

**Microfinance Organization OnlineKazFinance
Limited Liability Partnership**

Financial statements

*for the year ended 31 December 2020
together with independent auditor's report*

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Independent auditor's report

To the founders of Microfinance Organization
OnlineKazFinance Limited Liability Partnership

Opinion

We have audited the financial statements of Microfinance Organization OnlineKazFinance Limited Liability Partnership (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit losses on loans to customers

Estimation of an allowance for expected credit losses on loans to customers in accordance with IFRS 9 *Financial Instruments* is a key area of management's judgment.

Estimation of an allowance for expected credit losses (ECL) on loans to customers includes identification of significant increase in credit risk and default, assessment of the probability of default and loss given default. The company uses statistical models when estimating the allowance on a collective basis. ECL on loans to customers assessed individually is based on the analysis of financial and non-financial information, including current and expected financial indicators of borrowers, the value of collateral and term of its realization, and estimation of probabilities of possible scenarios.

Due to substantial amount of loans to customers and an extensive use of professional judgment, the estimation of the allowance for ECL on loans to customers was a key audit matter.

Information on the allowance for ECL on loans to customers is presented in Note 15, *Loans to customers* and Note 26, *Financial risk management*, to the financial statements.

Our audit approach included the analysis of the methodology to estimate the allowance for expected credit losses on the loan portfolio, in particular, the methodology used to calculate probabilities of default and loss given default. We considered the judgments used by the Company's management to determine the significant increase in credit risk and default criteria on loans to customers.

We performed testing of input data and analysis of assumptions used by the Company, including historical information on debt servicing and loss given default as a result of sale of collateral.

We analysed the allocation of loans by stage of impairment and application of the respective criteria of a significant increase in credit risk, default, probability of default and loss given default to these impairment stages.

We analysed the information related to estimation of allowance for ECL on loans to customers disclosed in the financial statements

Income and expenses related to the issue of loans

Determination of the composition of income and expenses included in the loan amounts is a key area of management's judgment. A judgment is used to select types of income and expenses to be included in the carrying value of loans, and those to be recognized as income and expenses for the current period.

Since the amounts of income and expenses related to the origination of loans are significant and due to the judgment inherent to the process of accounting for such income and expenses, these income and expenses were one of the key matters of our audit.

Information on capitalized income and expenses and their types is presented in Note 15, *Loans to customers* of the financial statements.

Our audit procedures on income and expenses related to origination of loans to customers included, among others, the analysis of the terms of agreements, which gave rise to these income and expenses. We considered management's assumptions related to the types of income and expenses to be included in the carrying amount of loans issued.

We performed selective testing of income and expenses related to the issue of loans against the primary supporting documents.

We analysed the information on the capitalized income and expenses disclosed in the financial statements.

Other matters

The audit of the Company's financial statements for 2019 was conducted by another auditor, who issued an unmodified opinion on the financial statements and included the *Emphasis of matter* section in its auditor's report issued on 6 March 2020 to draw attention to the criteria for recognition of subordinated loans from related parties within equity.

Other information included in the Company's annual report 2020

Other information consists of the information included in the Company's annual report 2020, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

The Company's annual report is expected to be provided to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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



Anton Ustimenko
Audit Partner



Olga Kheday
Auditor

Auditor qualification Certificate
MF-0000286 of 25 September 2015

Republic of Kazakhstan 050060, Almaty,
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building

4 June 2021

Olga Kheday
Auditor



Rustamzhan Sattarov
General Director
Ernst & Young LLP

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

STATEMENT OF COMPREHENSIVE INCOME**For the year ended 31 December 2020***(thousands of tenge)*

	<i>Notes</i>	<i>2020</i>	<i>2019 (restated*)</i>
Revenue		16 373 321	5 532 100
Interest income	5	12 279 097	4 458 612
Fee and commission income and agent revenue	6	3 337 344	807 707
Other income	7	756 880	265 781
Financial and operating expenses		(12 977 828)	(3 853 230)
Net expense from allowance for expected credit losses	15	(5 508 115)	(1 742 030)
Finance expenses	9	(4 277 894)	(1 549 398)
Operating expenses	10	(1 930 049)	(360 541)
General and administrative expenses	11	(1 261 770)	(201 261)
Operating profit		3 395 493	1 678 870
Net losses from foreign currencies	12	(96 455)	(226 904)
Other expenses	8	(54 921)	(2 866)
Profit before income tax expense		3 244 117	1 449 100
Income tax expense	19	(794 100)	(268 630)
Net profit		2 450 017	1 180 470
Total comprehensive income		2 450 017	1 180 470

* Certain amounts shown in this column do not correspond to the 2019 financial statements and reflect adjustments made, refer to Note 3.





Anna Maksimova
 General Director

Nadezhda Martovskaya
 Chief Accountant

4 June 2021

The accompanying notes on pages 5 to 31 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION**As at 31 December 2020***(thousands of tenge)*

	Notes	31 December 2020	31 December 2019 (restated*)	1 January 2019 (restated*)
Assets				
Cash and cash equivalents	13	2 115 859	419 070	93 234
Deposits	14	—	1 143 921	—
Derivatives	24	1 949 446	—	—
Loans to customers	15	34 718 389	17 243 564	5 339 607
Receivables from the sale of portfolios	16	3 097 260	—	—
Property and equipment and intangible assets	17	425 200	7 739	3 473
Right-of-use assets	21	80 438	37 207	—
Current tax assets		72 307	—	—
Deferred tax assets		—	—	38 289
Other assets	22	966 220	301 758	59 746
Total assets		43 425 119	19 153 259	5 534 349
Liabilities				
Loans and borrowings	18	30 990 702	13 565 017	5 208 176
Income tax liabilities		401 673	213 424	—
Deferred tax liabilities	19	42 552	16 917	—
Accounts payable	23	851 660	310 739	86 533
Lease liabilities	21	89 883	44 104	—
Other liabilities	22	255 119	179 100	17 267
Total liabilities		32 631 589	14 329 301	5 311 976
Equity				
Share capital	20	1 120 151	1 120 151	686 651
Subordinated loans	25	6 507 170	2 987 615	—
Retained earnings / (accumulated losses)		3 166 209	716 192	(464 278)
Total equity		10 793 530	4 823 958	222 373
Total equity and liabilities		43 425 119	19 153 259	5 534 349

* Certain amounts shown in this columns do not correspond to the 2019 and 2018 financial statements and reflect adjustments made, refer to Note 3.





