ANNUAL REPORT

SOLVA

2020

SOLVA.KZ

Company Profile

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

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

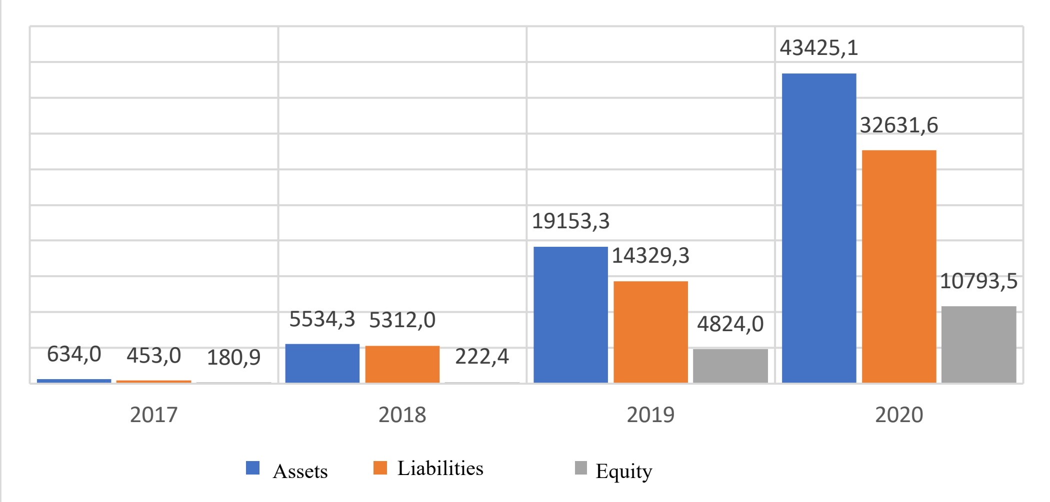
The Company promotes Solva trademark in Kazakhstan. The Company's primary activities include provision of microloans to individuals and small and medium entities (SMEs) in the amount from KZT 200 000 to KZT 4 000 000, with maturities ranging from 6 months to 5 years, bearing interest rates not exceeding threshold established by the National Bank of the Republic of Kazakhstan. Microloans to individuals and SMEs are issued on the basis of the credit rating without collateral. The Company's products are highly affordable in the regions and are approved and issued very quickly. The specifics of the Company's business model is that it is the first digital microfinance company in Kazakhstan that provides loans up to three years online.

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

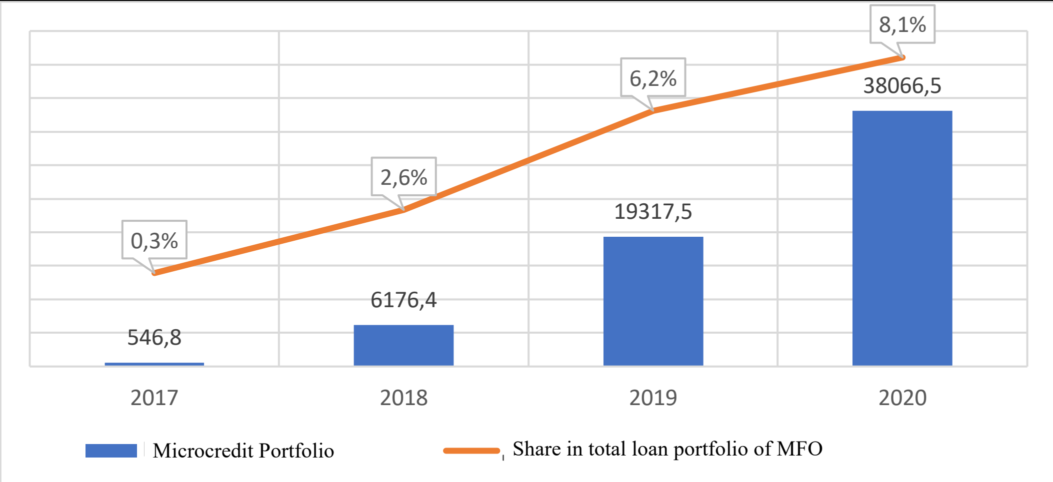
To avoid risks, the finance organization, in addition to regular instruments, actively uses all possible parameters to analyze the borrower, such as fraud scoring, behavioral biometrics and digital footprint on the Internet. In 2020, over 7 700 entrepreneurs became the clients of the Company. SME loans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

