Microfinance organization

FintechFinance LLP

Financial statements

For the year ended December 31, 2022

with Independent auditor's report

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for the preparation and approval of the financial statements
for the year ended December 31, 2022

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
for the preparation and approval of the financial statements

for the year ended December 31, 2022

The following statement, which should be read in conjunction with the independent auditor's responsibilities, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements Microfinance Organization Fintechfinance LLP (the "Company").

Management of the Company is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2022, the results of its operations, cash flows and changes in equity of the Company for the year ended December 31, 2022, in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether requirements of the accounting legislation of the Republic of Kazakhstan and IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Company;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- maintaining statutory accounting records and operations in compliance with the legislation of the Republic of Kazakhstan and the IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud, errors and other irregularities.

Signed and approved of issue on behalf of Management of the Company on June 09, 2023:

General Director

Mr Ustemirov B.

«МИКРОФИНАНСОВАЯ ОРГАНИЗАЦИЯ «ФИНТЕХФИНАНС»

Chief Accountant

Ms. Ismailova G. E.

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INDEPENDENT AUDITOR'S REPORT

To the Participants and Management of Microfinance Organization Fintechfinance LLP

Opinion

We have audited the financial statements of Microfinance Organization Fintechfinance LLP (the "Company"), which comprise the statement of financial position as at December 31, 2022, 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 (the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

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 responsibility for the audit of financial statements» section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements applicable to the audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility 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 have no realistic alternative but to do so.

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

Auditor's responsibility 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 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;
- obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The engagement partner on the audit resulting in this independent auditor's report is Yerlan Islambekov.

Yerlan Islambekov
Director
Baker Tilly Qazaqstan Audit LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan #20013143 issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated September 09, 2021

Yerlan Islambekov
Auditor

Auditor qualification certificate #МФ-0000185 dated May 29, 2014

June 09, 2023

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022

In thousands of Tenge	Notes	2022	2021
Revenue			
Interest income		**17 434 333**	12 684 824
Agency Commission Income	4	15 150 110	10 890 614
Other income	5	2 279 060	1 794 208
		5 163	2
Financial and operating expenses			
Interest expenses		**(14 171 403)**	**(10 056 159)**
Other financial expenses	6	(465 524)	(391 662)
Net expense from provisioning for expected credit losses	7	(88 233)	(23 899)
Operating expenses	12,17	(8 943 138)	(5 836 437)
General and administrative expenses	8	(2 903 477)	(3 018 005)
Operating profit	9	(1 771 031)	(786 156)
		3 262 930	**2 628 665**
Positive revaluation of investments		547 015	-
Net loss/(gain) on foreign exchange transactions		(1 029 390)	51 029
Other expenses		(1 104)	-
Profit before income tax expense		**2 779 451**	**2 679 694**
Corporate income tax expense	10	(520 122)	(517 025)
Net profit		**2 259 329**	**2 162 669**
Total comprehensive income		**2 259 329**	**2 162 669**

The notes to the financial statements form an integral part of these financial statements.

Signed and approved of issue on behalf of Management on June 09, 2023:

General Director

Mr Ustemirov B.

Chief Accountant

Ms. Ismailova G. E.

STATEMENT OF FINANCIAL POSITION
As of December 31, 2022

In thousands of Tenge	Notes	December 31, 2022	December 31, 2021
ASSETS			
Cash and cash equivalents	11	279 216	932 251
Loans issued to customers	12	5 714 253	5 954 712
Loans to related parties	18,19,22	6 205 862	500 329
Investments in subsidiaries	18	1 667 166	-
Other financial assets	15	1 086 327	451 392
Property, plant and equipment	13	142 890	91 274
Intangible assets	14	971 441	406 040
Prepaid income tax		38 194	
Other non-financial assets	15	217 415	277 857
TOTAL ASSETS		**16 322 764**	**8 613 855**
LIABILITIES			
Loans and credits	16	4 417 210	4 619 133
Derivative financial liabilities		-	36 874
Deferred tax liabilities		33 744	21 475
Current tax liabilities		467 748	492 977
Other financial liabilities	17	2 025 240	566 829
Other non-financial liabilities	17	113 971	168 198
TOTAL LIABILITIES		**7 057 913**	**5 905 486**
EQUITY			
Share capital	1	100 000	100 000
Subordinated loans		5 872 979	556 113
Retained earnings		3 291 872	2 052 256
TOTAL EQUITY		**9 264 851**	**2 708 369**
TOTAL EQUITY AND LIABILITIES		**16 322 764**	**8 613 855**

The notes to the financial statements form an integral part of these financial statements.

Signed and approved of issue on behalf of Management on June 09, 2023:

General Director

Mr Ustemirov B.

Chief Accountant

Ms. Ismailova G. E.

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2022

	Notes	Share capital	Subordinated loans	Retained earnings	Total equity
As at 31 December 2020		**100 000**	**544 547**	**14 587**	**659 134**
Total income for the period		–	–	2 162 669	**2 162 669**
Repayment of interest on subordinated loans		–	–		
Foreign exchange revaluation of subordinated loans		–		(113 434)	**(113 434)**
			11 566	(11 566)	–
As at 31 December 2021		**100 000**	**556 113**	**2 052 256**	**2 708 369**
Total income for the period		–	–	2 259 329	2 259 329
Raising subordinated loans		–	5 216 631		**5 216 631**
Repayment of interest on subordinated loans		–	–		
Foreign exchange revaluation of subordinated loans				(370 939)	**(370 939)**
Dividend payment		–	100 235	(100 235)	-
		–	–	(548 539)	**(548 539)**
As at 31 December 2022		**100 000**	**5 872 979**	**3 291 872**	**9 264 851**

The notes to the financial statements form an integral part of these financial statements.

Signed and approved of issue on behalf of Management on June 09, 2023:

General Director

Mustemirov B.

Chief Accountant

Ms. Ismailova G. E.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

In thousands of Tenge	Notes	2022	2021
OPERATING ACTIVITIES			
Profit before income tax		**2 779 451**	**2 679 694**
Adjustments:			
Interest income	4	(321 860)	(329)
Net expense from provisioning for expected credit losses	12	8 943 138	5 836 437
Interest expense on loans and borrowings	6	8 481	5 648
Change in fair value of financial instruments through profit or loss		88 233	24 902
Other reserves		(46 730)	(52 964)
Depreciation and amortization	9	197 042	113 550
Corporate income tax paid		(530 621)	(2 483)
Net loss/(gain) on foreign exchange transactions		1 036 286	(8 067)
Cash flows from operating activities before changes in loan portfolio and working capital		**12 153 420**	**8 596 388**
Increase in the amount of loans issued to customers		(8 468 491)	(9 050 751)
Increase/(decrease) in other liabilities		1 267 026	(1 368 969)
Increase in other assets		(827 641)	(718 599)
Net cash allocated to operating activities		**4 124 314**	**(2 541 931)**
INVESTING ACTIVITIES:			
Loans granted to related parties		(14 352 491)	(500 000)
Repayment of loans from related parties		8 802 460	–
Acquisition of a subsidiary net of cash received		(1 667 166)	–
Acquisition of fixed assets	13	(82 192)	(104 109)
Acquisition of intangible assets	14	(732 319)	(506 690)
Net cash allocated to investing activities		**(8 031 708)**	**(1 110 799)**

STATEMENT OF CASH FLOWS
For the year ended December 31, 2022

In thousands of Tenge	Notes	2022	2021
FINANCIAL ACTIVITIES			
Receipt of credits and loans		(1 018 367)	4 672 069
Attraction of subordinated loans		5 216 631	-
Interest paid on subordinated loans		(370 939)	(113 434)
Dividends paid		(548 539)	-
Payment of the main part of the lease obligations		(17 531)	(10 226)
Net cash received from financing activities		**3 261 255**	**4 548 409**
Net (decrease)/increase in cash and cash equivalents		**(646 139)**	**895 679**
Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents		(6 896)	(42 962)
Cash and cash equivalents at the beginning of the period	11	932 251	79 534
Cash and cash equivalents at the end of the period	11	**279 216**	**932 251**

The notes to the financial statements form an integral part of these financial statements.

Signed and approved of issue on behalf of Management on June 09, 2023:

General Director

Mr Ustemirov B.

Chief Accountant

Ms. Ismailova G. E.

1. GENERAL INFORMATION

Limited Liability Partnership "Microfinance Company "FintechFinance" (hereinafter referred to as the "Company") was registered on the territory of the Republic of Kazakhstan on the basis of the Minutes of the General Meeting of Participants dated July 23, 2020 and operates in accordance with the legislation of the Republic of Kazakhstan. The registered office of the Company is located at: Republic of Kazakhstan, 050012, Almaty, Seifullin Ave., 502.