Anna Maksimova
General Director

Nadezhda Martovskaya
Chief Accountant

4 June 2021

The accompanying notes on pages 5 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2020***(thousands of tenge)*

	<i>Notes</i>	<i>Share capital</i>	<i>Subordinated loans</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance at 31 December 2018		686 651	—	(319 304)	367 347
Effect of error correction	3	—	—	(144 974)	(144 974)
Balance at 1 January 2019 (restated)		686 651	—	(464 278)	222 373
Comprehensive income for the period (restated)	3	—	—	1 180 470	1 180 470
Increase in the share capital	20	433 500	—	—	433 500
Subordinated loans (restated)	3, 25	—	2 987 615	—	2 987 615
Balance at 31 December 2019 (restated*)	3	1 120 151	2 987 615	716 192	4 823 958
Balance at 1 January 2020		1 120 151	2 987 615	716 192	4 823 958
Comprehensive income for the period		—	—	2 450 017	2 450 017
Subordinated loans	25	—	3 519 555	—	3 519 555
Balance at 31 December 2020		1 120 151	6 507 170	3 166 209	10 793 530

* Certain amounts shown in this column do not correspond to the 2019 financial statements and reflect adjustments made, refer to Note 3.



 Anna Maksimova
General Director


 Nadezhda Martovskaya
Chief Accountant

4 June 2021

The accompanying notes on pages 5 to 31 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS**For the year ended 31 December 2020***(thousands of tenge)*

	<i>Notes</i>	<i>2020</i>	<i>2019 (restated*)</i>
Operating activities			
Profit before tax		3 244 117	1 449 100
<i>Adjustments:</i>			
Finance expenses	9	4 277 894	1 549 398
Net expense from allowance for expected credit losses	15	5 508 115	1 742 030
Reversal of allowance due to the sale of the portfolio	15	(3 709 603)	(536 813)
Interest income	5	(670 128)	1 088 788
Depreciation and amortization		44 991	9 827
Net losses from foreign currencies	12	96 455	189 758
Profit before changes in the loan portfolio and working capital		8 791 841	5 492 088
<i>Adjustments:</i>			
Changes in accounts payable and other liabilities		(511 829)	195 892
Changes in accounts receivable and other assets		(796 091)	(242 012)
Net cash from operating activities, before changes in the loan portfolio		7 483 921	5 445 968
Changes in the loan portfolio		(22 806 979)	(14 347 963)
Income from the sale of the portfolio		1 053 035	150 000
Net cash used in operating activities		(14 270 023)	(8 751 995)
Investing activities			
Purchase of property and equipment and intangible assets	17	(446 360)	(6 652)
Net cash used in investing activities		(446 360)	(6 652)
Financing activities			
Proceeds from loans and borrowings, net, less guarantee deposit	18	20 400 378	9 708 672
Interest paid		(3 987 206)	(1 057 689)
Contributions of the participants of the partnership		—	433 500
Net cash from financing activities		16 413 172	9 084 483
Net increase in cash and cash equivalents		1 696 789	325 836
Cash and cash equivalents, beginning		419 070	93 234
Cash and cash equivalents, ending	13	2 115 859	419 070

* Certain amounts shown in this column do not correspond to the 2019 financial statements and reflect adjustments made, refer to Note 3.

Anna Maksimova
General Director



Nadezhda Martovskaya
Chief Accountant

4 June 2021

The accompanying notes on pages 5 to 31 are an integral part of these financial statements.

(thousands of tenge, unless otherwise indicated)

1. General

Microfinance Organization OnlineKazFinance Limited Liability Partnership (hereinafter, the “Company”) is registered on the territory of the Republic of Kazakhstan on the basis of the Minutes of the general meeting of participants dated 21 July 2016 and operates in accordance with the legislation of the Republic of Kazakhstan. The Company’s registered address is Republic of Kazakhstan, 050004, Almaty, Almalinskiy district, Nauryzbai batyr str., 8.

In accordance with notification of the National Bank of the Republic of Kazakhstan No. KZ41VG00000314 dated 17 April 2017, the Company was included in the register of the microfinance organizations of the Republic of Kazakhstan on 17 April 2017 under No. 05.17.006. From 1 January 2020, the Company’s activities are regulated and overseen by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market. On 1 March 2021, the Company obtained license No. 02.21.0004.M to perform microfinance activities.

The Company promotes Solva trademark in Kazakhstan. The Company’s primary activities include provision of microloans to individuals and small and medium entities (SMEs) in the amount from KZT 200 000 to KZT 4 000 000, with maturities ranging from 6 months to 3 years, bearing interest rates not exceeding threshold established by the National Bank of the Republic of Kazakhstan. Microloans to individuals and SMEs are issued on the basis of the credit rating without collateral. The Company’s products are highly affordable in the regions and are approved and issued very quickly. The specifics of the Company’s business model is that it is the first digital microfinance company in Kazakhstan that provides loans up to three years online.

In 2019, the Company extended its activities to small and medium entities and introduced a new product – loans to small and medium entities (SMEs). The market survey identified that many entrepreneurs needed loans as the banks often do not consider SMEs to be attractive segment for lending services. The main purpose of this product on the lending market of the Republic of Kazakhstan is to stimulate the development of small and medium business in the country. The established lending terms are simple and clear to any entrepreneur: (1) fast – easy issuance with minimum references, (2) no collateral – no need to pledge property or involve guarantors, (3) convenience – no need to visit the office as the application may be submitted online, (4) any purpose – business development, increase of working capital or elimination of cash gap. In 2020, the Company decided to increase the maximum amount of loan to SMEs to KZT 4 million.

To avoid risks, the finance organization, in addition to regular instruments, actively uses all possible parameters to analyze the borrower, such as fraud scoring, behavioral biometrics and digital footprint on the Internet. In 2020, over 7 700 entrepreneurs became the clients of the Company. SME loans have lower rate of overdue debt with higher average debt amount, which is why it is premium and the most promising product for the Company.

As at 31 December 2020 and 31 December 2019, the Company’s founders were as follows:

	31 December 2020	31 December 2019
<i>Founders of the Company (first-level participants)</i>	<i>Interest (%)</i>	<i>Interest (%)</i>
IDF HOLDING LIMITED	1%	1%
OnlineMicrofinance LLC	99%	99%
Total	100%	100%

As at 31 December 2020 and 31 December 2019, the Company had no sole controlling beneficial owner. The maximum interest held by beneficial owner does not exceed 25%, while the largest interest was held by Boris Batin and Aleksandr Dunaev, the founders of IDF Eurasia.

