not have a material impact on the financial statements.
- Amendments to IFRS 7 Financial instruments: Disclosures and IFRS 9 Financial instruments named Interest Rate Benchmark Reform. The amendments provided relief from certain requirements of hedge accounting, as their fulfillment could lead to discontinuation of hedge accounting due to uncertainty caused by the reform. The amendments did not have a material impact on the financial statements.

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**4. INTEREST AND FINANCIAL SERVICES INCOME**

	<u>9 months of 2020</u>	<u>9 months of 2019</u>
Interest income	7 486 352	2 467 919
Insurance services income	1 904 893	397 491
Accrued fees	1 158 073	1 258 466
Accrued fines and penalties	293 777	188 278
Other incomes	17 189	23 993
<b>Total</b>	<b><u>10 860 284</u></b>	<b><u>4 336 147</u></b>

The Company charges loan issue fees that are included in the calculation of an effective interest rate. Accident insurance is not a binding condition to obtain a loan.

The Company charges agency fee on insurance contracts and recognizes insurance services fee upon the conclusion of an insurance contract. Penalties are charged for missing payments dates under loan agreements

**5. OPERATING EXPENSES**

	<u>9 months of 2020</u>	<u>9 months of 2019</u>
Advertising and marketing	501 272	205 739
Scoring and verification	292 908	41 793
Processing	257 016	59 941
Customer support	167 515	39 809
Collection expenses	126 535	30 908
Other	20 305	2 165
<b>Total</b>	<b><u>1 365 550</u></b>	<b><u>380 355</u></b>

**6. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>9 months of 2020</u>	<u>9 months of 2019</u>
Professional services	209 926	1 402
Bank charges	202 215	52 838
Employee benefits	143 926	57 946
Taxes other than income tax	101 232	86 303
Taxes and withholdings from salary	32 491	13 882
Other	77 780	46 531
<b>Total</b>	<b><u>767 570</u></b>	<b><u>258 902</u></b>

**7. CASH AND CASH EQUIVALENTS**

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Cash in transit	2 676 314	37 990
Cash on bank balances	41 049	381 080
<b>Total cash and cash equivalents</b>	<b><u>2 717 363</u></b>	<b><u>419 070</u></b>

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**8. DEPOSIT**

In December 2019 the Company placed a security deposit in the amount of 1,143,921 thousand tenge, equivalent to USD 3 million, with an interest rate of 1% per annum and for a period of up to 730 days. The Company had the right to return the deposit ahead of schedule, the Company exercised this right during the 2nd quarter of 2020. The deposit acted as collateral for the credit received (Note 11).

**9. LOANS TO CUSTOMERS**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Loans to customers measured at amortized cost before deducting provisions</b>	40 562 993	20 200 590
Less: provision for credit losses	<u>(4 722 354)</u>	<u>(1 938 418)</u>
<b>Loans to customers measured at amortized cost, net</b>	<b><u>35 840 639</u></b>	<b><u>18 262 172</u></b>

Movements in the loan impairment allowance for the respective periods are as follows:

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Allowance for credit losses as of January 1	(1 938 418)	(873 881)
Charged for the period	(3 363 756)	(1 601 350)
Amounts written off	5 797	-
Impairment reversal on portfolio sale	<u>574 023</u>	<u>536 813</u>
<b>Allowance for credit losses at the end of the period</b>	<b><u>(4 722 354)</u></b>	<b><u>(1 938 418)</u></b>

**10. CAPITALIZED ISSUE COSTS**

A number of operating expenses associated with the issuance of long-term (up to three years) loans are accounted for as part of the effective interest rate. These expenses mainly include direct marketing and scoring expenses. The Company capitalizes such expenses and further depreciates those expenses based on the expected average maturity of the related financial asset. The amount of capitalized expenses as at 30 September 2020 was 999,367 thousand tenge (31 December 2019: 691,856 thousand tenge). During 9 months of 2020, amortization of previously capitalized expenses in the amount of 309,995 million tenge was recognized in the income statement (9 months of 2019: KZT 339,492 million).

**11. LOANS AND BORROWINGS**

	<b>Effective interest rate</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Loans raised from regulated investment platforms	9-21%	20 241 810	11 270 753
Bonds issued (KZT)	19%	2 050 920	-
Bonds issued (USD)	9%	2 281 085	-
Bank loans and credit facilities	12-13,75%	1 369 263	1 419 496
Loans from related parties (Note 19)	11,5-21,18%	<u>1 367 686</u>	<u>1 354 189</u>
<b>Total loans and borrowings</b>		<b><u>27 310 764</u></b>	<b><u>14 044 438</u></b>
<b>Short-term portion of long-term debt</b>		<b>9 780 399</b>	<b>6 819 377</b>

Loans raised from regulated investment platforms are subject to covenants. As of September 30, 2020 and December 31, 2019, the Company complied with the covenants on loans.