Since January 1, 2020, the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market has been regulating and supervising the Company's field of activity. On March 29, 2021, the Company was issued a license for microfinance activities number 02.21.0052.M.

The company represents the MoneyMan trademark in the territory of Kazakhstan. The main activity of the Company is the provision of payday microcredits to individuals for up to 45 days. Microcredits to individuals are issued on the basis of credit scoring, without collateral and collateral. The Company's products are characterized by high availability in the regions, as well as the speed of approval and issuance.

In March 2022, 99% of the Company's authorized capital was acquired by IDF Eurasia (Kazakhstan) Limited. In July 2022, 1% of the share capital was acquired by Solva Group Ltd. As of the date of issue of the financial statements, contributions to the authorized capital of the company were as follows:

As of December 31, 2022, the founders of the Company are:

	December 31, 2022		December 31, 2021	
Name of the shareholder	**Share, %**	**Amount**	Share, %	Amount
IDF Eurasia (Kazakhstan) Limited	**99%**	**99,000**	–	–
Solva Group Ltd	**1%**	**100,000**	–	–
IDF HOLDING LTD	–	–	100%	100,000
	100%	**100,000**	100%	100,000

In March 2022, the Company acquired an aggregate 100% interest in MFO OnlineKazFinance LLP from related parties, IDF Eurasia Limited (1%) and OnlineMicrofinance LLC (99%). As at 31 December 2022, the investment in MFO OnlineKazFinance LLP is accounted for in these separate financial statements as an investment in a subsidiary.

These separate financial statements of the Company were approved for issue by the Company's management on 31 May 2023:

Conditions for conducting business activities in the Republic of Kazakhstan

The Company's activities are carried out in Kazakhstan. Accordingly, the Company's business is influenced by the economy and financial markets of Kazakhstan, which are characterized by characteristics of an emerging market. The legal, tax and administrative systems continue to evolve, however, they run the risk of ambiguous interpretation of their requirements, which are also subject to frequent changes. The presented financial statements reflect management's assessment of the possible impact of the existing conditions for the implementation of financial and economic activities on the results of operations and financial position of the Company. Subsequent developments in the operating environment may differ from management's estimate.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Compliance Statement

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

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

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

Going concern

These financial statements have been prepared on the assumption that the Company will be able to continue as a going concern for the foreseeable future.

The Company continues to operate and has no intention of liquidating or terminating operations in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting principles

The financial statements have been prepared in accordance with the historical cost principle, except for assets and liabilities carried at fair value.

b) Functional and presentation currency

The Company's functional currency is the Kazakhstani tenge, which, being the national currency of the Republic of Kazakhstan, best reflects the economic substance of most of the Company's transactions and related circumstances affecting its business. The Kazakhstani tenge is also the presentation currency for these financial statements. All figures presented in tenge have been rounded to the nearest thousand, unless otherwise indicated.

c) New and amended IFRSs effective for the current period

The Company has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the "IFRIC") which became effective for the Company's financial statement for the year ended December 31, 2022:

The amendment Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.;

IAS 37 Provisions, Contingent Liabilities and Contingent Assets

The Company applies the following new or revised standards and interpretations issued by the Committee on International Financial Reporting Standards and the Committee on Interpretations of International Financial Reporting Standards (hereinafter – "IFRSs"), which came into effect with respect to the Company's annual financial statements for the year ended December 31, 2022:

"Lease assignments related to the pandemic Covid-19, effective after June 30, 2021" – Amendment to IFRS 16

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) New and amended IFRSs effective for the current period (continued)

The amendment grants tenants an exemption from assessing whether a lease concession related to COVID-19 is a lease modification.

The amendment to IAS 37 Provisions, contingent liabilities and contingent assets onerous contracts

The amendment provides cost of fulfilling a contract. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).;.

The amendment to Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

(d) Annual improvements to IFRS, period 2018-2020

IAS 41 Agriculture

The amendment to IAS 41 removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

IAS 16 Property, plant and equipment

The amendment to IAS 16 Property, plant and equipment - proceeds before intended use. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

IFRS 9 Financial instruments

The amendment to IFRS 9 Financial instruments – clarifies which fees an entity includes when it applies the 10 per cent test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf;

IFRS 16 Leases

The amendment to IFRS 16 Leases - removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The adoption of the new or revised standards did not have significant effect on the financial position or performance of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New and revised IFRSs in issue but not yet effective

A number of new Standards and Interpretations has been issued and not yet adopted as at December 31, 2022 and had not been applied in preparation of these financial statements. Following Standards and Interpretations are relevant to operations of the Company. The Company intends to adopt these Standards and Interpretations from their effective dates. The Company has not analyzed potential effect of adoption of these standards on its financial statements.

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not mandatorily yet effective, and which the Company has not early adopted:

IFRS 17 Insurance contracts

IFRS 17 Insurance contracts requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Applicable to annual reporting periods beginning on or after January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2

Disclosure of Accounting Policies require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Annual reporting periods beginning on or after January 1, 2023.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors replace the definition of changes in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. Annual reporting periods beginning on or after 1 January 2023. .

Amendments to IAS 12 Income Taxes

Deferred Tax related to Assets and Liabilities arising from a Single Transaction clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Annual reporting periods beginning on or after January 1, 2023.

Amendment to IFRS 17 Leases

The amendments to initial Application of IFRS 17 Leases and IFRS 9 Financial Instruments — Comparative Information permit entities that first apply IFRS 17 and IFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. Annual reporting periods beginning on or after January 1, 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Significant assumptions and sources of uncertainty in estimates (continued)

The following are the main assumptions about the future and other main sources of uncertainty in the estimates at the end of the reporting period, which are likely to lead to significant adjustments in the carrying amount of assets and liabilities during the next financial year.

Impairment of loans and receivables

The Company regularly evaluates the existing debt on loans and receivables for impairment. The Company's provisions for loan impairment are created to recognize expected impairment losses in the loan portfolio and accounts receivable. The Company considers accounting estimates related to the provision for impairment of loans and receivables to be a key source of uncertainty in estimates due to the fact that (a) they are highly susceptible to changes from period to period, since assumptions about future loss rates and the assessment of potential losses on impaired loans and receivables are based on actual indicators available at the current date, and (b) if there is a significant difference between the estimated value of the loss and the losses actually incurred by the Company, the formation of reserves will be required, which may have a significant impact on the Company's financial statements in subsequent periods.

Key assumptions include the following:

- The Company continues to collect loans for 24 months after the delay.
- Management makes forecasts of the default level based on historical experience of losses on assets with credit risk characteristics and objective data on impairment for each category of delinquency. The Company uses management's estimates to adjust the available data on a group of loans to reflect current circumstances that are not taken into account in historical data.
- The Company believes that the financial instrument has defaulted when the borrower has overdue payments stipulated in the contract for 90 days.

Classification of subordinated loans received from related parties

In 2022, the Company attracted additional subordinated loans from related parties totaling 5,216,631 thousand tenge. In 2020, the Company attracted subordinated loans from related parties totaling 551,294 thousand tenge. The Company has the right, at its discretion, to suspend payments of principal and interest-bearing debt at any time and for any period. In addition, the Company has the right to unilaterally extend the validity of these contracts.

Taking into account the parameters of subordinated loans, the Company's management concluded that these instruments comply with the definition of an equity instrument, in accordance with IFRS 32.

(g) Income from credit and financial activities

Interest income is recorded in profit or loss using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of a financial instrument exactly to the gross carrying amount of a financial asset. When calculating the effective interest rate on financial instruments that are not acquired or created credit-impaired assets, the Company estimates future cash flows, taking into account all contractual terms of this financial instrument, but excluding expected credit losses. For acquired or created credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated using the amount of expected future cash flows, including expected credit losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Significant assumptions and sources of uncertainty in estimates

For financial assets that have 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, then the calculation of interest income is again carried out on the basis of gross book value.

Commission income and loan origination fees are reflected in the amount that the Company expects to receive in exchange for services rendered, and are recognized when or as the Company provides services to customers.

The company provides insurance agent services, offering life insurance policies of various insurance companies at its retail credit points of sale, and receives an agency commission in proportion to the insurance premiums issued. Since the purchase of a life insurance policy is voluntary and is not a condition for obtaining a loan, it does not affect the interest rate on the loan. Therefore, commission income on agency services is not considered part of the effective interest rate. The service is considered to be rendered in full after the insurance policy (insurance contract) is issued, therefore, the Company recognizes the commission at the same time when the obligation to perform is fulfilled, i.e. an insurance policy (insurance contract) is concluded.