Operating environment in the Republic of Kazakhstan

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

(thousands of tenge, unless otherwise indicated)

2. Basis of preparation

Statement of compliance

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

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

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

3. Restatement of comparative information

Certain amounts in the statement of financial position as at 31 December 2019 and 31 December 2018, statement of comprehensive income for the year ended 31 December 2019, statement of changes in equity for the year ended 31 December 2019, and statement of cash flows for the year ended 31 December 2019 have been restated to correct adjustments and introduce changes in presentation of certain items to improve comparability of data for 2020 and 2019.

In particular, the Company has revised the relevant notes to the financial statements with regard to the restated items as described below for the most significant adjustments.

1. Split of the “Income from financial services” item to “Interest income”, “Fee and commission income” and “Other income” in accordance with IAS 1.
2. Writing off of previously capitalized expenses for direct marketing and scoring, which were previously recorded within “Capitalized expenses related to the loan issue”, to profit or loss, as these expenses cannot directly relate to the loan issue in accordance with IFRS 9.
3. Recognition of deferred income on fees for issuing loans and relevant amortization in “Loans to customers” and “Interest income”, respectively, including an adjustment to amortization using the effective interest rate method.
4. Adjustment to expected credit losses on loans to customers resulted from the appropriate application of the loan provisioning method in accordance with IFRS 9.
5. Transfer of amortization of capitalized expenses related to the loan issue from “Operating expenses” to “Interest income” and transfer of capitalized expenses related to the loan issue from the separate “Capitalized expenses related to the loan issue” item to “Loans to customers”.
6. Reclassification of non-resident corporate tax liability from “Accounts payable” to “Other liabilities”.
7. Recognition of interest accrued on subordinated loans in “Subordinated loans” within equity rather than in “Loans and borrowings” within liabilities.

Where applicable, the Company also revised comparative financial information with regard to tax effect of the corrections described above. In addition, the Company revised respective notes to the financial statements with regard to the restated items.

*(thousands of tenge, unless otherwise indicated)***3. Restatement of comparative information (continued)****Statement of comprehensive income for the year ended 31 December 2019**

	<i>2019, before adjustments</i>	<i>Change in presentation</i>	<i>Error corrections</i>	<i>2019, after adjustments</i>
Income from financial services	5 734 810	(5 734 810)	–	–
Interest income	–	4 672 006	(213 394)	4 458 612
Finance expenses	(1 538 738)	–	(10 660)	(1 549 398)
Net expense from allowance for expected credit losses	(1 601 350)	31 932	(172 612)	(1 742 030)
Fee and commission income	–	807 707	–	807 707
Other income	–	265 781	–	265 781
Net gains/(losses) from foreign currencies	(189 758)	(37 146)	–	(226 904)
Operating expenses	(424 787)	9 827	54 419	(360 541)
General and administrative expenses	(257 476)	27 316	28 899	(201 261)
Other expenses	–	(2 866)	–	(2 866)
Other expenses and income, net	39 747	(39 747)	–	–
Profit before income tax expense	1 762 448	–	(313 348)	1 449 100
Income tax expense	(331 300)	–	62 670	(268 630)
Net profit	1 431 148	–	(250 678)	1 180 470
Total comprehensive income	1 431 148	–	(250 678)	1 180 470

Statement of financial position as at 31 December 2019

	<i>31 December 2019, before adjustments</i>	<i>Change in presentation</i>	<i>Error corrections</i>	<i>31 December 2019, after adjustments</i>
Assets				
Loans to customers	18 262 172	–	(1 018 608)	17 243 564
Capitalized expenses related to the loan issue	691 856	–	(691 856)	–
Other assets	203 534	–	98 224	301 758
Total assets	20 765 499	–	(1 612 240)	19 153 259
Liabilities				
Loans and borrowings	14 044 438	–	(479 421)	13 565 017
Deferred tax liabilities	115 830	–	(98 913)	16 917
Accounts payable	478 755	(52 968)	(115 048)	310 739
Deferred income	925 976	–	(925 976)	–
Other liabilities	126 132	52 968	–	179 100
Total liabilities	15 948 659	–	(1 619 358)	14 329 301
Equity				
Subordinated loans	2 584 845	–	402 770	2 987 615
Retained earnings / (accumulated losses)	1 111 844	–	(395 652)	716 192
Total equity	4 816 840	–	7 118	4 823 958
Total equity and liabilities	20 765 499	–	(1 612 240)	19 153 259

(thousands of tenge, unless otherwise indicated)

3. Restatement of comparative information (continued)**Statement of cash flows for the year ended 31 December 2019**

	<i>2019, before adjustments</i>	<i>Change in presentation</i>	<i>Error corrections</i>	<i>2019, after adjustments</i>
Profit/(loss) before tax	1 762 448	–	(313 348)	1 449 100
<i>Adjustments:</i>				
Interest expense	1 538 738	–	10 660	1 549 398
Net expense from allowance for expected credit losses	1 601 350	(31 932)	172 612	1 742 030
Interest income	–	–	1 088 788	1 088 788
Capitalization of long-term expenses related to the loan issue	(586 048)	–	586 048	–
Capitalization of fees for the loan issue	875 396	–	(875 396)	–
Profit before changes in the loan portfolio and working capital	4 854 656	(31 932)	669 364	5 492 088
<i>Adjustments:</i>				
Changes in accounts payable and other liabilities	246 483	–	(50 591)	195 892
Changes in accounts receivable and other assets	(143 788)	–	(98 224)	(242 012)
Net cash from operating activities, before changes in the loan portfolio	4 957 351	(31 932)	520 549	5 445 968
Changes in the loan portfolio	(13 946 655)	31 932	(433 240)	(14 347 963)
Net cash used in operating activities	(8 839 304)	–	87 309	(8 751 995)
Financing activities				
Proceeds from loans and borrowings, net, less guarantee deposit	9 795 981	–	(87 309)	9 708 672
Net cash from financing activities	9 171 792	–	(87 309)	9 084 483

Statement of financial position as at 31 December 2018

	<i>31 December 2018, before adjustments</i>	<i>Error corrections</i>	<i>1 January 2019 (restated)</i>
Assets			
Loans to customers	5 465 596	(125 989)	5 339 607
Capitalized expenses related to the loan issue	105 808	(105 808)	–
Deferred tax assets	2 046	36 243	38 289
Total assets	5 729 903	(195 554)	5 534 349
Liabilities			
Deferred income	50 580	(50 580)	–
Total liabilities	5 362 556	(50 580)	5 311 976
Equity			
Retained earnings / (accumulated losses)	(319 304)	(144 974)	(464 278)
Total equity	367 347	(144 974)	222 373
Total equity and liabilities	5 729 903	(195 554)	5 534 349

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention except for assets and liabilities at fair value, as described below.