Key Indicators

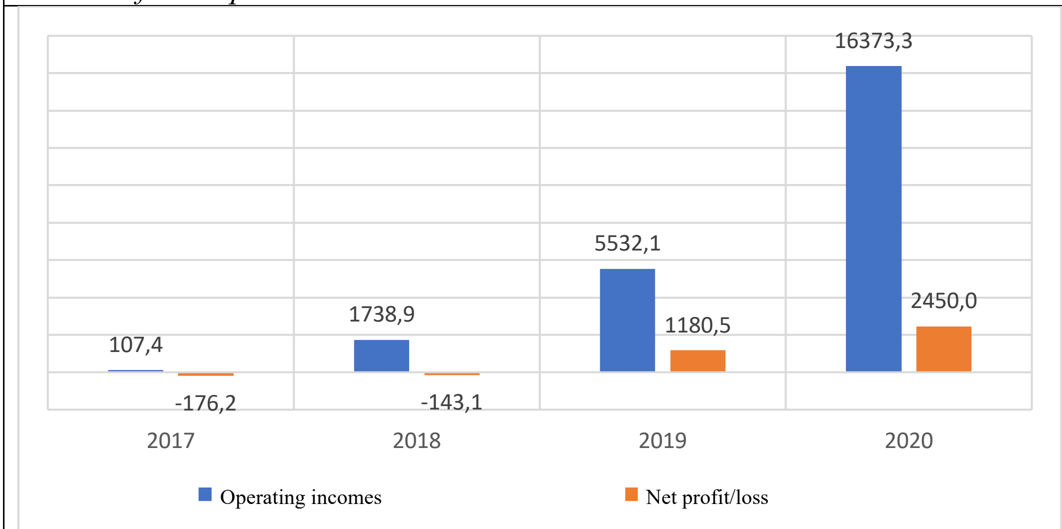
Assets, liabilities and equity
KZT mln in arrears



Loan Portfolio
KZT mln in arrears



Revenue
KZT mln for the period



Key Events of the Reporting Year

January	The Company received the prestigious Industry Leader 2019 award for its significant contribution to the state budget and high financial performance. The Company's achievements have been recognized in the National Business Rating of Kazakhstan based on the results of an independent study.
August	The Company has successfully placed a bond issue at a coupon rate of 19% per annum for a total of 4 billion tenge on the floor of the Kazakhstan Stock Exchange.
September	The Company received the prestigious Industry Leader 2020 award for its significant contribution to the state budget and high financial performance. The Company's achievements have been noted in the National Business Rating of Kazakhstan based on the results of an independent study. The Company was awarded a gold medal among enterprises according to the ratings 'Contribution to the State Budget' and 'Proof of Efficiency'.
	The Company successfully placed a bond issue on the floor of the Astana International Exchange (AIX) with a maturity of 2 years and a coupon of 9% per annum, the issue volume amounted to 7 million dollars.

Address of the General Director

Dear investors, customers, readers!

OnlineKazFinance Microfinance Company LLP has the honour to present to you its first annual report in which we have tried to reflect the main aspects of the activities of our Company.

OnlineKazFinance is part of the IDF Eurasia group, leading credit intelligence platform in the region. Based on a large amount of high-quality data, and unique long-term experience in risk underwriting and credit portfolio management, the company is able to offer end to end credit management directly to consumers via digital finance products and as a B2B solution. We provide digital and transparent financing solutions to individuals and SMEs. As a flagship of the financial and technological transformation in Eurasia, we offer suitable and affordable credit services for people and businesses at their fingertips. We use the most advanced technology, adhere to the responsible credit granting principles and promote sustainable financial development of the society.

OnlineKazFinance is one of the fastest growing microfinance organizations in Kazakhstan. The portfolio of microcredits issued by the Company in 2020 more than doubled in absolute terms and reached 38.1 billion tenge. According to the National Bank of Kazakhstan, the share of the Company's loan portfolio in the total loan portfolio of MFOs increased from 6.2% to 8.1%. As of 31 December 2020, the Company was the largest alternative unsecured lending platform in Kazakhstan in terms of assets and loan portfolio.

In 2020, we continued to drive top-line and bottom-line simultaneously with revenues first-time-ever hitting 16 373 million while profits topped 2 450 million. With operational efficiency increased significantly in 2020, we became particularly focused on diversification of financing sources and foreign exchange risk management. As a responsible business, OnlineKazFinance continues to set the tone for the whole non-banking financial industry in Kazakhstan – together with the government, we have recently introduced a series of first-in-Kazakhstan free-of-charge training on financial literacy across several cities. We believe that financial inclusion should be backed by improving awareness and financial literacy to achieve a secure future and a better standard of living for local communities.

Following the debut bonds issue, we have achieved higher diversification of funding sources and a lower average interest rate – this will be a foundation for higher margins in future periods. Throughout year 2020, the interest expense margin was 12% reflecting our approach to match the loan portfolio increase with financing at a constant rate. Conservative debt-to-equity structure with equity reaching 29% of the total assets provides more stability on the market amidst challenging environment.

As a market leader in the segment in Kazakhstan, we are strategically focused on two major sub-sectors: microloans to SME (small and medium enterprise) and personal installment loans, where the company sees untapped growth potential.

It should be emphasized that the Company owes much of its success to you, our customers and investors. Together we will be able to withstand any crisis and achieve dizzying success!