(i) Income tax

The amount of income tax includes the amount of current tax and the amount of deferred tax. The amount of current tax is calculated based on the estimated taxable annual income using the tax rates in effect or substantially enacted at the reporting date, including adjustments for income tax for previous years.

Deferred tax assets and deferred tax liabilities are recognized in respect of temporary differences arising between the carrying amount of assets and liabilities determined for the purposes of their reflection in the financial statements and their tax base.

Deferred tax assets are recognized in respect of unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profit will be obtained from which they can be realized. The amount of future taxable profit is determined based on the amount of the corresponding taxable temporary differences to be restored. The amount of deferred tax assets is analyzed as of each reporting date and decreases to the extent that the realization of the corresponding tax benefits is no longer probable. Such write-offs are subject to recovery if the probability of future taxable profit increases. Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, free balances on bank accounts and funds in credit institutions with maturities of no more than 90 days from the date of occurrence, not encumbered by any contractual obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial assets

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

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

Fair value is the price that would have been received upon the sale of an asset or paid upon the transfer of a liability during a voluntary transaction between market participants at the valuation date. After initial recognition, the fair value of financial instruments measured at fair value that are quoted in an active market is determined as a quotation for the purchase of assets and a quotation for the sale of issued liabilities at the measurement date.

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

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

The discount rate reflects the minimum allowable return on invested capital, at which the investor will not prefer to participate in an alternative project to invest the same funds with a comparable degree of risk.

The main financial assets of the company are loans issued, accounts receivable and deposits concluded for a period of more than 3 months. The Company evaluates them at amortized cost, since both of the following conditions are met:

(a) the financial asset is held within the framework of a business model whose purpose is to hold financial assets in order to receive contractual cash flows; and

(b) the contractual terms of the financial asset stipulate the receipt of cash flows on the specified dates, which are exclusively payments against the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

(l) Financial liabilities

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

Initially, the Company measures a financial liability at its fair value less transaction costs that are directly attributable to the acquisition or issue of a financial liability.

The Company derecognizes financial liabilities only in the event of their repayment, cancellation or expiration of the claim on them.

When an existing financial liability is replaced by another liability to the same lender on substantially different terms, or the terms of an existing liability change substantially, such an exchange or change is accounted for as a write-off of the original liability and recognition of a new liability, and the difference in their carrying amounts is recognized in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) FINANCIAL liabilities (continued)

Financial liabilities carried at amortised cost

The composition of financial liabilities carried at amortised cost includes accounts payable on loans. Accounts payable on loans are recorded when counterparty financial institutions provide cash or other assets to the Company.

(m) Impairment of financial assets

Impairment losses on loans issued are calculated based on the model of forecasted expected credit losses (ECL). The provision for ECL is estimated at the amount of credit losses that are expected to occur over the life of the asset (expected credit losses for the entire term) if the credit risk for this financial asset has increased significantly since initial recognition.

Otherwise, the provision for losses will be estimated at an amount equal to 12-month expected credit losses. 12-month ECL is a part of the ECL for the entire term, representing the ECL that arise as a result of defaults on a financial instrument expected within 12 months after the reporting date. The full-term and 12-month ECL are calculated either on an individual basis or on a group basis, depending on the nature of the portfolio of financial instruments. The Company has established an assessment policy at the end of each reporting period as to whether there has been a significant increase in the credit risk of a financial instrument since initial recognition, by taking into account changes in the risk of default over the remaining life of the financial instrument. Based on the process described above, the Company groups the loans granted as follows:

Stage 1. Estimated loss allowance, estimated at an amount equal to 12-month expected credit losses. At this Stage, the Company includes contracts for which the following conditions are met: (1) the contract is not credit-impaired; (2) there is no significant increase in credit risk.

This Stage includes non-overdue loans, as well as loans with a delay of 1 to 30 days inclusive.

Stage 2. Estimated loss allowance, estimated in an amount equal to the expected credit losses for the entire term. At this Stage, the Company includes contracts for which the credit risk has increased significantly since the date of initial recognition, but which are not credit-impaired. The criterion for increasing credit risk is an increase in the level of delinquency. Loans with a delay of 31 to 90 days inclusive belong to this stage.

Stage 3. Estimated provision for losses on financial assets that are credit-impaired at initial recognition. The criterion for recognizing a loan as credit-impaired is a significant increase in loan delinquency (i.e. default). Loans with a delay of more than 90 days belong to this stage.The assessment of expected credit losses (ECL) is carried out on a group basis. The amount of expected credit losses under the contract is estimated based on the probability of default (PD), the Magnitude, exposure to default risk (EAD), as well as the level of default losses (LGD).

The probability of default (PD) is a calculated estimate of the probability of default over a given time interval. Default can occur only at a certain point in time during the period under review, if the asset has not been derecognized and it is still part of the portfolio.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets (continued)

The amount at risk of default (EAD) is an estimated estimate of the amount at risk of default at any date in the future, taking into account the expected changes in this amount after the reporting date, including payments of the principal amount of debt and interest stipulated by the contract or otherwise, repayment of loans issued and interest accrued as a result of late payments.

The default Loss Rate (LGD) is a calculated estimate of losses incurred in the event of default at a certain point in time. LGD is calculated as the difference between the contractual cash flows and the cash flows that the lender expects to receive. This indicator is usually expressed as a percentage in relation to EAD.

(n) Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and provision for impairment.

At each reporting date, the Company evaluates fixed assets for any signs of impairment. If such an indication is identified, management estimates the recoverable amount, which is determined as the largest of two values: the fair value less the cost of selling the asset and the value of its use. If the carrying amount of property, plant and equipment exceeds its estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount, and the difference is recorded as an impairment loss in the income statement.

Gains and losses arising from the disposal of fixed assets are determined on the basis of their carrying amount and are reflected as part of operating expenses in the income statement.

Repair and maintenance costs are recorded in the income statement as incurred.

Depreciation of fixed assets is accrued from the moment the facilities are ready for operation. Depreciation is charged on a straight-line basis over the useful lives of the assets.

Category of fixed assets	Useful life, months
Computers and peripherals	36 months
Machinery and equipment	36 months
Furniture	36 months
Other	36 months

(o) Lease agreements

In respect of contracts (or individual components of contracts) under which the right to control the use of an identified asset (as defined by IFRS 16 *"Lease"*) is transferred to the Company for a certain period in exchange for compensation, the Company recognizes the asset in the form of a right of use and the corresponding obligation at the date of commencement of the lease.

In accordance with the requirements of IFRS 16 "*Lease*", the Company does not apply this standard to lease agreements for a period of less than 12 months, taking into account economically feasible extensions, as well as to lease agreements of assets with a low initial cost.

The Company defines the lease term as a non-cancellable lease period together with periods for which an option to extend the lease is provided if there is sufficient confidence that the lessee will exercise this option; and periods for which an option to terminate the lease is provided if there is sufficient confidence that the lessee will not exercise this option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Lease agreements (continued)

At the commencement date of the lease, the Company estimates the lease liability at the present value of lease payments that have not yet been made at that date. Discounting is carried out mainly using the interest rate of attracting additional borrowed funds by the lessee, since the rate stipulated in the lease agreement, as a rule, cannot be easily determined.

At the commencement date of the lease, the Company evaluates the asset in the form of a right of use at cost, which includes the amount of the initial assessment of the lease obligation, lease payments at or before the commencement date of the lease, less any incentive lease payments received, any initial direct costs incurred by the lessee, an estimate of the costs that will be incurred by the lessee during dismantling and relocation of the underlying asset, restoration of the site on which it is located, or restoration of the underlying asset to the condition that is required in accordance with the terms of the lease.

Lease payments are evenly distributed between finance costs and the reduction of lease obligations to ensure a constant interest rate on the remaining liabilities. Financial expenses are reflected in the statement of comprehensive income..

(p) Intangible assets

Intangible assets include investments in software licenses and its adaptation to the needs of the client.

Intangible assets with finite useful lives acquired in separate transactions are carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation is accrued on a straight-line basis over the useful life of intangible assets. The expected useful lives and depreciation method are analyzed at the end of each reporting period, while all changes in estimates are reflected in accounting and reporting in subsequent periods.

(q) Share capital and dividends

The contributions of the participants of the partnership are included in the authorized capital.

(r) Contingent assets and liabilities

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

Contingent liabilities are not recognized in the statement of financial position, but are disclosed in the financial statements, unless an outflow of funds as a result of their repayment is unlikely.

(s) Foreign currency

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Foreign currency (continued)

Currency	Closing exchange rate		Average exchange rate	
	December 31, 2022	December 31, 2021	**2022**	2021
US Dollar	**462,65**	431,67	**460,48**	426,03
Euro	**492,86**	487,79	**484,22**	504,04
Russian Ruble	**6,43**	5,77	**6,96**	5,78

(t) Interest income and expenses

Interest income and expenses are recorded in profit or loss using the effective interest method. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of a financial instrument exactly up to:

- the gross carrying amount of the financial asset; or
- amortised cost of a financial liability.