The Company placed the bonds on the Kazakhstan Stock Exchange (KASE) on 20 August 2020, its tenor is 2 years and a coupon is of 19% per annum, payments are made on a quarterly basis, the maximum volume of issue is KZT 4 billion. The nominal value of one security is KZT 1,000.

The Company placed the bonds on the Astana International Exchange (AIX) on 29 September 2020, its tenor is 2 years and a coupon is of 9% per annum, the maximum volume of issue is the U.S. \$7 million. The nominal value of one security is the U.S. \$100, and payments are made on a quarterly basis.

The information on the repayment dates of the loans is disclosed in Note 20.

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**12. INCOME TAX**

	<b>9 months of 2020</b>	<b>9 months of 2019</b>
Deferred tax expense	(367 675)	(188 081)
Corporate income tax	(361 819)	(187 480)
<b>Total</b>	<b>(729 494)</b>	<b>(375 561)</b>

The corporate income tax rate is 20%.

The amount of income tax calculated based on the current income tax rates and the amount of pretax profit differs from the amount of income tax recognized in profit or loss due to the following factors:

	<b>9 months of 2020</b>	<b>9 months of 2019</b>
<b>Profit before tax</b>	<b>3 192 103</b>	<b>1 744 870</b>
Income tax calculated at the rate of 20% established by law	(594 651)	(348 974)
Effect of non-taxable income and non-deductible expenses	(134 843)	(26 587)
	<b>(729 494)</b>	<b>(375 561)</b>

Temporary differences arising between the data of these financial statements and the data of tax accounting have resulted in the following deferred tax assets and (liabilities):

	<b>September 30, 2020</b>	<b>Recognized in the statement of comprehensive income</b>	<b>December 31, 2019</b>
<b>Deferred tax liabilities</b>			
Derivatives	(305 761)	(305 761)	-
Credits to customers	(51 917)	(51 917)	-
Capitalized expenses related to issuance	(125 827)	(9 996)	(115 830)
<b>Total</b>	<b>(483 505)</b>	<b>(115 830)</b>	<b>(115 830)</b>
<b>Deferred tax liabilities, net</b>	<b>(483 505)</b>	<b>(367 675)</b>	<b>(115 830)</b>

**13. ISSUED CAPITAL**

The authorized capital of the Company is 1,120,151 thousand tenge as of September 30, 2020 (1,120,151 thousand tenge as of December 31, 2019). As of September 30, 2020, the authorized capital of the Company has been fully paid.

**14. RIGHT-OF-USE ASSETS**

Changes in the carrying amount of right-of-use assets for 9 months of 2020 and 2019 are shown in the table below:

	<b>9 months of 2020</b>	<b>2019 year</b>
<b>Original cost on January 1</b>	<b>37 207</b>	<b>44 649</b>
Depreciation charge	(5 581)	(7 442)
<b>Net book value at the end of the period</b>	<b>31 626</b>	<b>37 207</b>

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

Changes in the carrying amount of lease liabilities for 9 months of 2020 and 2019 are presented below:

	<b>9 months of 2020</b>	<b>2019 year</b>
<b>Lease liability as at 1 January</b>	<b>44 104</b>	<b>44 649</b>
Interest expense	5 938	8 744
Payments	(11 064)	(9 289)
<b>Lease liability at the end of the period</b>	<b>38 977</b>	<b>44 104</b>

**15. OTHER ASSETS AND LIABILITIES**

Other assets as of September 30, 2020 and December 31, 2019 represent short-term receivables, including counterparty debt on investments not credited to the Company's accounts on regulated investment platforms.

Other liabilities as at 30 September 2020 and 31 December 2019 represent financial liabilities.

**16. PAYABLES**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Short-term advances received	534 194	63 193
Payables to related parties (Note 19)	393 497	253 809
Underwriting services	164 924	-
Hedge settlements	118 312	-
Corporate income tax payable for a non-resident	103 408	120 050
Other payables	204 588	41 703
<b>Total</b>	<b>1 518 923</b>	<b>478 755</b>

**17. DEFERED INCOME**

Deferred income is a facility fee attributable to subsequent periods. Such commissions are deferred and recognized as an adjustment to the effective interest rate on the loan, taking into account the contractual term of the loan. The amount of recognized deferred income as at 30 September 2020 was KZT 231 494 thousand (December 31, 2019: KZT 925 976 thousand).