Kind regards,
General Director
OnlineKazFinance Microfinance Company LLP
Anna Maximova

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INFORMATION ABOUT COMPANY

COMPANY BACKGROUND

COMPANY'S BUSINESS MODEL

Information about Company

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Company Background

2016	On 1 August 2016, OnlineKazFinance Microfinance Company LLP was registered in the Republic of Kazakhstan
2017	OnlineKazFinance Microfinance Company LLP began to provide microcredits under the Solva trademark
	In accordance with notification of the National Bank of the Republic of Kazakhstan No.KZ41VGY00000314 dated 17 April 2017, the Company was entered in the register of microfinance organizations of the Republic of Kazakhstan on 17 April 2017 under No.05.17.006
2019	The Company expanded its activities in the direction of the customers being the small and medium-sized businesses and launched a new product – a loan for representatives of small and medium-sized businesses ('SMEs').
2020	On 27 August 2020, the Company successfully placed a bond issue at a coupon rate of 19% per annum for a total of 4 billion tenge on the floor of the Kazakhstan Stock Exchange.

	On 29 September 2020, the Company successfully placed a bond issue on the floor of the Astana International Exchange (AIX) with a maturity of 2 years and a coupon of 9% per annum, the issue volume amounted to 7 million dollars.

Company's Business Model

Lending areas	Lending principles	Trademarks/Online services
➢ Lending to SMEs, loan amount up to 4 million tenge ➢ Consumer lending to individuals for up to 3 years, loan amount from 200 thousand to 2 million tenge ➢	➢ Fast – simple registration with a minimum number of certificates, ➢ No collateral – no need to mortgage property or attract guarantors, ➢ Convenient – no need to visit the office – an application can be made online, ➢ For any purpose – business development, replenishment of working capital or cash gap.	➢ **Solva** is an online service for consumer lending and lending to micro and small businesses. The brand was launched in the territory of Kazakhstan in 2017. 1 million borrowers used the service ➢

DEVELOPMENT STRATEGY

MISSION AND VISION

CORPORATE VALUES

Development Strategy

Mission and Vision

Company's Mission:
To become No1 digital credit solution for individuals and SMEs driving financial inclusion and sustainable development of financial sector in Kazakhstan.
Vision of a Place in the Industry:
The Company intends to retain its leading position in SME and consumer lending in Kazakhstan.

Corporate Values

In its activities, the Company is guided by the following values:

- Responsible Lending: We are confident that a lender should not mislead a customer using fine print and other tricks. Using a customer-oriented approach, we do not just provide quick processing of user requests through technical support service.
- Compliance with the Laws: The Company actively interacts with national and international financial regulators to create a regulatory environment in the interests of consumers of financial services and companies. The priority of the Company is strict compliance with the requirements of the Kazakhstan legislation.
- Implementation of Advanced Technologies: services and experience of the Company are provided using advanced and high-tech innovative solutions, including artificial intelligence, computer-aided learning, Big Data, behavioural biometrics and others.
- Increasing the Level of Financial Literacy: the use of the Company's products and services implies an increase in the financial literacy of its customers; the Company regularly holds events aimed at improving the financial literacy of the Kazakhstanis.
- Charity and Social Responsibility: The company regularly provides various types of support to the low-income population, provides financial assistance to young sportsmen, and supports veterans. We carry out this activity independently and in partnership with various charitable organizations.