The calculation of the effective interest rate includes transaction costs, as well as fees and amounts paid or received, which are an integral part of the effective interest rate. Transaction costs include additional costs directly related to the acquisition or issue of a financial asset or financial liability.

(u) Value added tax

Tax legislation provides for the repayment of value added tax (VAT) on sales and acquisitions on a net basis. Thus, VAT recoverable is VAT on purchases, less VAT on sales.

VAT payable

VAT payable is accrued in accounting on income from the sale of goods, works and services subject to VAT, in accordance with the Tax Code of the Republic of Kazakhstan. In addition, in cases where a provision for impairment of accounts receivable is accrued, the amount of impairment is accrued on the gross amount of debt, including VAT.

VAT recoverable

VAT recoverable is reflected in the accounting for purchased goods, works and services that were purchased with VAT and, if any, were used to generate income. At each reporting date, the amount of the VAT invoice to be refunded is offset against the amount of the VAT invoice to be paid.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Deductions from employee benefits

The Company pays social tax and social deductions in accordance with the tax legislation of the Republic of Kazakhstan at the rates of 9.5% and 3.5%, respectively, of wages and compulsory medical insurance (CSHI) at the rate of 3% from January 1, 2022, and also withholds and transfers CSHI contributions at the rate of 2% of the accrued income.
The company withholds 10% of its employees' salaries as contributions to their pension funds.
The Company also withholds income tax from employees' wages at a flat rate of 10%, and pays it to the budget of the Republic of Kazakhstan.

Estimated liabilities

Estimated liabilities are recognized if the Company has an existing obligation (legal or due to practice) arising as a result of a past event; an outflow of economic benefits that will be required to settle this obligation is probable, and a reliable estimate of the amount of such obligation can be obtained. If the Company expects to receive compensation for some or all of the estimated liabilities, for example, under an insurance contract, compensation is recognized as a separate asset, but only if the receipt of compensation is beyond doubt. The expense related to the estimated liability is reflected in the statement of profit or loss, net of reimbursement.

If the effect of the time value of money is significant, the estimated liabilities are discounted at the current pre-tax rate, which reflects, where applicable, the risks specific to the specific liability. If discounting is applied, the increase in the estimated liability over time is recognized as a financing cost.

4. INTEREST INCOME

For the year ended 31 December 2022 interest income is as follows:

In thousands of Tenge	2022	2021
Short-term loans to individuals (PDL)	14 808 021	10 873 881
Loans to related parties	321 860	329
Short term deposits	20 229	16 404
Total	**15 150 110**	**10 890 614**

5. AGENCY COMMISSION INCOME

For the year ended 31 December 2022, agency commission income is as follows:

In thousands of Tenge	2022	2021
Loans to individuals for up to 3 years		
Penalties on short-term loans to individuals (PDL)	2 057 821	1 415 547
Sale of insurance services	221 239	378 661
Total, commission and agency contracts	**2 279 060**	**1 794 208**

For the conclusion of insurance contracts, the Company receives agency fees and recognizes income from such fees at the time the insurance contract is entered into.

6. INTEREST EXPENSES

For the year ended 31 December 2022, interest expenses are as follows:

In thousands of Tenge	2022	2021
Interest expense on loans and credits	457 043	386 014
Interest expense on rent	8 481	5 648
Total	**465 524**	**391 662**

7. OTHER FINANCIAL EXPENSES

For the year ended 31 December 2022, other finance costs are as follows::

In thousands of Tenge	2022	2021
Revaluation of derivative financial liabilities	88 233	21 193
Commission	–	2 706
Total other finance costs	**88 233**	**23 899**

Other financial expenses for 2022 are represented by the cumulative financial result, which consists of a negative foreign exchange revaluation of derivative financial liabilities denominated in foreign currency in the amount of 152 725 thousand tenge (for 2021 a positive foreign exchange revaluation in the amount of 12 975 thousand tenge) as well as a positive financial result from operations with derivative financial instruments aimed at reducing foreign exchange risk in the amount of 64 392 thousand (for 2021 a negative result in the amount of 34 168 thousand tenge).

8. OPERATING EXPENSES

For the year ended 31 December 2022 operating expenses are as follows:

In thousands of Tenge	2022	2021
Advertising and marketing	1 592 005	1 593 464
Commission and agency	350 010	724 709
Collection services	590 061	326 042
Scoring and verification	322 116	237 743
Customer support	49 285	136 047
Total	**2 903 477**	**3 018 005**

9. GENERAL AND ADMINISTRATIVE EXPENSES

For the year ended 31 December 2022, general and administrative expenses are as follows:

In thousands of Tenge	2022	2021
Office expenses	817 996	178 187
Payroll and bonus expenses, taxes and payroll deductions	399 187	371 801
Amortization of intangible assets	166 918	100 865
Professional Services	129 324	98 988
Software maintenance	113 616	5 827
Depreciation of fixed assets	30 124	12 685
Bank commissions	21 556	13 095
Other	92 310	4 708
Total	**1 771 031**	**786 156**

10. CORPORATE INCOME TAX EXPENSE

In thousands of Tenge	2022	2021
Current income tax expense	(507 854)	(492 977)
Deferred income tax benefit	(12 268)	(24 048)
Income tax expense recognized in the statement of comprehensive income	**(520 122)**	**(517 025)**

The corporate income tax rate is 20%.
The amount of income tax calculated based on the current income tax rates and the amount of profit before tax differs from the amount of income tax recognized in profit or loss due to the following factors:

In thousands of Tenge	2022	2021
Profit before tax	**2 779 451**	**2 679 694**
Income tax calculated at the rate of 20% established by law	**(555 890)**	**(535 939)**
Interest expense on subordinated loans recognized in equity	90 040	24 554
Non-deductible expenses	(54 272)	(5 788)
Tax-free income	-	148
	(520 122)	**(517 025)**

10. CORPORATE INCOME TAX EXPENSE (CONTINUED)

Deferred taxes

December 31, 2021	January 1, 2021	Recognized in profit or loss as part of income tax expense	December 31, 2021
Fixed assets and intangible assets	(43)	(20 916)	(20 959)
Other liabilities	–	14 504	14 504
Other financial assets	2 616	(25 011)	(22 395)
Derivative financial liabilities	–	7 375	7 375
	2 573	***(24 048)***	**(21 475)**

December 31, 2022	January 1, 2022	Recognized in profit or loss as part of income tax expense	December 31, 2022
Fixed assets and intangible assets	(20 959)	(51 093)	(72 052)
Other liabilities	14 504	21 231	35 735
Other financial assets	(22 395)	24 968	2 573
Derivative financial liabilities	7 375	(7 375)	-
	(21 475)	**(12 269)**	**(33,744)**

11. CASH AND CASH EQUIVALENTS

For the year ended 31 December 2022, cash is as follows:

In thousands of Tenge	December 31, 2022	December 31, 2021
Cash on settlement and transit accounts	186 049	857 656
Money transfers on the way	93 167	55 775
Cash register	–	18 820
Total cash and cash equivalents	**279 216**	**932 251**

There are no restrictions on the use of cash and cash equivalents.

For the purposes of measuring expected credit losses, cash and cash equivalents are included in Stage 1. The expected credit losses on these balances are negligible, so the Company does not create a credit loss allowance for cash and cash equivalents.

12. LOANS ISSUED TO CUSTOMERS

For the year ended 31 December 2022 loans to customers are as follows:

In thousands of Tenge	December 31, 2022	December 31, 2021
Loans to individuals	10 248 681	9 294 488
Loans to customers measured at amortized cost before allowance	**10 248 681**	**9 294 488**
Allowance for expected losses on loans to individuals	(4 534 428)	(3 339 776)
Less: allowance for expected credit losses	**(4 534 428)**	**(3 339 776)**
Loans to individuals, total	5 714 253	5 954 712
Total loans to customers at amortized cost less allowance for expected losses	**5 714 253**	**5 954 712**

The table below shows the breakdown of the accrued and used reserve for credit losses for the reporting period:

In thousands of Tenge	2022	2021
At the beginning of the period	**(3 339 776)**	**(537 733)**
Creating a reserve	(8 708 950)	(5 836 437)
Disposal of the reserve in connection with the sale of the portfolio	6 757 043	2 874 005
Other changes in the reserve	757 255	160 389
At the end of the period	**(4 534 428)**	**(3 339 776)**

Stage 1 includes non-overdue loans, as well as loans with a delay of 1 to 30 days inclusive. Stage 2 includes loans with a delay of 31 to 90 days inclusive, Stage 3 includes loans with a delay of more than 90 days.