(b) Functional and presentation currency

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

(c) Adoption of new or revised standards and interpretations

The below amendments to the standards became effective from 1 January 2020 but had no significant effect on the Company.

Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual reporting periods beginning on or after 1 January 2020)

The amended Conceptual Framework includes a new measurement chapter, recommendations on the preparation of the statement of financial position, improved definitions and recommendations, namely, definition of a liability, as well as clarifications of important areas, such as management responsibilities, prudence and estimation uncertainty in the financial statements.

Amendments to IFRS 3 Definition of a Business (issued in October 2018 and are applicable to acquisitions from the beginning of the reporting period starting on or after 1 January 2020)

The amendments change definition of a business. Business comprises inputs and processes applicable to such inputs that may facilitate creation of output. The amendments provide the conceptual framework for the assessment of whether there is an input or a process applicable to such input, including the companies in early stages of development that did not create output. One of the criteria for classification as a business where there is no output is the existence of the organized workforce. The definition of the output has been narrowed to focus on goods and services provided to customers and generation of the investment and other income. Additions in form of cost reductions and other economic benefits have been eliminated. The market participants' ability to replace missing elements or integrate the acquired types of activities and assets is no longer subject to assessment. An entity may apply the concentration test. Acquired assets do not constitute a business if substantially all of the fair value of the gross assets acquired is concentrated in a single asset (or a group of similar assets).

Amendments to LAS 1 and LAS 8: Definition of Material (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020)

The amendments clarify the definition of material and its application and include the conceptual provision that was previously mentioned in other IFRS. In addition, the clarifications to this definition were improved. The amendments also ensure increased consistency of all IFRS. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Amendments to IFRS 9, LAS 39 and IFRS 7 Interest Rate Benchmark Reform (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020)

The amendments were introduced due to the replacement of general interest rates, such as LIBOR, and other interbank offered rates ("IBOR rates"). The amendments provide temporary relief from the application of certain hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

Amendments to IFRS 16: Covid-19-Related Rent Concessions (issued in May 2020 and effective for annual periods beginning on or after 1 June 2020)

The amendments provide an optional practical expedient in accordance to which lessees may be exempt from the assessment of whether a COVID-19-related rent concession is a lease modification. The lessees may select to account for such rent concessions as if such concessions were not a lease modification. The practical expedient is only applicable to rent concessions provided directly in connection with the COVID-19 pandemic, if the following criteria are met: change in lease payments results in revised consideration for the lease that becomes less or substantially the same as the lease consideration immediately before such a change; the reduction in lease payments affect only payments due on or before 30 June 2021; there are no significant changes in other lease terms. The amendments had no impact on the right-of-use assets.

*(thousands of tenge, unless otherwise indicated)***4. Summary of significant accounting policies (continued)****(d) New and amended standards and interpretations not yet effective***IFRS 17 Insurance Contracts*

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

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

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

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

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

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

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

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

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

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued *Interest Rate Benchmark Reform – Phase 2 Amendments* to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2), to address the accounting issues which arise upon the replacement of an IBOR with a risk-free rate (RFR).

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to an RFR.

Changes to the basis for determining contractual cash flows as a result of the interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The Company does not plan to early apply these new standards and amendments to the existing standards.

(e) Significant assumptions and sources of estimation uncertainty

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

*(thousands of tenge, unless otherwise indicated)***4. Summary of significant accounting policies (continued)****(e) Significant assumptions and sources of estimation uncertainty (continued)**

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

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

Impairment of loans and accounts receivable

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

Key assumptions include the following:

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

Classification of subordinated loans from related parties

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

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

(f) Income from credit and financial activities

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(f) Income from credit and financial activities (continued)

From February through December 2020, the Company was engaged in issuing short-term payday loans (for up to 45 days), on 31 December 2020, the Company sold its accumulated short-term loan portfolio on market terms and ceased issuing short-term loans. In 2020, profit before tax from issuing short-term payday loans amounted to KZT 0,5 billion with income amounting to KZT 4,3 billion, provision expenses amounting to KZT 1,7 billion, operating expenses amounting to KZT 1,1 billion, administrative expenses amounting to KZT 0,3 billion and interest expense amounting to KZT 0,7 billion.

(g) Income tax

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

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

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

(h) Cash and cash equivalents

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

(i) Capitalized expenses related to the loan issue

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

(j) Financial assets

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

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

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

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

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

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

*(thousands of tenge, unless otherwise indicated)***4. Summary of significant accounting policies (continued)****(j) Financial assets (continued)**

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

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(k) Financial liabilities

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

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

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

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

Financial liabilities measured at amortized cost

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

(l) Impairment of financial assets

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

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

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

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

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

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

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

*(thousands of tenge, unless otherwise indicated)***4. Summary of significant accounting policies (continued)****(l) Impairment of financial assets (continued)**

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

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

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

(m) Property and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

*(thousands of tenge, unless otherwise indicated)***4. Summary of significant accounting policies (continued)****(o) Intangible assets**

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

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

(p) Share capital and dividends

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

(q) Contingencies

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

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

(r) Foreign currencies

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

	<i>31 December 2020</i>	<i>31 December 2019</i>
KZT to RUB	5,65	6,16
KZT to EUR	516,13	429,00
KZT to USD	420,71	382,59

5. Interest income

	<i>2020</i>	<i>2019 (restated)</i>
Loans to individuals maturing in less than three years	7 924 200	4 354 659
SME loans	1 323 764	103 952
Short-term loans to individuals (PDL)	3 031 134	—
Total	12 279 097	4 458 612

6. Fee and commission income and agent revenue**(1) Loans to individuals maturing in less than three years**

	<i>2020</i>	<i>2019 (restated)</i>
Sale of insurance services	2 213 548	614 209
Accrued fee and commission income	12 479	76 683
Total	2 226 027	690 892

*(thousands of tenge, unless otherwise indicated)***6. Fee and commission income and agent revenue (continued)****(2) SME loans**

	<i>2020</i>	<i>2019 (restated)</i>
Sale of insurance services	295 760	30 267
Accrued fee and commission income	2 748	86 548
Total	298 508	116 815

(3) Short-term loans to individuals (PDL)

	<i>2020</i>	<i>2019 (restated)</i>
Accrued fee and commission income	812 809	—
Total	812 809	—

7. Other income

	<i>2020</i>	<i>2019 (restated)</i>
Accrued penalties	681 447	247 484
Interest income on intragroup loans	13 006	—
Interest income on deposit	7 847	5 253
Other income	54 580	13 044
Total	756 880	265 781

8. Other expenses

	<i>2020</i>	<i>2019 (restated)</i>
Other expenses	54 921	2 866
Total	54 921	2 866

The Company charges fees for the provision of the microloan and includes such fees in the calculation of the effective interest rate.