Strategic Priorities for 2021-2024

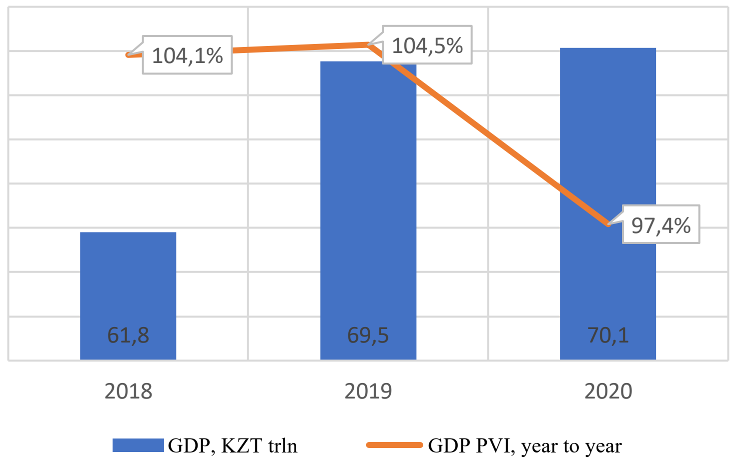
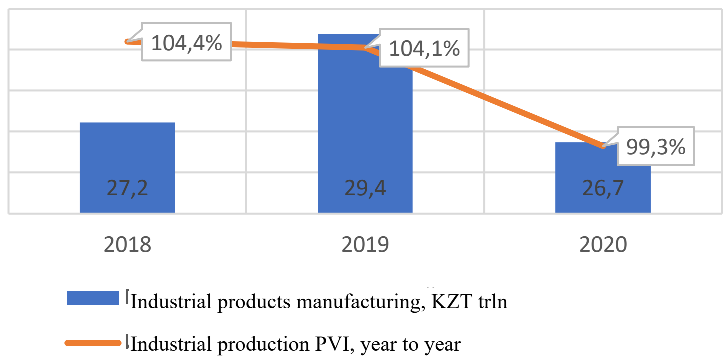
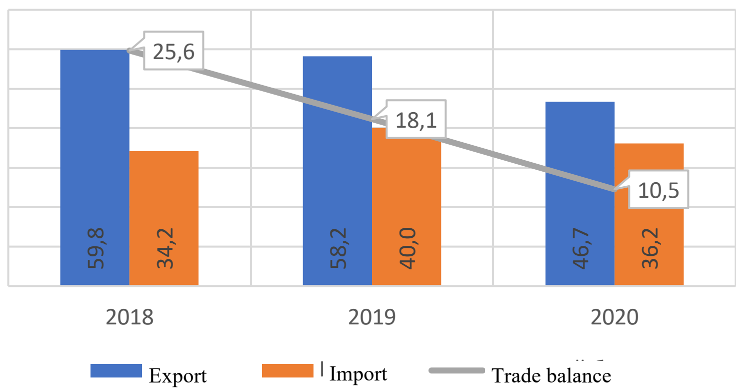
Strategic Priority I: To achieve unconditional leadership in lending to SMEs using advanced financial technologies	➢ Serving micro and small businesses using consumer products for business needs and having difficult access to bank financing; ➢ Refinancing loans under the better conditions; ➢ Focus on online channels; ➢ Development of a partner network;

	➢ Meeting all the needs of borrowers, including covering cash gaps, replenishment of working capital and long-term financing; ➢ Full automation assuming a decision to issue a loan made in no more than 5 minutes; and ➢ Improving operating efficiency through the implementation of automated and robotic solutions.
Strategic Priority II: To achieving unconditional leadership in the consumer microcredit market	➢ Increasing customer awareness of the product; ➢ The most convenient conditions for the customer; ➢ Focus on online attraction channels, including mobile applications; ➢ Consumer loyalty: an increase in the number of repeat customer requests, including through bonus programs; ➢ Using exclusive data for scoring; and ➢ Improving operating efficiency through the implementation of automated and robotic solutions.

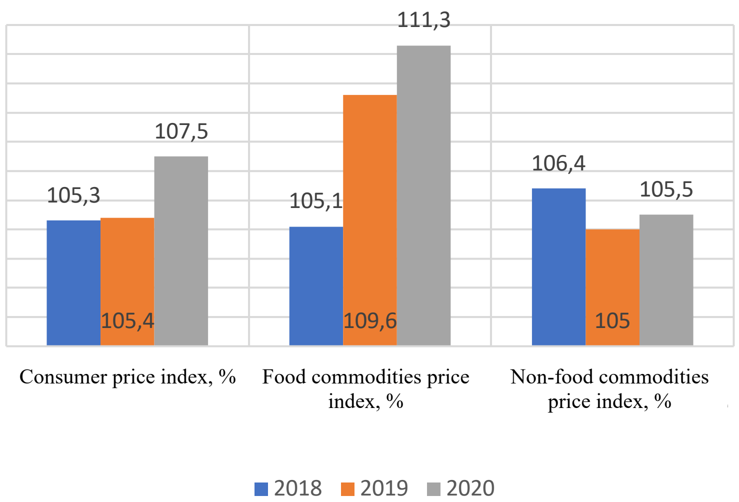
PERFORMANCE

Performance

Macroeconomic Environment

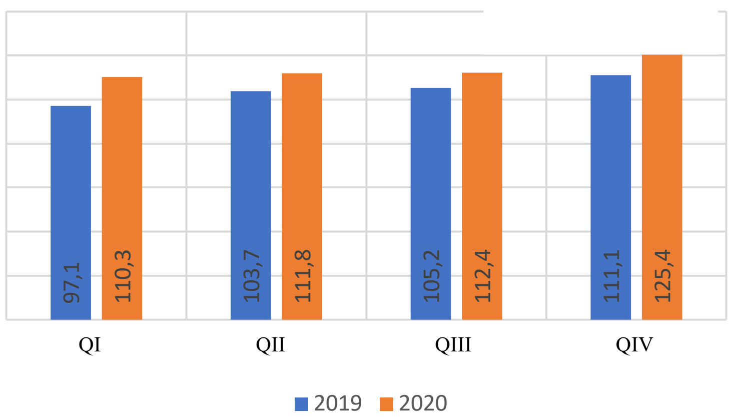
GDP dynamics	
	In 2020, Kazakhstan's GDP in nominal terms increased by 0.6 trillion tenge and amounted to 70.13 trillion tenge. At the same time, in real terms, GDP increased by 2.6% mainly due to a drop in services provision by 5.4% against the background of the coronavirus epidemic. At the same time, the GVA of agriculture increased in real terms by 5.6%, and the construction industry – by 11.2%.
Industrial production	
	The volume of industrial production in 2020 decreased in physical terms by 0.7%. At the same time, the drop in production volumes in the raw materials industry amounted to 3.7%, while the production volumes in the processing industry increased by 3.9%.
Foreign trade	
	In 2020, the export of goods from Kazakhstan decreased by 19.5% compared to 2019, which was the main reason for the deterioration of the trade balance compared to 2019. Supplies of mineral raw materials to the foreign market decreased by 26%, or by 10.85 billion dollars in absolute terms.