The following is an analysis of changes in gross balance value and related ECL for the twelve months ended December 31, 2022:

In thousands of Tenge	Stage 1	Stage 2	Stage 3	Total
Gross book value as of January 1, 2022	**5 319 133**	**1 962 942**	**2 012 413**	**9 294 488**
Newly created or acquired assets	36 349 789	–	–	**36 349 789**
Accrual of loans	14 081 473	2 782 885	1 483	**16 865 841**
Assets that have been repaid	(39 457 768)	(1 764 184)	(367 238)	**(41 589 190)**
Assets that have been sold	–	–	(9 991 794)	**(9 991 794)**
Other balance changes	(12 606)	(320 285)	(347 562)	**(680 453)**
Transfers to Stage 1	16 560	(16 560)	–	–
Transfers to Stage 2	(12 062 819)	12 069 413	(6 594)	–
Transfers to Stage 3	–	(12 638 775)	12 638 775	–
As of December 31, 2022	**4 233 762**	**2 075 436**	**3 939 483**	**10 248 681**

12. LOANS ISSUED TO CUSTOMERS (CONTINUED)

The following is an analysis of changes in gross book value and corresponding ECL for the twelve months ended December 31, 2022:

In thousands of Tenge	Stage 1	Stage 2	Stage 3	Total
ECL as of January 1 , 2022	**(631 284)**	**(1 257 312)**	**(1 451 179)**	**(3 339 775)**
Newly created or acquired assets	(3 523 094)	–	–	**(3 523 094)**
Assets that have been repaid	4 253 621	1 083 564	267 765	**5 604 950**
Assets that have been sold	–	–	6 757 043	**6 757 043**
Transfers to Stage 1	(10 171)	10 171	–	–
Transfers to Stage 2	1 300 394	(1 305 202)	4 808	–
Transfers to Stage 3	–	9 215 322	(9 215 322)	–
Other change in the reserve	(1 799 811)	(8 966 646)	732 905	**(10 033 552)**
As of December 31, 2022	**(410 345)**	**(1 220 103)**	**(2 903 980)**	**(4 534 428)**

The following is an analysis of changes in gross book value and corresponding ECL for the twelve months ended December 31, 2021:

In thousands of Tenge	Stage 1	Stage 2	Stage 3	Total
Gross book value as of January 1, 2021	**2 270 208**	**619 650**	**388 273**	**3 278 131**
Newly created or acquired assets	33 540 494	–	–	**33 540 494**
Accrual of loans	7 989 002	1 638 745	1 041	**9 628 788**
Assets that have been repaid	(31 161 335)	(885 131)	(977 850)	**(33 024 316)**
Assets that have been sold	–	–	(3 968 221)	**(3 968 221)**
Other balance changes	–	–	(160 388)	**(160 388)**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(7 319 236)	7 319 236	–	–
Transfers to Stage 3	–	(6 729 558)	6 729 558	–
As of December 31, 2021	**5 319 133**	**1 962 942**	**2 012 413**	**9 294 488**

In thousands of Tenge	Stage 1	Stage 2	Stage 3	Total
ECL as of January 1 , 2021	**(106 423)**	**(255 432)**	**(175 878)**	**(537 733)**
Newly created or acquired assets	(3 980 551)	–	–	**(3 980 551)**
Assets that have been repaid	2 574 759	737 926	318 222	**3 630 907**
Assets that have been sold	–	–	2 874 005	**2 874 005**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	605 874	(605 874)	–	–
Transfers to Stage 3	–	3 950 545	(3 950 545)	–
Other change in the reserve	275 057	(5 084 477)	(516 984)	**(5 326 404)**
As of December 31, 2021	**(631 284)**	**(1 257 312)**	**(1 451 180)**	**(3 339 776)**

13. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2022 property, plant and equipment are presented as follows:

In thousands of Tenge	Other fixed assets	Assets in the form of right of use	Total fixed assets
Balance value			
As at January 1, 2022	**46 680**	**57 226**	**103 906**
Additions	34 282	47 910	**82 192**
Disposals	(498)	–	**(498)**
As at December 31, 2022	**80 464**	**105 136**	**185 600**
Accumulated depreciation			
As at January 1, 2022	**(4 813)**	**(7 819)**	**(12 632)**
Depreciation charge	(19 373)	(10 751)	**(30 124)**
Depreciation on disposal	46	–	**46**
As at December 31, 2022	**(24 140)**	**(18 570)**	**(42 710)**
Residual value			
As at January 1, 2022	**41 867**	**49 407**	**91 274**
As at December 31, 2022	**56 324**	**86 566**	**142 890**

In thousands of Tenge	Other fixed assets	Assets in the form of right of use	Total fixed assets
Balance value			
As at January 1, 2021	-	-	-
Additions	46 883	57 226	**104 109**
Disposals	(203)	–	**(203)**
As at December 31, 2021	**46 680**	**57 226**	**103 906**
Accumulated depreciation			
As at January 1, 2021	–	–	–
Depreciation charge	(4 866)	(7 819)	**(12 685)**
Depreciation on disposal	53	-	**53**
As at December 31, 2021	**(4 813)**	**(7 819)**	**(12 632)**
Residual value			
As at January 1, 2021	–	–	–
As at December 31, 2021	**41 867**	**49 407**	**91 274**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The change in the net book value of assets in the form of right of use for 2022 and for 2021 is presented in the table below:

In thousands of Tenge	**2022**	2021
Net book value as of January 1, 2022	**49 407**	–
Impact of new contracts	47 910	57 226
Accrual of depreciation	(10 751)	(7 819)
Net book value as of December 31, 2022	**86 566**	**49 407**

The change in the carrying amount of lease obligations for 2022 and for 2021 is presented below:

In thousands of Tenge	**2022**	2021
Obligation under lease agreements as of January 1	**(51 131)**	–
Impact of new contracts	(49 426)	55 709
Modification	4 941	–
Interest expense	(8 481)	5 648
Payments	17 531	(10 226)
Obligation under lease agreements at the end of the period	**(86 566)**	**51 131**

14. INTANGIBLE ASSETS

As of December 31 , 2022, intangible assets are as follows:

In thousands of Tenge	**Software**
Balance value	
As of January 1 , 2022	**506 910**
Receipts/Disposals	732 319
As of December 31, 2022	**1 239 229**
Accumulated depreciation	
As of January 1 , 2022	**(100 870)**
Depreciation charges for the period	(166 918)
As of December 31, 2022	**(267 788)**
Residual value	
As at January 1, 2022	**406 040**
As at December 31, 2022	**971 441**

14. INTANGIBLE ASSETS (CONTINUED)

In thousands of Tenge	**Software**
Balance value	
As of January 1 , 2021	**220**
Receipts/Disposals	506 690
As of December 31, 2021	**506 910**
Accumulated depreciation	
As of January 1 , 2021	**(5)**
Depreciation charges for the period	(100 865)
As of December 31, 2021	**(100 870)**
Residual value	
As at January 1, 2021	**215**
As at December 31, 2021	**406 040**

15. OTHER ASSETS

As of December 31, 2022, other assets are as follows:

In thousands of Tenge	**December 31, 2022**	December 31, 2021
Other financial assets		
Acquired impaired assets	889 900	–
Settlements with Mentos	122 243	325 748
Insurance company accounts receivable	–	40 276
Other	74 184	85 368
Total other financial assets	**1 086 327**	**451 392**
Other non-financial assets		
Prepayment by guarantee	-	125 052
VAT recoverable	60 366	120 608
Short-term advances issued	77 248	23 129
Other	79 801	9 068
Total other non-financial assets	**217 415**	**277 857**
	1 303 742	**729 249**

16. LOANS AND CREDITS

As of December 31 , 2022 and 2021 , the following loans were provided:

In thousands of Tenge	**December 31, 2022**	December 31, 2021
Loans and credits issued through regulated trading platforms	1 998 820	4 619 133
Intra-group loans	2 418 390	–
Total	**4 417 210**	**4 619 133**

In thousands of Tenge	**Currency**	**Period**	**Remuneration rate**		**December 31, 2022**	December 31, 2021
MINTOS FINANCE SIA (Latvia)	Euro	02.02.2026	9% - 15% (per annum)	Loan	1 464 170	4 123 812
				Award	7 790	23 295
MINTOS FINANCE SIA (Latvia)	Tenge	02.02.2026	18%-22% (per annum)	Loan	521 262	239 272
				Award	5 598	2 415
MINTOS FINANCE SIA (Latvia)	Rubles	02.02.2026	15% - 18% (per annum)	Loan	–	228 605
				Award	–	1 734
MFO Onlinekazfinance LLP (Kazakhstan)	Tenge	09.03.2023	17,34% (per annum)	Loan	2 410 000	–
				Award	8 390	–
Total					**4 417 210**	**4 619 133**

MINTOS FINANCE SIA

The company has concluded a credit line with the regulated trading platform for issuing loans MINTOS FINANCE SIA, in the amount of 10,000,000 Euros with a maturity date until February 2, 2026. The interest rate on the loan is floating, the rates depend on the amount of the agreed loan. The funds were taken for the purpose of lending to individuals. In accordance with the terms of the agreement, repayment of the principal and interest is made monthly.