**18. DERIVATIVES**

To manage the Company's open position in foreign currencies, the Company has entered into forward agreement. The purpose of the financial instrument is to limit the Company's exposure to foreign currency fluctuations.

The table below reflects the fair value of the financial instrument as at 30 September 2020:

<b>Recognized as Assets</b>	<b>Currency</b>	<b>Notional amount, thousand</b>	<b>Rate</b>	<b>Maturity</b>	<b>30.09.2020</b>
Forward sell RUB, buy EUR	EUR	20 000	75,81	February 2021	1 647 116

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

**19. TRANSACTIONS WITH RELATED PARTIES**

**(a) Transactions with the Parent Company and related parties**

During the 9 months of 2020 and the 9 months of 2019, the Company entered into the following transactions with the Parent Company and related parties:

	<u>9 months of 2020</u>	<u>9 months of 2019</u>
<b>Recognized in comprehensive income:</b>		
Interest expenses	848 083	302 421
General and administrative expenses	<u>236 923</u>	<u>-</u>
<b>Other transactions</b>		
Loans received, including subordinated loans	4 110 638	1 417 067
Repaid loans and borrowings	<u>1 757 051</u>	<u>1 124 585</u>

As of September 30, 2020 and December 31, 2019, the Company has the following balances with related parties under all concluded agreements:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Subordinated debt	7 528 403	2 584 845
Loans and borrowings	1 367 686	1 371 339
Payables	<u>244 738</u>	<u>253 809</u>

In December 2019, the Company made amendments to the loans received from related parties for the total amount of 2,584,845 thousand tenges. As a result, loans were recognised as subordinated debt (to all existing and future Company's liabilities); a new repayment term was extended to at least 5 years for loans amounting to 600,000 thousand tenges and at least 10 years for loans amounting to 1,984,845 thousand tenges. Interest on loans is payable under agreement schedule, i.e. every month. Besides, the Company has the right to unilaterally refuse to repay the loan until the expiration of the loan agreements. The Company obtained representations from the lenders of intention to extended subordinated debt beyond the original maturity. In addition, the Company received assurances from the lenders of their intentions to prolongate these loans in the future. During the 9 months of 2020, the Company attracted additional subordinated loans in the amount of 4,943,557 thousand tenge on similar terms.

**(b) Remuneration of key management personnel**

Accrued remuneration of the top management of the Company, taking into account the rotation of the management staff, including salaries, bonuses, severance payments and personal income tax, amounted to 78 million tenge in the 9 months of 2020, 57 million tenge in the 9 months of 2019.

**20. FINANCIAL RISK MANAGEMENT**

The General Director is in charge of general risk management. In particular, its competence includes 1) approval of the basic principles of risk management and evaluation of the adequacy of the Company's organization chart to those principles; 2) control of activities of the Company's business units in charge of risk management, determination of weaknesses in the risk management and taking respective measures.

Financial risks are managed through limits on transactions for the respective business units and officials of the Company authorized to settle such transactions.

The Company's business units regularly prepare management accounts providing top-management of the Company with the information required to make decisions. The Company manages and assesses the risks mentioned below regularly.

**(a) Credit risk**

The Company assumes the credit risk, specifically the risk that a borrower cannot fully repay the debt according to schedule. When settling transactions bearing the credit risk, limits are determined on the credit risk in a form of the limits on borrowers/credit products/other sections of the loan portfolio. The Company established automatised limits and restriction management process for timely detection and elimination of

**ONLINEKAZFINANCE MICROFINANCE ORGANIZATION LLP**  
**Notes to the financial statements for the nine months ended 30st September, 2020**

the reasons for increased credit risk.

The purpose of credit risk management is set to minimize losses of the Company due to the borrower's failure to fulfil their obligations and to maximize the Company's earnings adjusted for credit risk.

The credit risk management include:

- analysis and assessment of credit risks;
- determination of an extent of risks;
- credit risk management; and
- control of the effectiveness of credit risk management.