Inflation



The rupture of traditional trade and industrial ties due to the closure of borders against the background of the epidemic led to an acceleration of inflationary development. Consumer inflation rose from 5.4% in 2019 to 7.5% in 2020.

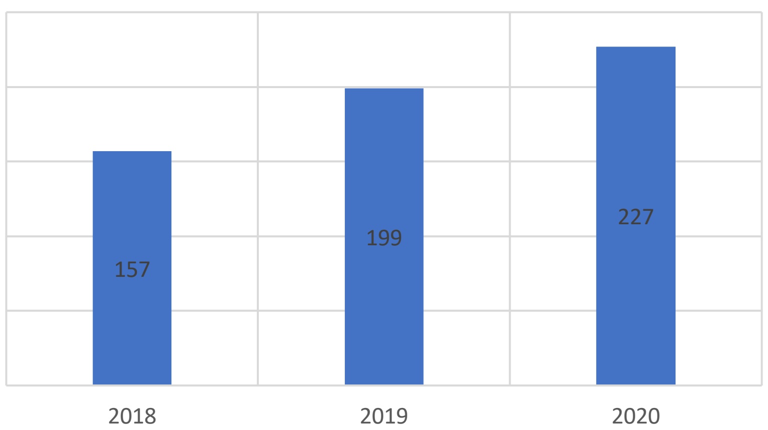
Personal income



Despite the negative impact of the coronavirus epidemic, the average per capita income of the population increased from 111.1 thousand tenge in the fourth quarter of 2019 to 125.4 thousand tenge in the fourth quarter 2020. The positive dynamics of per capita income was primarily due to the timely response of the Government of Kazakhstan during the development of the ‘corona-crisis’.

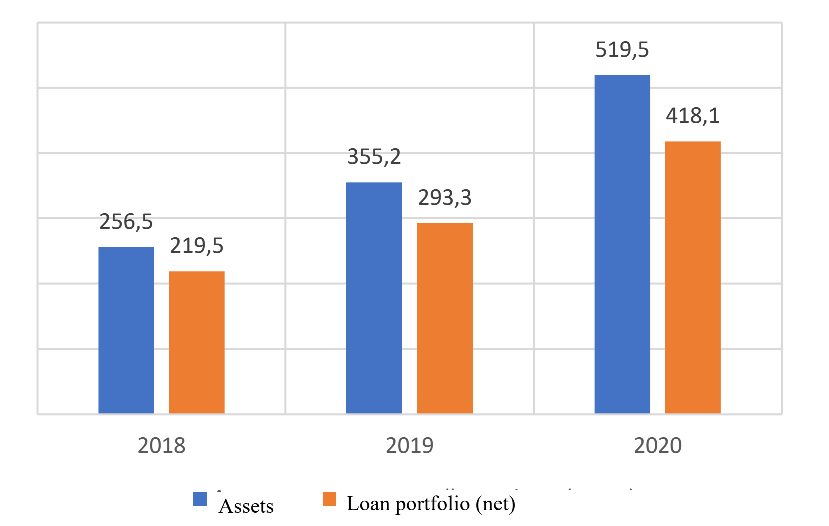
Industry Review

Number of MFOs operating in Kazakhstan (at year-end)



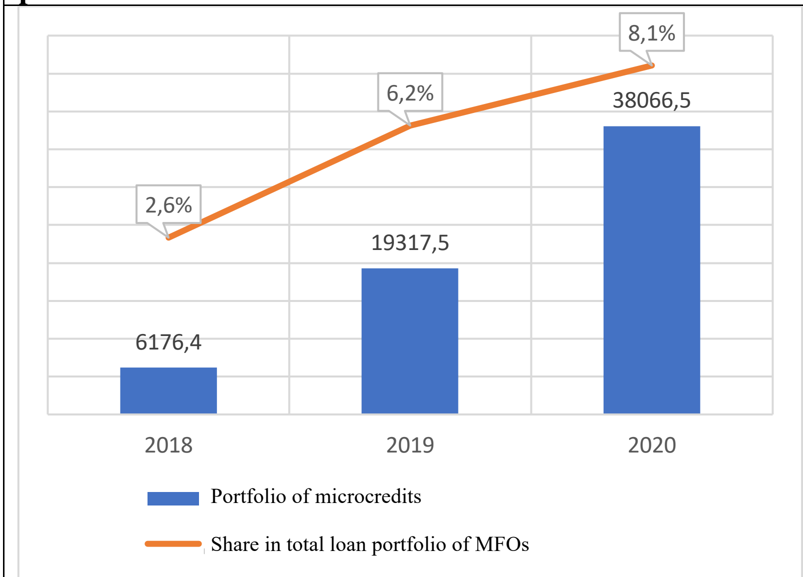
The growing demand of the population and SMEs for credit resources against the background of limited access to bank lending contributed to the development of the microcredit market. So, according to the National Bank of Kazakhstan, the number of operating MFOs increased in 2019 from 157 to 199, and in 2020 – to 227.