MFO Onlinekazfinance LLP

The company has concluded a loan agreement with MFO OnlineKazFinance LLP, in the amount of 3,000,000 thousand tenge with a maturity date until March 9, 2023. The interest rate on the loan is 17.34% per annum. The funds were taken for the purpose of replenishing working capital. In accordance with the terms of the agreement, repayment of the principal debt and interest is made on the expiration date of the loans.

16. LOANS AND CREDITS (CONTINUED)

The changes in liabilities arising from financial activities are presented below:

In thousands of Tenge	**2022**	2021
As of January 1	**4 619 133**	1 056
Receipt of loans	**2 865 610**	1 786 000
Repayment of loans	**(950 000)**	(1 571 706)
Netting	**–**	(215 294)
Accrual of remuneration	**455 202**	386 014
Remuneration paid	**(113 864)**	(66 383)
Receipt of Mintos loans	**9 896 172**	21 813 577
Offsetting on Mintos loans	**(12 843 636)**	(17 356 838)
CIT expenses (at the source of payments)	**(60 875)**	(56 417)
Loss (gain) from the impact of foreign exchange differences	**549 468**	(100 876)
As of December 31	**4 417 210**	4 619 133

17. OTHER LIABILITIES

As of December 31 , 2022 and December 31 , 2021 , the Company has the following balances with related parties for all concluded contracts:

In thousands of Tenge	**December 31, 2022**	December 31, 2021
Other financial liabilities		
Accounts payable to suppliers and contractors	**1 717 153**	515 404
Lease obligations	**86 566**	51 131
Financial guarantee	**66 747**	–
Other	**154 774**	294
Total other financial liabilities	**2 025 240**	566 829
Other non-financial liabilities		
Estimated liabilities	**108 223**	46 561
Other	**5 748**	121 637
Total other financial liabilities	**113 971**	168 198
Total other liabilities	**2 139 211**	735 027

18. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, related parties are considered to be parties, one of which has the ability to control or exercise significant influence on the financial and operational decisions of the other party, as defined in *IAS 24 Disclosure of information about related Parties*. When deciding whether the parties are related, the content of the relationship between the parties is taken into account, and not only their legal form.
For the purposes of presenting these financial statements, the related parties of the Company are key management personnel and organizations in which a significant share belongs, directly or indirectly, to the key management personnel of the Company, as well as participants and organizations controlled by participants.

During 2022 and 2021, the Company carried out the following transactions with the parent company and related parties:

In thousands of tenge	**2022**	2021
Interest income	**321 860**	**329**
Companies in the same group with this company	321 860	329
Interest expense	**(138 778)**	**(195 681)**
Companies in the same group with this company	(138 778)	(195 681)
Other financial expenses	**(88 233)**	**(92 653)**
Companies in the same group with this company	(88 233)	(3 839)
Parent company	–	(88 813)
General expenses	**(550 963)**	**(604 031)**
Companies in the same group with this company	(550 963)	(604 031)
Administrative expenses	**(181 221)**	**(241 727)**
Companies in the same group with this company	(116 643)	(197 013)
Key management personnel	(64 578)	(44 714)

In thousands of tenge	**2022**	2021
Net losses on foreign currency transactions	**–**	**(36 874)**
Parent Company	–	(36 874)

General and administrative expenses include consulting services, software maintenance services and payroll expenses.

18. RELATED PARTY TRANSACTIONS (CONTINUED)

As of December 31 , 2022 and December 31 , 2021 , the Company has the following balances with related parties for all concluded contracts:

In thousands of Tenge	**December 31, 2022**	December 31, 2021
Loans issued to related parties	**6 205 862**	**500 329**
Companies in the same group with this company	6 205 862	500 329
Subordinated loans	**(5 872 979)**	**556 113**
Companies in the same group with this company	(5 872 979)	556 113
Investments in subsidiaries	**1 667 166**	–
Companies in the same group with this company	1 667 166	–
Accounts receivable for settlements with related parties	**963 156**	**85 321**
Companies in the same group with this company	963 156	85 321
Derivative financial liabilities	**–**	**(36 874)**
Parent company	–	(36 874)
Accounts payable for settlements with related parties	**(1 020 074)**	**(125 103)**
Companies in the same group with this company	(1 020 074)	(125 103)

Related parties may enter into transactions that would not be conducted between unrelated parties.
The prices and terms of such transactions may differ from the prices and terms of transactions between unrelated parties.

Remuneration of key management personnel

The total amount of remuneration to key management personnel included in administrative expenses in the statement of comprehensive income for the year ended December 31, 2022 is 64,578 thousand tenge (2021:44,714 thousand tenge).

19. FINANCIAL RISK MANAGEMENT

The general management of risk management is carried out by the General Director. Its competence, in particular, includes: 1) approval of the basic principles of risk management and assessment of the adequacy of the Company's organizational structure to these principles; 2) monitoring the activities of the Company's risk management units, identifying weaknesses in risk management and taking appropriate measures.
Financial risk management is carried out through the establishment of limit restrictions on operations, compliance with which is mandatory for the relevant departments and officials of the Company authorized to conduct these operations.
The Company's structural divisions regularly compile management reporting forms that provide the Company's management bodies with the information necessary for decision-making. The main risks listed below are managed and assessed by the Company on an ongoing basis.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk

The Company assumes credit risk, namely the risk that the borrower will not be able to repay the debt in full on time. When performing operations that carry credit risk, restrictions on credit risk are established in the form of setting limits on borrowers / credit products / other sections of the loan portfolio. At the same time, the Company automated the process of managing limits and restrictions in order to timely monitor and eliminate the causes of increased credit risk.

The purpose of credit risk management is to minimize the Company's losses due to non-fulfillment by borrowers of their obligations and maximize the profitability of the Company taking into account credit risk.
Credit risk management tasks:

- analysis and assessment of credit risks;
- determining the magnitude of risks;
- credit risk management;
- monitoring the effectiveness of credit risk management.

In thousands of Tenge	**December 31, 2022**	December 31, 2021
Loans to customers	5 714 253	5 954 712
Loans issued to related parties	6 205 862	500 329
Cash and cash equivalents	279 216	932 251
Other financial assets	1 086 327	451 392
Total financial assets	**13 285 658**	**7 838 684**

Cash and deposit

As part of credit risk and liquidity risk management, the Company regularly analyzes the financial stability of financial and banking institutions in which it places cash and cash equivalents. Cash and cash equivalents were placed in large banks of Kazakhstan with a credit rating from B to A+.

The following is a classification of the Company's other non-past due and non-impaired financial assets by credit ratings:

December 31, 2022	**A+**	**BB+**	**BB-**	**B+**	**B**	**No rating**	**Total**
Cash and cash equivalents	**31**	**39 937**	**24 056**	**2 192**	**47 833**	**59 297**	**173 346**
Shinhan Bank Kazakhstan JSC	31	–	–	–	–	–	**31**
Halyk Bank of Kazakhstan JSC	–	39 937	–	–	–	–	**39 937**
JSC "ForteBank"	–	–	24 056	–	–	–	**24 056**
JSC "Bank CenterCredit"	–	–	-	2 192	-	–	**2 192**
Nurbank JSC	–	–	–	–	46 824	–	**46 824**
JSC "Eurasian Bank"	–	–	–	–	1 005	–	**1 005**
JSC "Bank Freedom Finance"	–	–	–	–	4	–	**4**
Cash	–	–	–	–	–	–	–
Money is on the way	–	–	–	–	–	59 297	**59 297**
Loans issued to related parties	–	–	–	–	6 373 304	–	**6 373 304**
Total	**31**	**39 937**	**24 056**	**2 192**	**6 421 137**	**59 297**	**6 546 650**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

December 31, 2021	A+	BB+	B	No rating	Total
Cash and cash equivalents	**30**	**581 316**	**276 310**	**74 595**	**932 251**
Shinhan Bank Kazakhstan JSC	30	–	–	–	**30**
Halyk Bank of Kazakhstan JSC	–	581 316	–	–	**581 316**
JSC "Bank CenterCredit"	–	–	843	–	**843**
Nurbank JSC	–	–	275 467	–	**275 467**
Cash	–	–	-	18 821	**18 821**
Money is on the way	–	–	-	55 774	**55 774**
Loans issued to related parties	–	–	**500 329**	–	**500 329**
Total	**30**	**581 316**	**776 639**	**74 595**	**1 432 580**

When distributing assets by rating groups, the ratings of the international rating agency S&P were used, and in its absence, Fitch and Moody's.