Accident insurance is not an obligatory term to receive a microloan.

The company receives agency fees for concluding insurance agreements and recognizes income from such fees at the moment of the insurance agreement conclusion. Accrued penalties comprise forfeits provided for in the microloan agreement for non-compliance with the established payment terms.

9. Finance expenses

	<i>2020</i>	<i>2019 (restated)</i>
Interest expenses on loans attracted on regulated investment sites from banks and related parties	3 930 945	1 540 654
Interest expenses on unsecured bonds	332 929	—
Lease liabilities	14 020	8 744
Total	4 277 894	1 549 398

*(thousands of tenge, unless otherwise indicated)***10. Operating expenses**

	2020	2019 (restated)
Advertising and marketing	915 010	29 347
Rating and verification	382 965	35 176
Processing	313 709	171 360
Collector services	171 311	87 723
Customer support	147 054	36 935
Total	1 930 049	360 541

11. General and administrative expenses

	2020	2019 (restated)
Employee benefits	464 199	78 362
Professional services	182 950	1 165
Software maintenance	137 990	—
Taxes other than income tax	133 924	21 423
Moneyman trademark expenses	63 233	—
Depreciation of property and equipment and amortization of intangible assets	44 991	9 827
Bank fees and commissions	35 511	753
Payroll related taxes and charges	21 262	19 745
Other	177 710	69 986
Total	1 261 770	201 261

Professional services comprise, in particular, financial and management services and services related to investment raising. Professional services also include audit and legal services. Other administrative expenses include recruitment expenses, office management expenses and state duty charges.

12. Net losses from foreign currencies

	2020	2019
Dealing	(130 253)	(37 145)
Revaluation of currency forwards	1 737 900	—
Translation differences	(1 704 102)	(189 759)
Total	(96 455)	(226 904)

13. Cash and cash equivalents

	31 December 2020	31 December 2019
Cash balances on settlement and transit accounts	1 936 020	381 080
Cash in transit	179 839	37 990
Total cash and cash equivalents	2 115 859	419 070

Balances of cash and cash equivalents are not restricted.

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

14. Deposit

In December 2019, the Company placed a security deposit of KZT 1 143 921 thousand, or USD 3 million bearing an interest rate of 1% and maturing within 730 days. In accordance with the terms of the deposit agreement, the Company had the right to claim early repayment and used this right in Q2 2020. The deposit was used as collateral under the loan received.

*(thousands of tenge, unless otherwise indicated)***15. Loans to customers**

	<i>31 December 2020</i>	<i>31 December 2019 (restated)</i>
Loans to customers at amortized cost before allowance	38 066 544	19 317 549
Less: allowance for expected credit losses	(3 348 155)	(2 073 985)
Total loans to customers at amortized cost	34 718 389	17 243 564

Certain operating expenses related to the issue of long-term (for up to three years) loans are recognized within the effective interest rate. Such expenses primarily include direct marketing and processing expenses. The Company capitalizes such costs within loans to customers and further amortizes them based on the expected average maturity of the respective financial asset. As at 31 December 2020, the balance of capitalized costs amounted to KZT 629 460 thousand (31 December 2019: KZT 466 021 thousand). In 2020, amortization of previously capitalized expenses of KZT 288 452 million was recognized in the statement of profit or loss (31 December 2019: KZT 221 841 million).

Fees for the loan issue (charged up to 2020) are taken to future periods and are recognized as an adjustment to the effective rate considering the contractual maturity of the loan. Unrecognized fees for the loan issue as at 31 December 2019 amounted to KZT 1 135 409 thousand. In 2020, KZT 958 580 thousand was recognized within income. As at 31 December 2020, the balance of unrecognized fees for the loan issue was KZT 176 830 thousand. In 2020, no fees for the loan issue were accrued.

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

	<i>31 December 2020</i>	<i>31 December 2019 (restated)</i>
Allowance for expected credit losses at 1 January	(2 073 985)	(836 834)
Increase in allowance for expected credit losses	(4 930 300)	(1 773 964)
Write-offs	(53 473)	—
Disposal of allowance due to the sale of the portfolio	3 709 603	536 813
Allowance for credit losses at 31 December	(3 348 155)	(2 073 985)

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

An allowance was accrued as a result, among other factors, of recognition of the effect of the macro adjustment in the amount of KZT 113 589 thousand.

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

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount at 1 January 2020	17 525 191	502 655	1 289 703	19 317 549
New assets originated or purchased	53 964 225	—	—	53 964 225
Interest income accrued	11 470 389	506 756	1 009 826	12 986 971
Assets repaid	(38 294 556)	(699 062)	(790 289)	(39 783 907)
Assets sold	(2 170 409)	(643 546)	(5 585 819)	(8 399 774)
Transfers to Stage 1	147 475	(100 982)	(46 493)	—
Transfers to Stage 2	(2 337 044)	2 337 906	(862)	—
Transfers to Stage 3	(6 130 166)	(599 229)	6 729 395	—
Amounts written off	—	—	(18 520)	(18 520)
At 31 December 2020	34 175 105	1 304 498	2 586 941	38 066 544

*(thousands of tenge, unless otherwise indicated)***15. Loans to customers (continued)**

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL at 1 January 2020	(573 691)	(297 316)	(1 202 978)	(2 073 985)
New assets originated or purchased	(2 837 949)	—	—	(2 837 949)
Interest income accrued	(595 998)	(168 751)	(218 048)	(982 797)
Assets repaid	2 129 944	388 039	477 682	2 995 665
Assets sold	127 230	381 136	3 201 237	3 709 603
Transfers to Stage 1	(5 453)	3 734	1 719	—
Transfers to Stage 2	141 731	(141 763)	32	—
Transfers to Stage 3	2 850 155	250 714	(3 100 869)	—
Changes in models and inputs used for ECL calculations	(2 499 069)	(970 024)	(708 119)	(4 177 212)
Amounts written off	—	—	18 520	18 520
At 31 December 2020	(1 263 100)	(554 231)	(1 530 824)	(3 348 155)