Total assets and portfolio of microcredits issued by MFOs (billion tenge at the end of the period)



The introduction of quarantine restrictions led to delays in receiving wages and other incomes for many Kazakhstanis, which led to an increase in demand for consumer loans. As a result, the total loan portfolio of MFOs increased by 42.5% in 2020 and reached 418.1 billion tenge. The total assets of MFOs increased by 46.5% and reached 519.5 billion tenge.

Share of the Company’s loan portfolio in the total loan portfolio of MFOs



The portfolio of microcredits issued by the Company more than doubled in 2020 in absolute terms and reached 37.4 billion tenge (net amount). The share of the Company’s loan portfolio in the total loan portfolio of MFOs increased from 6.2% to 8.1%. At the end of 2020, the Company ranked fourth in terms of assets and loan portfolio among the Kazakhstan MFOs.

Financial Performance

The value of the Company’s assets increased by 126.7% in 2020 and amounted to 43.4 billion tenge at the end of the year. The main asset growth factor was the increase in the loan portfolio (17.2 to 34.7 billion tenge).

The total liabilities increased by 127.7% over the year and amounted to 32.6 billion tenge. The growth of the Company’s total liabilities was a result of successful funding efforts in 2020, including a successful placement of bonds on the KASE and AIX.

The Company’s equity increased by 123.7% in 2020 due to an increase in retained earnings of the Company and additional capitalization from shareholders in the form of subordinated loans.

The Company’s total income increased by 196.0% driven by an increase in all types of income, including interest, fee and agency income.

Item	2019	2020	Change
1. Balance sheet structure at the end of the period, KZT thousand			
Assets, KZT thousand	19,153,259	43,425,119	126.7%
Liabilities, KZT thousand	14,329,301	32,631,589	127.7%
Equity, KZT thousand	4,823,958	10,793,530	123.7%
2. Income and profit for the period (consolidated), KZT thousand			
Revenue	5,532,100	16,373,321	196.0%
Interest incomes	*4,458,612*	*12,279,097*	*175.4%*
Fee and agency incomes	*807,707*	*3,337,344*	*313.2%*
Other incomes	*265,781*	*756,880*	*184.8%*
Finance costs and operating expenses	3,853,230	12,977,828	236.8%
Net expense from allowance for expected credit losses	*1,742,030*	*5,508,115*	*216.2%*
Finance costs	*1,549,398*	*4,277,894*	*176.1%*
Operating expenses	*360,541*	*1,930,049*	*435.3%*
General and administrative expenses	*201,261*	*1,261,770*	*526.9%*
Operating profit	1,678,870	3,395,493	102.2%
Net losses from foreign currency transactions	*226,904*	*96,455*	*-57.5%*
Other expenses	*2,866*	*54,921*	*1,816.3%*
Profit before income tax expenses	1,449,100	3,244,117	123.9%
Income tax expenses	*268,630*	*794,100*	*195.6%*
Net profit	1,180,470	2,450,017	107.5%
3. Return ratios			
Return on equity (ROE)	46.8%	31.4%	-
Return on assets (ROA)	9.6%	7.8%	-

Compliance with the Prudential Standards

During the reporting year, there were no cases of violation of prudential standards by the Company. Moreover, the Company complies with the prudential standards with a significant margin, which indicates a high level of its financial stability.

Company's compliance with prudential standards as of 1 January 2021		
Standard	**Standard value**	**Actual value**
Equity adequacy ratio	k1>=0.1	0.1406
Maximum exposure ratio per borrower	k2<=0.25	0.0004
Maximum limit of total liabilities ratio	k3 <= 10	3.0234

CORPORATE GOVERNANCE

Corporate Governance

Corporate Governance System

At OnlineKazFinance Microfinance Company LLP, we structure corporate governance to improve performance, strengthen its reputation and reduce the cost of capital raising. In addition, the Company believes that a sound corporate governance system promotes its contribution to the supremacy of law in the Republic of Kazakhstan.

The corporate governance of the Company is based on the principles of fairness, honesty, responsibility, transparency, professionalism, and competence. The corporate governance system of the Company provides for a clear delineation of powers and responsibilities between the bodies, officials, and employees of the Company.