Financial assets are presented as follows

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Loans to sutomers	35 840 639	18 262 172
Cash and cash equivalents	2 717 363	419 070
Deposits	-	1 143 921
Derivatives	1 647 116	-
Other financial assets	483 664	203 534
<b>Total financial assets</b>	<b>40 688 782</b>	<b>20 028 697</b>

#### **Cash and deposit**

As part of credit and liquidity risk management, the Company regularly analyzes the financial stability of financial and banking institutions in which it deposits cash and cash equivalents. Cash and cash equivalents, as well as a deposit were placed with large banks in Kazakhstan with credit ratings from B- to BB + (2019: from B- to BB).

#### **Loan portfolio**

The main criteria when assessing loans to customers are:

- financial position of the borrower;
- quality of debt service by the borrower.

The Risk Management department is in charge of development, updating, and control of compliance with the credit risk policies in the Company. In assessing a level of risk on all assets exposed to the credit risk the portfolio approach is used when a level of risk is assessed based on a pool of homogeneous loans combined in the portfolio, without analyzing specific loans (individual approach). A fundamental criterion to combine the loans in one portfolio is a product: (1) consumer loan for individuals for up to three years, (2) loan issued to SMEs, (3) short-term loan to individuals (PDL).

In assessing the loan portfolio, the Risk Management Service estimates the concentration of risk in the loan portfolio. The concentration takes a lot of forms and appears when a significant number of loans have similar characteristics. In the Company, diversification of the loan portfolio is taken into consideration based on several criteria and the key ones are maturity, applications from a borrower, fixed interest rates, and a number of the days of delay.

The basic aspect of the evaluation of the quality of the Company's loan portfolio is the analysis of the level of overdue principal debt: regular analysis of the amount and dynamics of overdue principal debt to control conformance of actual indications to planned ones.

Analysis of loans by maturity since the payment delay is presented below.

#### **Loans to individuals and loans to SMEs as of September 30, 2020:**

<b>(1) Loans to individuals for up to 3 years</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	24 051 848	(365 167)	23 686 681
Overdue for 1-60 days	2 679 082	(464 862)	2 214 220
Overdue for 61-90 days	1 351 593	(610 261)	741 332
Overdue for more than 90 days	3 766 117	(2 077 197)	1 688 920
<b>Total main debt</b>	<b>31 848 640</b>	<b>(3 517 487)</b>	<b>28 331 153</b>
Interest and other charges	854 268	(90 683)	763 585
<b>Total main debt, interest, and other charges</b>	<b>32 702 908</b>	<b>(3 608 170)</b>	<b>29 094 738</b>

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<b>(2) Loans to SMEs</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	4 103 671	(58 605)	4 045 066
Overdue for 1-60 days	251 725	(29 334)	222 391
Overdue for 61-90 days	-	-	-
Overdue for more than 90 days	-	-	-
<b>Total main debt</b>	<b>4 355 396</b>	<b>(87 939)</b>	<b>4 267 457</b>
Interest and other charges	74 215	(1 847)	72 368
<b>Total main debt, interest, and other charges</b>	<b>4 429 611</b>	<b>(89 786)</b>	<b>4 339 825</b>

<b>(3) Short-term loans to individuals (PDL)</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	1 467 032	(29 179)	1 437 853
Overdue for 1-60 days	512 332	(216 925)	295 407
Overdue for 61-90 days	200 060	(127 046)	73 014
Overdue for more than 90 days	395 944	(260 263)	135 681
<b>Total main debt</b>	<b>2 575 368</b>	<b>(633 413)</b>	<b>1 941 955</b>
Interest and other charges	855 106	(390 985)	464 121
<b>Total main debt, interest, and other charges</b>	<b>3 430 474</b>	<b>(1 024 398)</b>	<b>2 406 076</b>

**Loans to individuals as at 31 December 2019:**

<b>(1) Loans to individuals for up to 3 years</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	15 736 522	(76 452)	15 660 070
Overdue for 1-60 days	967 079	(284 598)	682 481
Overdue for 61-90 days	301 654	(189 128)	112 527
Overdue for more than 90 days	1 871 298	(1 220 757)	650 541
<b>Total main debt</b>	<b>18 876 553</b>	<b>(1 770 935)</b>	<b>17 105 619</b>
Interest and other charges	407 889	(121 024)	286 865
<b>Total main debt, interest, and other charges</b>	<b>19 284 442</b>	<b>(1 891 959)</b>	<b>17 392 484</b>

<b>(2) Loans to SMEs</b>	<b>Loans to customers</b>	<b>Provision for credit losses</b>	<b>Loans to customers, less provision</b>
No delay	820 472	(3 779)	816 693
Overdue for 1-60 days	40 570	(11 843)	28 728
Overdue for 61-90 days	10 874	(6 765)	4 110
Overdue for more than 90 days	30 296	(20 714)	9 582
<b>Total main debt</b>	<b>902 212</b>	<b>(43 100)</b>	<b>859 112</b>
Interest and other charges	13 936	(3 359)	10 576
<b>Total main debt, interest, and other charges</b>	<b>916 148</b>	<b>(46 459)</b>	<b>869 689</b>

**(b) Liquidity risk**

The liquidity risk is a risk of maturity mismatch between active transactions and liabilities.