Movements in the gross carrying amount and relevant ECL for the year ended 31 December 2019 are as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Gross carrying amount at 1 January 2019	5 314 481	204 441	657 519	6 176 441
New assets originated or purchased	24 415 381	—	—	24 415 381
Interest income accrued	3 972 599	(71 548)	(659 824)	3 241 227
Assets repaid	(13 243 714)	(311 017)	(305 891)	(13 860 622)
Assets sold	—	—	(654 878)	(654 878)
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	(877 023)	877 023	—	—
Transfers to Stage 3	(2 056 533)	(196 244)	2 252 777	—
Amounts written off	—	—	—	—
At 31 December 2019	17 525 191	502 655	1 289 703	19 317 549

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECL at 1 January 2019	(128 251)	(145 987)	(562 596)	(836 834)
New assets originated or purchased	(812 835)	—	—	(812 835)
Interest income accrued	(103 329)	(80 600)	(43 060)	(226 989)
Assets repaid	385 438	180 101	225 617	791 156
Assets sold	—	—	536 813	536 813
Transfers to Stage 1	—	—	—	—
Transfers to Stage 2	29 198	(29 198)	—	—
Transfers to Stage 3	879 881	83 962	(963 843)	—
Changes in models and inputs used for ECL calculations	(823 793)	(305 594)	(395 909)	(1 525 296)
Amounts written off	—	—	—	—
At 31 December 2019	(573 691)	(297 316)	(1 202 978)	(2 073 985)

16. Receivables from the sale of portfoliosAs at 31 December 2020, receivables on the sale of portfolios amounted to KZT 3 097 260 thousand. All sales were performed at arm's length. Maturities of these receivables are stated in *Note 26*.**17. Property and equipment and intangible assets**

Intangible assets with the net book value of KZT 403 776 thousand as at 31 December 2020 comprise expenses related to the purchase and modification of software modules. Before 2020, the Company used leased software.

(thousands of tenge, unless otherwise indicated)

18. Loans and borrowings

	<i>Effective interest rate</i>	<i>31 December 2020</i>	<i>31 December 2019 (restated)</i>
Loans attracted on regulated investment sites	9-21%	20 613 064	11 216 719
Bonds issued (KZT)	19%	3 835 159	–
Bonds issued (USD)	9%	2 777 527	–
Bank loans and credit facilities	12-13,75%	1 159 737	1 419 496
Loans from related parties (<i>Note 25</i>)	11,5-21,18%	2 605 215	928 802
Total loans and borrowings		30 990 702	13 565 017
Current portion of debt		7 178 917	6 819 377
Non-current portion of debt		23 811 785	6 745 640

Loans raised on regulated investment sites are subject to covenants. As at 31 December 2020 and 31 December 2019, the Company was in compliance with loan covenants.

On 20 August 2020, the Company placed bonds on Kazakhstan Stock Exchange (KASE), maturing within 2 years and bearing a coupon rate of 19% p.a. Coupon payments are performed quarterly, the maximum amount of the issue is KZT 4 billion. The nominal value of one bond is KZT 1 000.

On 29 September 2020, the Company placed bonds on Astana International Exchange (AIX), maturing within 2 years and bearing a coupon rate of 9% p.a. The maximum amount of the issue is up to KZT 7 million. The nominal value of one bond is USD 100, coupon payments are performed quarterly.

Details on the maturity profile of loans is provided in *Note 26*.

19. Income tax

	<i>2020</i>	<i>2019 (restated)</i>
Deferred tax	(25 635)	(55 206)
Corporate income tax	(768 465)	(213 424)
Total	(794 100)	(268 630)

The corporate income tax rate is 20%.

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

	<i>2020</i>	<i>2019 (restated)</i>
Profit before tax	3 244 117	1 449 100
Income tax at the statutory rate of 20%	(648 823)	(289 820)
Effect of non-taxable income and non-deductible expenses	(145 277)	21 190
	(794 100)	(268 630)

(thousands of tenge, unless otherwise indicated)

19. Income tax (continued)

Temporary differences between these financial statements and tax records gave rise to the following deferred income tax assets and (liabilities):

	<i>31 December 2020</i>	<i>Recognized in the statement of comprehensive income at 31 December 2020</i>	<i>31 December 2019 (restated)</i>
Deferred tax assets			
Derivatives	11 232	11 232	–
Total	11 232	11 232	–
Deferred tax liabilities			
Loans to customers	(9 966)	2 428	(12 394)
Property and equipment and intangible assets	(8 733)	(8 733)	–
Loans and borrowings	(35 085)	(30 562)	(4 523)
Total	(53 784)	(36 867)	(16 917)
Deferred tax assets (liabilities), net	(42 552)	(25 635)	(16 917)

20. Share capital

As at 31 December 2020, the Company's authorized share capital is KZT 1 120 151 thousand (31 December 2019: KZT 1 120 151 thousand). As at 31 December 2020, the Company's share capital was fully paid. In 2019, contributions of KZT 433 500 thousand were made to the share capital.

21. Right-of-use assets

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

	<i>2020</i>	<i>2019</i>
Cost at 1 January	37 207	44 649
Change in estimate	59 324	–
Depreciation charge	(16 093)	(7 442)
Net carrying amount at the end of the period	80 438	37 207

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

	<i>2020</i>	<i>2019</i>
Lease liabilities at 1 January	44 104	44 649
Change in estimate	59 324	–
Interest expense	14 020	8 744
Payments	(27 565)	(9 289)
Lease liabilities at the end of the period	89 883	44 104

22. Other assets and liabilities

As at 31 December 2020, other assets represent loans to related parties for up to one year, accounts receivable from an insurance company and outstanding amounts not transferred to the Company's accounts by a counterparty with respect to investments made on regulated investment sites. As at 31 December 2019, other assets represent short-term accounts receivable, including outstanding amounts not transferred to the Company's accounts by a counterparty with respect to investments made on regulated investment sites.

As at 31 December 2020 and 31 December 2019, other liabilities represent financial liabilities.