The fundamental principles of the Company's corporate governance are:

- The principle of effective management of the Partnership;
- The principle of transparency, timeliness and objectivity of disclosing the information concerning the Partnership's activities;
- Principles of legality and ethics;
- Principles of effective personnel policy;
- Principle of environmental protection; and
- Principle of regulation of corporate conflicts.

The governing bodies of the Company are:

- The supreme body is the General Meeting of the Members (shareholders);
- Executive body – the General Director; and
- Controlling body – the Supervisory Board.

Capital Structure

The authorized capital of the Company amounts to 1,120,151,200 (one billion one hundred twenty million fifty-one thousand two hundred) tenge. In 2020, the Members (shareholders) did not change.

Company's founders (first-level members)	**Interest**	
	31 December 2020	31 December 2019
IDF HOLDING LTD, registration number HE 317558, legal address: Nicolaides Sea View City 3-7, apartment 1003, Archbishop Makarios III Avenue, 6016 Larnaca, Cyprus.	1%	1%
ONLINE MICROFINANCE Limited Liability Company, state registration number 1137746674284 issued by Inter-district Inspectorate of the Federal Tax Service No. 46 on Moscow dated 02.08.2013, located at the address: 1, Vassilissa Kozhina St., office D13, Moscow, Russian Federation.	99%	99%
Total	100%	100%

Information Disclosure

A member of the Partnership has the right to freely receive information concerning the Partnership's activities and review its accounting and other documentation during working hours at the place of storage of the Partnership's documents. At the request of the member, the Partnership is obliged to provide it with copies of documents relating to its activities and provided for by the Law 'On Business Partnerships', within 10 (ten) calendar days from the date of receipt of the Member's written request to the executive bodies of the Partnership. The amount of a charge for the provision of copies of the documents is fixed by the Partnership in an amount not exceeding the costs to make a copy and deliver them to the Member. The information is provided to the purchasers of the Partnership's interests concerning the Partnership's activities within 15 calendar days from the date of receipt of a written request from an interest purchaser. The amount of information is established by a preliminary interest purchase agreement.

General Meeting of Members

The supreme body of the Partnership is the General Meeting of its Members, which meets at least once a year. The regular and extraordinary meetings may be convened. The decisions of the meeting on any issues related to the activities of the Partnership are considered generally binding and are subject to strict execution.
The General Meeting of the Partnership's Members is recognized as competent, and the quorum conditions are met if the Partnership's Members present or represented thereat have in aggregate 100 (one hundred) % of the total votes.
The exclusive competence of the General Meeting of the Members of the Partnership includes:

- determination of the main directions of the Partnership's activities;
- amending the Articles of Association of the Partnership, including changing the size of the authorized capital of the partnership, location and company name, or approval of a new version of the Articles of Association of the Partnership;
- appointing the General Director of the Partnership and early termination of its powers, as well as making a decision on transferring the Partnership or its property into trust and determining the conditions for such transfer;
- election and early termination of powers of the members of the Partnership's Supervisory Board;
- approval of the annual financial statements and distribution of net income;
- decision on the participation of the Partnership in other business partnerships, joint stock companies, and non-profit organizations;
- decision on reorganization or liquidation of the Partnership;
- appointment of a liquidation commission and approval of liquidation balance sheets;

- decision on compulsory redemption of an interest from the Member of the Partnership;
- decision to pledge all properties of the Partnership;
- decision to make additional contributions to the authorized capital and property of the Partnership;
- establishment and liquidation of the representative offices and branches;
- questions about the alienation by the Partnership's Member of its interest to third parties, the transfer of an interest as a pledge for its obligations, contributing an interest to the authorized capital of the other legal entities;
- approval of the procedure and terms for providing the Partnership's members and interest purchasers of the information concerning the Partnership's activities;
- approval of the internal Regulations of the Partnership, approval of the rules for issuing microcredits; and
- making a decision on the conclusion of major transactions and third party transactions.

Within the framework of the General Meetings of the Partnership's Members held in 2020, the following issues were considered:

1. Approval of the Partnership's conclusion of an unsecured agreement on granting a subordinated loan to the Partnership;
2. Approval of the terms of the first issue of bonds by the Partnership in the amount of 4,000,000,000 tenge;
3. Appeal to 'Damu' Entrepreneurship Development Fund JSC to obtain the funds;
4. Approval of the bond issue by the Partnership in the amount of 7,000,000 US dollars;
5. Placement of the bonds on the Stock Exchange of the Astana International Financial Centre – Astana International Exchange;
6. Formation of the Partnership's Supervisory Board and appointment of the members and the Chairperson of the Partnership's Supervisory Board;
7. Approval of the Regulation on settlement of corporate conflicts and conflicts of interest of the Partnership; and
8. Approval of a new version of the Rules for providing microcredits by OnlineKazFinance Microfinance Organization LLP.

Supervisory Board

The activities of the Supervisory Board are regulated by the Articles of Association of the Company and the Regulations on the Supervisory Board approved at the extraordinary General Meeting of Members of OnlineKazFinance Microfinance Organization LLP dated 13 November 2020.