The liquidity is evaluated:

- depending on a number of the assets available to the Company and possible periods to dispose of them without significant losses for the Company; and
- depending on available liabilities, their maturities, and the dynamics of changes in the number of liabilities in time.

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An item is deemed risky if the liquid assets and foreseeable receipt of funds are insufficient to discharge a liability during some period.

The activities relating to liquidity management is coordinated by the General Director or its deputy by controlling short-term, medium-term, and long-term liquidity.

Regulation of liquidity risk is carried out by controlling the deficit / excess of cash resources, distribution and redistribution of cash resources by instruments, depending on maturity dates, the degree of their liquidity and the level of profitability. Liquidity management requires an analysis of the level of liquid assets required to settle obligations at maturity; providing access to various sources of funding; availability of plans in case of problems with financing and control over the compliance of balance sheet liquidity ratios with the requirements of the legislation of the National Bank of the Republic of Kazakhstan. As of September 30, 2020 and December 31, 2019, compliance indicators exceeded the thresholds.

The tables below show the distribution of the undiscounted contractual cash flows of financial liabilities (including future interest payments) to the Company's liabilities by contractual maturity:

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**As of September 30, 2020**

	<b>Carrying amount</b>	<b>Future cash outflows, gross</b>	<b>During 1 month</b>	<b>1-6 months</b>	<b>6 months - 1 year</b>	<b>1-3 years</b>	<b>More than 3 years</b>
Loans and borrowings	27 310 764	27 310 764	1 176 120	3 814 179	4 838 470	17 368 004	113 991
Payables	1 518 923	1 518 923	915 817	603 106	-	-	-
Liabilities on lease	38 977	38 977	502	2 634	3 447	17 548	14 846
Other financial liabilities	119 514	119 514	119 514	-	-	-	-
<b>Total financial liabilities</b>	<b>28 988 178</b>	<b>28 988 178</b>	<b>2 211 953</b>	<b>4 419 919</b>	<b>4 841 917</b>	<b>17 385 552</b>	<b>128 837</b>

**As of December 31, 2019**

	<b>Carrying amount</b>	<b>Future cash outflows, gross</b>	<b>During 1 month</b>	<b>1-6 months</b>	<b>6 months - 1 year</b>	<b>1-3 years</b>	<b>More than 3 years</b>
Loans and borrowings	14 044 438	14 044 438	506 208	1 745 087	3 532 019	8 214 689	46 435
Payables	478 755	478 755	118 838	359 917	-	-	-
Liabilities on lease	44 104	44 104	629	2 898	3 040	15 326	22 211
Other financial liabilities	126 132	126 132	19 212	90 118	16 802	-	-
<b>Total financial liabilities</b>	<b>14 693 429</b>	<b>14 693 429</b>	<b>644 887</b>	<b>2 198 020</b>	<b>3 551 861</b>	<b>8 230 015</b>	<b>68 646</b>

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**(c) Market risk**

The market risk is a risk that the fair value of the future cash flows under financial instruments will fluctuate due to changes in the market parameters. Considering that the Company does not issue instruments with floating interest rates, as well as it does not issue equity instruments, the Company's management evaluates the impact of changes in the foreign exchange rate as a key market parameter affecting the future cash flows of the Company.

The foreign exchange risk is a risk of losses due to adverse changes in the foreign exchange rates for open positions in foreign currencies.

The Company manages the foreign exchange risk by balancing the financial assets and financial liabilities denominated in the Russian rouble, US dollar, and Euro. The Company also hedges its foreign exchange risk by entering into forward currency agreements on the most volatile currency.

The foreign exchange risk is assessed every month using sensitivity analysis. The table below shows the change of the Company profit before tax subject to historic volatility of the currency to the tenge and foreign exchange position at the end of each reporting period. Such analysis assumes that all other parameters, specifically interest rates, remain unchanged.