Loan portfolio

The company uses a multi-factor system for evaluating loans to customers.

The development, updating and monitoring of compliance with credit risk restrictions in the Company is carried out by the Risk Management Service. When assessing the risk level for all assets exposed to credit risk, a portfolio approach is used, when the risk level is assessed by a pool of homogeneous loans combined into portfolios, without analyzing individual loans (individual approach). The fundamental criterion for combining loans into one portfolio is the product under which they are provided: a consumer loan to individuals for up to three years.

When assessing the loan portfolio, the Risk Management Service evaluates the concentration of risk in the loan portfolio. Concentration takes many forms and occurs when a significant number of loans have similar characteristics. The Company takes into account the diversification of the loan portfolio according to a number of criteria, the key of which are: urgency, the number of requests from the borrower, the established interest rates, the number of days overdue.

The main aspect of assessing the quality of the Company's loan portfolio is the analysis of the level of overdue principal debt: it regularly analyzes the volume and dynamics of overdue principal debt in order to monitor the compliance of actual indicators with planned ones.
The analysis of loans by the terms that have elapsed since the payment was delayed is presented below.

Loans to individuals as of December 31, 2022:

Loans to individuals	Loans to customers	Provision for credit losses	Loans to customers, net of provision
Overdue	3 086 163	(299 117)	2 787 046
Overdue for a period of 1-30 days	1 147 599	(111 228)	1 036 371
Overdue for a period of 31-90 days	2 075 436	(1 220 103)	855 333
Overdue for more than 90 days	3 939 483	(2 903 980)	1 035 503
Total principal debt	**10 248 681**	**(4 534 428)**	**5 714 253**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

Loans to individuals as of December 31, 2021:

Loans to individuals	Loans to customers	Provision for credit losses	Loans to customers, net of provision
Overdue	3 719 608	(79 343)	3 640 265
Overdue for a period of 1-30 days	1 599 524	(551 923)	1 047 601
Overdue for a period of 31-90 days	1 962 943	(1 257 313)	705 630
Overdue for more than 90 days	2 012 413	(1 451 197)	561 216
Total principal debt	**9 294 488**	**(3 339 776)**	**5 954 712**

(b) Liquidity risk

Liquidity risk is the risk of a mismatch between the terms of a claim for active transactions and the maturities of obligations.
Liquidity assessment is carried out:

- depending on the number of assets available to the Company and the possible timing of their implementation without significant losses for the Company;
- depending on the existing obligations, their maturity dates and the dynamics of changes in the number of obligations over time.

A position is considered risky if liquid assets and the projected inflow of financial resources are insufficient to fulfill obligations for a certain period of time.
Coordination of liquidity management activities is carried out by the CEO or his Deputy, by monitoring short-term, medium-term and long-term liquidity.
Liquidity risk is regulated by controlling the deficit/excess of monetary resources, distribution and redistribution of monetary resources by instruments, depending on the maturity dates, the degree of their liquidity and the level of profitability. Liquidity management requires an analysis of the level of liquid assets required to settle liabilities at maturity; providing access to various sources of financing; availability of plans in case of problems with financing and monitoring compliance of balance sheet liquidity ratios with the requirements of the legislation of the National Bank of the Republic of Kazakhstan. As of December 31, 2022 and as of December 31, 2021, the performance indicators of the standards exceeded the threshold values.

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The tables below show the distribution of discounted contractual amounts of cash flows for financial assets and financial liabilities of the Company by contractual terms remaining to maturity:

As of December 31, 2022	Within 1 month	From 2 to 3 months	From 4 months to 1 year	From 1 year to 2 years	More than 2 years	Book value
Financial assets						
Cash and cash equivalents	279 216	–	–	–	–	279 216
Loans to customers	4 751 406	962 847	–	–	–	5 714 253
Loans issued to related parties	2 065 045	-	21 663	-	4 119 154	6 205 862
Other financial assets	196 427	889 900	-	-	-	1 086 327
Total financial assets	**7 292 094**	**1 852 747**	**21 663**	**-**	**4 119 154**	**13 285 658**
Financial obligations						
Loans and credits	2 007 210	2 410 000				4 417 210
Other financial liabilities	909 371	564 617	453 243	14 123	83 886	2 025 240
Total financial liabilities	**2 916 581**	**2 974 617**	**453 243**	**14 123**	**83 886**	**6 442 450**
Net liquidity position as of December 31, 2022	**4 375 513**	**(1 121 870)**	**(431 580)**	**(14 123)**	**4 035 268**	**6 843 208**
Total liquidity position as of December 31, 2022	**4 375 513**	**3 253 643**	**2 822 063**	**2 807 940**	**6 843 208**	

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

As of December 31, 2021	Within 1 month	From 2 to 3 months	From 4 months to 1 year	From 1 year to 2 years	More than 2 years	Book value
Financial assets						
Cash and cash equivalents	932 251	–	–	–	–	932 251
Loans to customers	5 884 345	70 367	–	–	–	5 954 712
Loans issued to related parties	500 329	–	–	–	–	500 329
Other financial assets	451 392	–	–	–	–	451 392
Total financial assets	**7 768 317**	**70 367**	**–**	**–**	**–**	**7 838 684**
Financial obligations						
Loans and credits	4 619 133	–	–	–	–	4 619 133
Other financial liabilities	477 398	15 253	32 097	11 812	30 269	566 829
Total financial liabilities	**5 096 531**	**15 253**	**32 097**	**11 812**	**30 269**	**5 185 962**
Net liquidity position as of December 31, 2021	**2 671 786**	**55 114**	**(32 097)**	**(11 812)**	**(30 269)**	**2 652 722**
Total liquidity position as of December 31, 2021	**2 671 786**	**2 726 900**	**2 694 803**	**2 682 991**	**2 652 722**	**–**

19. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The tables below show the distribution of undiscounted contractual cash flows for financial liabilities (including future interest payments) Companies by contractual terms remaining until maturity:

As of December 31, 2022	Within 1 month	From 2 to 3 months	From 4 months to 1 year	From 1 year to 2 years	More than 2 years	Book value
Financial obligations						
Loans and credits	2 007 210	2 410 000	–	–	–	**4 417 210**
Other financial liabilities	909 371	564 617	453 243	14 123	83 885	**2 025 239**
Total financial liabilities	**2 916 581**	**2 974 617**	**453 243**	**14 123**	**83 885**	**6 442 449**

As of December 31, 2021	Within 1 month	From 2 to 3 months	From 4 months to 1 year	From 1 year to 2 years	More than 2 years	Book value
Financial obligations						
Loans and credits	4 619 133	–	–	–	–	4 619 133
Other financial liabilities	477 398	16 755	38 308	18 991	36 522	587 974
Total financial liabilities	**5 096 531**	**16 755**	**38 308**	**18 991**	**36 522**	**5 207 107**

19. 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 parameters. Given that the Company does not attract or issue instruments with floating interest rates, as well as does not attract equity instruments, the company's Management assesses the impact of changes in the exchange rate as a key market parameter affecting the Company's future cash flows.

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

The Company manages currency risk by balancing financial assets and financial liabilities denominated in Russian rubles, US dollars and euros. The company also hedges currency risk by entering into forward contracts for the currency subject to the greatest volatility.

Currency risk is assessed monthly using sensitivity analysis. The table below shows the change in the Company's profit before tax, taking into account the historical volatility of currencies against tenge and the currency position at the end of each reporting period. Such an analysis assumes that all other parameters, in particular interest rates, remain unchanged.

	December 31, 2022	December 31, 2021
US dollar to tenge exchange rate, average for the period	460,85	426,03
Change in the average exchange rate for the period	8,2%	3,1%
Effect on the Company's profit before taxation	(8 293)	(1 629)
Euro to tenge exchange rate, average for the period	485,28	504,04
Change in the average exchange rate for the period	(3,7%)	6,8%
Effect on the Company's profit before taxation	63 241	(265 672)
Ruble to tenge exchange rate, average for the period	6,92	5,78
Change in the average exchange rate for the period	19,7%	0,8%
Effect on the Company's profit before taxation	(73 238)	(2 330)

(d) Operational risk

Operational risk is the risk arising from a system failure, personnel errors, fraud or external events. When the control system ceases to function, operational risks can harm reputation, have legal consequences or lead to financial losses. The Company cannot assume that all operational risks have been eliminated, but with the help of a control system and by tracking and responding appropriately to potential risks, the Company actively manages such risks. The control system provides for effective separation of responsibilities, access rights, approval and reconciliation procedures, staff training, as well as evaluation procedures, including internal audits.