*(thousands of tenge, unless otherwise indicated)***23. Accounts payable**

	31 December 2020	31 December 2019 (restated)
Accounts payable to related parties (Note 25)	706 620	253 809
Underwriting services to issue bonds	41 014	–
Marketing services	30 351	13 454
Insurance premium payable	21 149	17 987
Rating and verification services	16 094	5 776
Collector services	12 559	3 233
Customer support services	7 151	1 784
Other accounts payable	16 722	14 696
Total	851 660	310 739

24. Derivatives

In 2020, the Company entered into currency forwards to manage its open currency position. This financial instrument is used to limit the Company's risk related to adverse changes in foreign exchange rates.

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

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

25. Related party transactions**(a) Transactions with the Parent and related parties**

During 2020 and 2019, the Company entered into the following transactions with the parent and related parties:

	2020	2019
Recognized in comprehensive income		
Interest income	13 006	–
Interest expense	1 500 300	422 518
Operating expenses	292 860	251 946
General and administrative expenses	470 610	9 267

Other types of transactions

Proceeds from loans and borrowings, including interest (incl. subordinated loans)	10 262 882	2 406 849
Repayment of loans and borrowings, including interest	5 920 016	1 533 126

As at 31 December 2020 and 31 December 2019, the Company had the following balances with related parties on all the agreements concluded:

	31 December 2020	31 December 2019
Derivatives	1 949 446	–
Receivables from the sale of portfolios	2 145 573	–
Other assets	615 009	–
Subordinated loans	6 507 170	2 987 615
Loans and borrowings	2 605 215	928 802
Accounts payable	706 620	253 809

Accounts payable to related parties represent outstanding currency forward commissions and outstanding amounts related to advertising services.

*(thousands of tenge, unless otherwise indicated)***25. Related party transactions (continued)****(a) Transactions with the Parent and related parties (continued)**

In December 2019, the Company entered into additional agreements on provision of loans from related parties for the total amount of KZT 2 987 615 thousand, according to which these loans are considered subordinated with respect to all of the Company's current and future liabilities. The Company is entitled, at its sole discretion, to suspend payments of the principal amount and interest at any time and for any period. In addition, the Company is entitled to unilaterally extend these agreements. During 2020, the Company raised new subordinated loans of KZT 3 519 555 thousand, less settlements made in 2020, on similar terms. In 2020, the Company paid interest at the date of subordinated loans (9 December 2019) in the amount of KZT 402 million.

(b) Compensation to key management personnel

The accrued compensation to the Company's top management taking in account the rotation of management staff, including salary, bonuses and termination benefits considering personal income tax, amounted to KZT 97 million and KZT 77 million for 2020 and 2019, respectively.

26. Financial risk management

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

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

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

(a) Credit risk

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

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

The credit risk management objectives are as follows:

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

	31 December 2020	31 December 2019 (restated)
Loans to customers	34 718 389	17 243 564
Receivables from the sale of portfolios	3 097 260	—
Cash and cash equivalents	2 115 859	419 070
Deposits	—	1 143 921
Other financial assets	966 220	301 758
Total financial assets	40 897 728	19 108 313

Cash and deposit

Under its credit risk and liquidity risk management, the Company regularly analyzes the financial stability of financial and banking institutions where it places cash and cash equivalents. Cash and cash equivalents and the deposit were placed with major banks in Kazakhstan rated from B- to BB+ (2019: from B- to BB).

*(thousands of tenge, unless otherwise indicated)***26. Financial risk management (continued)****(a) Credit risk (continued)*****Loan portfolio***

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

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

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

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

The aging analysis of loans is provided below.

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

(1) Loans to individuals

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

(2) SME loans

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

*(thousands of tenge, unless otherwise indicated)***26. Financial risk management (continued)****(a) Credit risk (continued)*****Loan portfolio (continued)***

As at 31 December 2019, loans to individuals were as follows (restated):

(1) Loans to individuals

	<i>Loans to customers</i>	<i>Allowance for credit losses</i>	<i>Loans to customers, less allowance</i>
Not overdue	15 077 304	(384 115)	14 693 189
Overdue 1-30 days	565 154	(160 647)	404 507
Overdue 31-60 days	348 419	(125 792)	222 627
Overdue 61-90 days	278 363	(136 806)	141 557
Overdue more than 90 days	1 724 272	(1 086 757)	637 515
Total principal	17 993 512	(1 894 117)	16 099 395
Interest and other accruals	407 889	(121 024)	286 865
Total principal, interest and other accruals	18 401 401	(2 015 141)	16 386 260

(2) SME loans

	<i>Loans to customers</i>	<i>Allowance for credit losses</i>	<i>Loans to customers, less allowance</i>
Not overdue	820 472	(19 784)	800 689
Overdue 1-30 days	23 561	(6 475)	17 086
Overdue 31-60 days	17 009	(6 288)	10 721
Overdue 61-90 days	10 874	(5 420)	5 454
Overdue more than 90 days	30 296	(17 518)	12 778
Total principal	902 212	(55 485)	846 728
Interest and other accruals	13 936	(3 359)	10 576
Total principal, interest and other accruals	916 148	(58 844)	857 304

(b) Liquidity risk

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

Liquidity is assessed:

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

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

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

Liquidity risk is managed through control over cash resource surplus/deficit, their distribution and redistribution among instruments depending on maturities, liquidity and return. Liquidity management requires analysis of the level of liquid assets which is necessary to settle liabilities when due; access to diversified finance sources; action plans in case of fund-raising problems and control over compliance of balance sheet liquidity ratios with the requirements of the National Bank of the Republic of Kazakhstan. As at 31 December 2020 and 31 December 2019, the relevant ratios exceeded thresholds.

*(thousands of tenge, unless otherwise indicated)***26. Financial risk management (continued)****(b) Liquidity risk (continued)**

The following tables show the distribution of undiscounted contractual cash flows on financial liabilities (including future interest payable) by their remaining contractual maturities:

<i>At 31 December 2020</i>	<i>Within 1 month</i>	<i>1 to 6 months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Carrying amount</i>
Financial assets						
Cash and cash equivalents	2 115 859	—	—	—	—	2 115 859
Derivatives	—	1 734 904	214 542	—	—	1 949 446
Loans to customers (net)	2 068 515	6 055 348	7 188 721	19 405 805	—	34 718 389
Receivables from the sale of portfolios	110 000	2 956 339	30 921	—	—	3 097 260
Other financial assets	354 024	605 744	6 452	—	—	966 220
Total financial assets	4 648 398	11 352 335	7 440 636	19 405 805	—	42 847 174
Financial liabilities						
Loans and borrowings	278 469	1 660 140	5 240 308	23 811 785	—	30 990 702
Accounts payable	91 617	705 264	54 779	—	—	851 660
Lease liabilities	1 574	8 251	10 796	54 963	14 299	89 883
Other financial liabilities	255 119	—	—	—	—	255 119
Total financial liabilities	626 779	2 373 655	5 305 883	23 866 748	14 299	32 187 364
Net liquidity gap at 31 December 2020	4 021 619	8 978 680	2 134 753	(4 460 943)	(14 299)	10 659 810
Cumulative liquidity gap at 31 December 2020	4 021 619	13 000 299	15 135 052	10 674 109	10 659 810	—