	<u>September 30, 2020</u>	<u>December 31, 2020</u>
Rate of US dollar to tenge, the average for the year	423,8	382,9
Year-by-year change of average rate	10,7%	11,0%
Effect on the profit of the Company, before tax	(253 960)	81 641
Rate of rouble to tenge, the average for the year	5,60	5,92
Year-by-year change of average rate	-5,5%	7,6%
Effect on the profit of the Company, before tax	173 614	(82 888)

**(d) Operational risk**

The operating risk is a risk resulting from systemic failure, errors of personnel, fraud, or external events. When the control system stops to function, the operating risks can damage the reputation, have legal consequences, or result in financial losses. The Company cannot assume that all operating risks are eliminated, but through the control system and by monitoring and respective response to potential risks, the Company actively manages such risks. The control system provides effective segregation of duties, right of access, the procedure for approval and reconciliation, personnel training, as well as procedures for evaluation, including internal audits.

**21. CAPITAL MANAGEMENT**

The main objective of the Company management concerning capital management is to ensure a going concern and to maximize the profit of shareholders by keeping optimal equity-debt ratio, as well as maintaining the quality of the loan portfolio.

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

	<u>September 30, 2020</u>	<u>December 31, 2020</u>
Total debt	27 310 764	14 044 438
Cash and cash equivalents	(2 717 363)	(419 070)
Deposit	-	(1 143 921)
<b>Net debt</b>	<b>24 593 401</b>	<b>12 481 447</b>
<b>Equity</b>	<b>12 004 158</b>	<b>4 816 840</b>
<b>Equity to net debt ratio</b>	<b>0,49</b>	<b>0,39</b>

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

	<u>September 30, 2020</u>	<u>December 31, 2020</u>
Loans to customers	35 840 639	18 262 172
<b>Equity</b>	<b>12 004 158</b>	<b>4 816 840</b>
<b>Equity to loan portfolio ratio</b>	<b>0,33</b>	<b>0,26</b>

## **22. CONTINGENCIES**

### **(a) Pending legal proceedings**

In the course of its normal activities in the market, the Company faces various types of legal claims. The management of the Company believes that the final liabilities of the Company resulting from legal proceedings (if any) will not have a significant adverse impact on the financial conditions or performance of the Company in the future.

### **(b) Taxation**

The tax system in Kazakhstan, being relatively new, is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear and contradictory, which is subject to ambiguous interpretation by various tax authorities, including opinions regarding the accounting of income, expenses and other items in the financial reporting in accordance with the requirements of IFRS. Checks and investigations into the correctness of tax calculations are carried out by several regulatory bodies that have the right to impose large fines and charge penalties. The correctness of the calculation of taxes can be checked over the next five calendar years, however, under certain circumstances, this period can be increased.

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

## **23. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS**

### **(a) Accounting classifications and fair value**

The fair value measurement is aimed at fixing a price, which would be obtained upon the sale of an asset or paid upon transfer of liability when settling an operation in the organized market between the market participants at the date of measurement. Nevertheless, considering uncertainty and the use of subjective judgments, fair value must not be interpreted as realized in the immediate sale of the assets or transfer of liabilities.

The fair value of financial assets and financial liabilities traded in an active market is based on the market quotations or dealer prices. The Company determines the fair value of all other financial instruments of the Company using the other valuation methods. Nevertheless, due to existing uncertainties and subjectivity of valuations, fair value must not be considered as a price at which the assets can be immediately sold or the liabilities can be immediately discharged.

The expected value of all financial instruments approximates their carrying amount.

### **(b) Fair value hierarchy**

The Company measures a fair value using the following fair value hierarchy considering the materiality of data used in the mentioned measurements:

- Level 1: quotations in an active market (unadjusted) for identical financial instruments.
- Level 2: data other than quotations in Level 1 that are available directly (i.e. quotations) or indirectly (i.e. quotation derivatives). This category includes instruments measured using: the market quotations in active markets for identical instruments, the market quotations for identical or similar instruments in the markets not considered to be active, or other valuation methods in which all used data is directly or indirectly based on observable inputs.
- Level 3: data that is not available. This category includes instruments measured using the data not based on observable market data, and such non-observable data materially affects the measurement of an instrument. This category includes instruments measured based on quotations for identical instruments that require using material non-observable adjustments or judgments to state a difference between instruments.

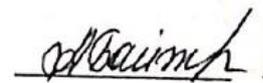
The Company management attributes a fair value of financial assets and liabilities of the Company to the second level in the fair value hierarchy.

24. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2020 and through the date of issue of these interim condensed financial statements there were no material events.



Sergey Boiko  
General Director  
November 11, 2020



Aliya Baizhanova  
Chief Accountant