20. CAPITAL MANAGEMENT

The main task of the Company's management in relation to capital management is to ensure business continuity and maximize shareholder returns by maintaining an optimal ratio of own and borrowed funds, as well as the quality of the loan portfolio.
During 2022 and 2021, the Company complied with the legal requirements for the level of capital adequacy.

Prudential requirements

As of December 31, 2022 and 2021, the Company has fulfilled the requirements for prudential standards established by the National Bank of the Republic of Kazakhstan.

- minimum amount of authorized capital;
- minimum amount of equity;
- equity capital adequacy;
- maximum amount of risk per borrower;
- leverage ratio.

Name of the standard	Regulatory requirements	December 31, 2022	December 31, 2021
Requirements for the minimum size of the authorized capital	70 000	100 000	100 000
Minimum equity requirements	100 000	9 264 851	2 708 369
Equity capital adequacy requirements	>10%	42%	19%
Requirements for the maximum amount of risk per borrower	<0,25	0,1722949	0,184734
Leverage ratio requirements	<10	0,45	1,36

21. CONTINGENT LIABILITIES

(a) Pending litigation

In the course of carrying out its normal activities on the market, the Company faces various types of legal claims. The Company's management believes that the final amount of the Company's liabilities arising as a result of litigation (if any) will not have a material negative impact on the financial conditions or results of the Company's activities in the future.

(b) Taxation

The tax system of Kazakhstan, being relatively new, is characterized by frequent changes in legislative norms, official explanations and court decisions, often vaguely stated and contradictory, which allows for their ambiguous interpretation by various tax authorities, including conclusions concerning the accounting of income, expenses and other items in financial statements in accordance with the requirements of IFRS. Checks and investigations regarding the correctness of the calculation of taxes are carried out by several regulatory bodies that have the right to impose large fines and charge penalties. The correctness of the calculation of taxes can be verified within the next five calendar years, however, under certain circumstances, this period may increase.

21. CONTINGENT LIABILITIES (CONTINUED)

(b) Taxation (continued)

The Company's management, based on its understanding of the applicable tax legislation, regulatory requirements and court decisions, believes that tax liabilities are fully reflected.

Kazakhstan's tax legislation and regulatory legal acts are subject to constant changes and various interpretations. There are frequent cases of differences of opinion between local, regional and republican tax authorities. The system of fines and penalties currently applied for detected offenses on the basis of the laws in force in Kazakhstan is very severe. Penalties include fines - usually in the amount of 50% of the amount of additionally accrued taxes, and penalties accrued at the refinancing rate set by the National Bank of Kazakhstan multiplied by 2.5.

As a result, the amount of penalties and penalties may be several times higher than the amount of additional taxes to be assessed. Financial periods remain open for review by the tax authorities for 5 (five) calendar years preceding the year in which the audit is conducted. Under certain circumstances, the checks may cover longer periods. Due to the uncertainty inherent in the Kazakh taxation system, the final amount of taxes, penalties and penalties, if any, may exceed the amount charged to the present and accrued as of December 31, 2022.

Management believes that as of December 31, 2022, its interpretation of the applicable legislation is appropriate and it is likely that the Company's position on taxes will be confirmed, with the exception of those accrued in these financial statements.

22. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS

(a) Accounting classifications and fair value

The fair value measurement is aimed at determining the price that would be received upon the sale of an asset or paid upon the transfer of a liability in terms of an operation carried out in an organized market between market participants at the valuation date. However, given the uncertainty and the use of subjective judgments, fair value should not be interpreted as being realized as part of an immediate sale of assets or transfer of liabilities.

The fair value of financial assets and financial liabilities traded in an active market is based on market quotations or dealer prices. The Company determines the fair value of all other financial instruments of the Company using other valuation methods. Nevertheless, due to the existing uncertainties and the subjectivity of estimates, the fair value should not be considered as the value at which the immediate sale of assets or the fulfillment of obligations can be made.
The estimated value of all financial instruments is approximately equal to their book value.

22. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

(b) Hierarchy of fair value estimates

The Company estimates fair value using the following hierarchy of fair value estimates, taking into account the materiality of the data used in the formation of these estimates:

- Level 1: quotes in an active market (unadjusted) in relation to identical financial instruments.
- Level 2: data other than quotes related to Level 1, available directly (i.e. quotes) or indirectly (i.e. data derived from quotes). This category includes instruments that are evaluated using: market quotations in active markets for similar instruments, market quotations for identical or similar instruments in markets not considered as active, or other valuation methods, all data used which are directly or indirectly based on observable source data.

- Level 3: Data that is not available. This category includes instruments that are valued using information that is not based on observable market data, despite the fact that such unobservable data have a significant impact on the valuation of the instrument. This category includes instruments valued on the basis of quotations for similar instruments for which the use of significant unobservable adjustments or judgments is required to reflect the difference between the instruments.

	Fair value measurement using			
As of December 31, 2022	**Level 1 source data**	**Level 2 source data**	**Level 3 source data**	**Total**
Cash and cash equivalents	279 216	–	–	279 216
Loans issued to customers	–	5 714 253	–	5 714 253
Loans issued to related parties	–	6 205 862	-	6 205 862
Other financial assets	–		1 086 327	1 086 327
Total financial assets	**279 216**	**11 920 115**	**1 086 327**	**13 285 658**
Liabilities measured at fair value				
Derivative financial liabilities	–	–	–	–
Liabilities whose fair value is disclosed				
Loans and credits received	–	4 417 210	–	4 417 210
Other financial liabilities	–	–	2 025 240	2 025 240
Total financial liabilities	**–**	**4 417 210**	**2 025 240**	**6 442 450**

	Fair value measurement using			
As of December 31, 2021	**Level 1 source data**	**Level 2 source data**	**Level 3 source data**	**Total**
Cash and cash equivalents	932 251	–	–	932 251
Loans issued to customers	–	5 954 712	–	5 954 712
Loans issued to related parties	–	500 329	–	500 329
Other financial assets	–	–	451 392	451 392
Total financial assets	**932 251**	**6 455 041**	**451 392**	**7 838 684**
Liabilities measured at fair value				
Derivative financial liabilities	–	–	36 874	36 874
Liabilities whose fair value is disclosed				
Loans and credits received	–	4 619 133	–	4 619 133
Other financial liabilities	–	–	566 829	566 829
Total financial liabilities	**–**	**4 619 133**	**603 703**	**5 222 836**

22. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUE AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

(b) Hierarchy of fair value estimates (continued)

Valuation models and assumptions

The models and assumptions used to determine the fair value of assets and liabilities carried at fair value in the financial statements, as well as items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed, are described below.

Assets whose fair value is approximately equal to their carrying amount

In the case of financial assets and financial liabilities that are liquid or have a short maturity (less than three months), it is assumed that their fair value is approximately equal to the carrying amount. This assumption also applies to demand deposits and savings accounts with no fixed maturity.

Derivative instruments

Derivatives, the value of which is determined using valuation models, the initial data for which are observed in the market, are forward currency contracts. The valuation model includes a forward pricing model using present value calculations. The model combines various initial data, including the credit quality of counterparties, forward and spot exchange rates, as well as interest rate curves.

Financial assets and financial liabilities carried at amortised cost

The fair value of quoted bonds is based on quotations at the reporting date. The fair value of unquoted instruments, loans to customers, funds in credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using the rates currently existing on debt with similar conditions, credit risk and maturity.

During the reporting period, there was no movement of financial assets and liabilities between levels.

23. SUBSEQUENT EVENTS

Sanctions against the Russian Federation

In February 2022, a number of new sanctions against the Russian Federation were announced. Due to the growing geopolitical tensions, a significant increase in volatility in the stock and currency markets is expected. It is expected that these events may affect the activities of companies in various sectors of the economy. The Company's management is currently analyzing the possible impact of these events on the Company's financial position and results of operations.

Regulation legislation on bankruptcy of individuals

On March 3, 2023, the law on bankruptcy of individuals came into force, which will allow individuals to use the bankruptcy procedure for overdue debts in microfinance organizations and second-tier banks of the Republic of Kazakhstan. For microfinance companies, this may mean an increase in the number of non-payments and an increase in the risks of loss of borrowed funds, a reduction in the loan portfolio. Moreover, microfinance companies may be forced to conduct a more thorough analysis of borrowers' creditworthiness and tighten the conditions for issuing loans, which may lead to a decrease in the number of borrowers.