*(thousands of tenge, unless otherwise indicated)***26. Financial risk management (continued)****(b) Liquidity risk (continued)****At 31 December 2019**
(restated)

	<i>Within 1 month</i>	<i>1 to 6 months</i>	<i>6 months to 1 year</i>	<i>1 to 3 years</i>	<i>Over 3 years</i>	<i>Carrying amount</i>
Financial assets						
Cash and cash equivalents	419 070	—	—	—	—	419 070
Deposits	—	1 143 921	—	—	—	1 143 921
Loans to customers (net)	89 317	356 498	1 736 659	15 061 090	—	17 243 564
Other financial assets	301 758	—	—	—	—	301 758
Total financial assets	810 145	1 500 419	1 736 659	15 061 090	—	19 108 313
Financial liabilities						
Loans and borrowings	503 964	1 733 870	3 518 184	7 808 999	—	13 565 017
Accounts payable	137 856	172 883	—	—	—	310 739
Lease liabilities	629	2 898	3 040	15 326	22 211	44 104
Other financial liabilities	194	162 105	16 801	—	—	179 100
Total financial liabilities	642 643	2 071 756	3 538 025	7 824 325	22 211	14 098 960
Net liquidity gap at 31 December 2019	167 502	(571 337)	(1 801 366)	7 236 765	(22 211)	5 009 353
Cumulative liquidity gap at 31 December 2019	167 502	(403 835)	(2 205 201)	5 031 564	5 009 353	—

*(thousands of tenge, unless otherwise indicated)***26. Financial risk management (continued)****(c) Market risk**

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

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

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

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

	<i>31 December 2020</i>	<i>31 December 2019</i>
KZT/USD exchange rate, average for the period	413,4	382,9
Change in average exchange rate for the period	8,0%	11,0%
Effect on Company's profit before tax	(156 929)	81 641
KZT/EUR exchange rate, average for the period	471,8	428,6
Change in average exchange rate for the period	10,1%	5,4%
Effect on Company's profit before tax	(761 301)	(455 506)
KZT/RUB exchange rate, average for the period	5,74	5,92
Change in average exchange rate for the period	-3,1%	7,6%
Effect on Company's profit before tax	72 500	(55 298)

(d) Operational risk

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

27. Capital management

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

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

	<i>31 December 2020</i>	<i>31 December 2019 (restated)</i>
Total debt	30 990 702	13 565 017
Cash and cash equivalents	(2 115 859)	(419 070)
Deposit	—	(1 143 921)
Net debt	28 874 843	12 002 026
Equity	10 793 530	4 823 958
Equity to net debt ratio	0,37	0,40

*(thousands of tenge, unless otherwise indicated)***27. Capital management (continued)**

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

	<i>31 December 2020</i>	<i>31 December 2019 (restated)</i>
Loans to customers	34 718 389	17 243 564
Equity	10 793 530	4 823 958
Equity to loan portfolio ratio	0,31	0,28

28. Contingencies**(a) Litigation**

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

(b) Taxation

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

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

29. Financial assets and liabilities: fair values and accounting classifications**(a) Accounting classifications and fair value**

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

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

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

*(thousands of tenge, unless otherwise indicated)***29. Financial assets and liabilities: fair values and accounting classifications (continued)****(b) Fair value hierarchy**

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

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

At 31 December 2020	Valuation date	Fair value measurement using			Total
		Level 1 inputs	Level 2 inputs	Level 3 inputs	
Assets measured at fair value					
Derivatives	31 December 2020	—	1 949 446	—	1 949 446
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2020	—	2 115 859	—	2 115 859
Loans to customers at amortized cost	31 December 2020	—	—	34 718 389	34 718 389
Accounts receivable on assignment agreements	31 December 2020	—	—	3 097 260	3 097 260
Other financial assets	31 December 2020	—	—	966 220	966 220
Liabilities for which fair values are disclosed					
Loans and borrowings payable	31 December 2020	—	24 378 016	—	24 378 016
Debt securities issued	31 December 2020	6 612 686	—	—	6 612 686
Other financial liabilities	31 December 2020	—	—	1 196 662	1 196 662

		<i>Fair value measurement using</i>			
<i>At 31 December 2019</i>	<i>Valuation date</i>	<i>Level 1 inputs</i>	<i>Level 2 inputs</i>	<i>Level 3 inputs</i>	<i>Total</i>
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2019	—	419 070	—	419 070
Deposit	31 December 2019	—	1 143 921	—	1 143 921
Loans to customers at amortized cost	31 December 2019	—	—	17 243 564	17 243 564
Other financial assets	31 December 2019	—	—	301 758	301 758
Liabilities for which fair values are disclosed					
Loans and borrowings payable	31 December 2019	—	13 565 017	—	13 565 017
Other financial liabilities	31 December 2019	—	—	533 943	533 943

*(thousands of tenge, unless otherwise indicated)***29. Financial assets and liabilities: fair values and accounting classifications (continued)****(b) Fair value hierarchy (continued)**

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

	2020			2019		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>
Financial assets						
Cash and cash equivalents	2 115 859	2 115 859	—	419 070	419 070	—
Loans to customers at amortized cost	34 718 389	34 718 389	—	17 243 564	17 243 564	—
Accounts receivable on assignment agreements	3 097 260	3 097 260	—	—	—	—
Other financial assets	966 220	966 220	—	301 758	301 758	—
Financial liabilities						
Loans and borrowings payable	24 378 016	24 378 016	—	13 565 017	13 565 017	—
Debt securities issued	6 612 686	6 943 870	(331 184)	—	—	—
Other financial liabilities	1 196 662	1 196 662	—	533 943	533 943	—
Total unrecognized change in fair value			(331 184)			—

Valuation models and assumptions

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

Assets for which fair value approximates their carrying amount

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

Derivatives

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

Financial assets and financial liabilities at amortized cost

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

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

30. Events after the reporting period

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