The Supervisory Board is the governing and controlling body of the Partnership, which monitors the activities of the Executive Body of the Partnership in order to protect the interests of its Members. The members of the Supervisory Board must act in accordance with the legislation of the Republic of Kazakhstan, the Articles of Association, and the Memorandum of Association of the Partnership.

The competence of the Supervisory Board of the Partnership includes all issues related to control over the activities of the Executive Body of the Partnership, as well as decisions on all issues not referred to the competence of the General Meeting of Members of the Partnership or the Executive Body of the Partnership in accordance with the Legislation of the Republic of Kazakhstan, these Articles of Association, the Memorandum of Association of the Partnership, internal regulations and other documents approved by the General Meeting of the Partnership Members, including but not limited to the following issues:

- determination of priority areas of the Partnership's activity;
- making proposals to the General Meeting of Members of the Partnership concerning the procedure for distributing the net income of the Partnership for the ended financial year;
- preparation and amendment of the annual business plan of the Partnership;
- preparation and amendment of the medium-term plan and strategy of the Partnership's development; and
- approval of internal regulatory documents affecting the financial aspects of the Partnership's activities, risk management issues.

The Supervisory Board is formed from representatives of the Partnership Members, as well as independent members including at least 3 and no more than 5 persons (including the Chairperson of the Supervisory Board). Moreover, the number of members of the supervisory board cannot be even. The members of the Supervisory Board as classified as executives of the Partnership. The term of office of the members of the Supervisory Board is established by the General Meeting of Members and cannot exceed 5 (five) years.

Only an individual who meets the following requirements at the same time can act as a member of the Supervisory Board:

- he/she is not a member of the executive body of the Partnership or an employee of the Partnership;
- he/she has a higher education;
- he/she has an impeccable business reputation; and
- he/she was not previously an executive, a member of a governing body, a member of an executive body, a chief accountant of a financial organization previously recognized as insolvent for some reason.

A member of the Supervisory Board cannot be a person:

- whose consent to the appointment (election) to the position was revoked;
- an executive in this and (or) other financial organization, this and (or) other branch of a bank being a non-resident of the Republic of Kazakhstan, a branch of an insurance (reinsurance) organization being a non-resident of the Republic of Kazakhstan, a branch of an insurance broker being a non-resident of the Republic of Kazakhstan. This requirement is applied within the previous twelve consecutive months after the authorized body

makes a decision to revoke a consent to the appointment (election) to the position of an executive;
- ➢ who committed a corruption offense or was brought to disciplinary responsibility for committing a corruption offense within three years prior to the date of appointment (election);
- ➢ previously being a head, a member of a governing body, a member of an executive body, a chief accountant of a financial organization, a major participant (major shareholder) being an individual, a head, a member of a governing body, a head, a member of an executive body, a chief accountant of a major participant (major shareholder) being a legal entity-issuer who defaulted in payment of a coupon on issued equity securities for four or more consecutive periods, or an amount owed on payment of a coupon on issued equity securities, which is defaulted, is equal to four and (or) more coupon interest, or an amount of default on payment of principal debt on issued equity securities exceeds by ten thousand the monthly calculation index fixed by the law on the republican budget at a date of payment.

The Supervisory Board of the Company was formed in August 2020. In 2020, the following issues were considered:

1. election of the Chairperson of the Partnership's Supervisory Board;
2. approval of the internal regulatory documents of the Partnership regarding the Compliance Service; and
3. appointment of a head of the Compliance Service.

Members of the Supervisory Board as of 31 December 2020

Full name of a member of the Supervisory Board	**Key competences**
Alexandr Viktorovich Artyomov – the Chairperson of the Supervisory Board	strategy, planning
Dalida Raissovna Davlyatshina	risks, independent assessment
Yekaterina Nikolayevna Kazak	local experience in financial industry

Members of the Supervisory Board as of 31 December 2020

Full name of a member of the Supervisory Board	**Key competences**
Batin Boris Aleksandrovich – the Chairperson of the Supervisory Board	strategy, planning
Sadyrov Shukhrat Abdirasulovich	risks, independent assessment
Yekaterina Nikolayevna Kazak	local experience in financial industry

Composition of the Supervisory Board

Gender composition	A women's share is 2/3 of total members (1 man, 2 women)
Members' age	All members of the Supervisory Board are at the age of 30-50 y.o.
Tenure in the Supervisory Board	All members of the Supervisory Board are its members for at least one year (the body was formed in August 2020)

Curriculum Vitae of the Members of the Supervisory Board

Batin Boris Aleksandrovich

He was born in 1980 in Moscow, Russia; he is the national of the Russian Federation. In 2007, he graduated from Global Economy and Computer Science (IMEI) in specialty 'Finance and Credit'.
Professional experience:

Period of experience	Place of work	Position
13.01.2021 – present	OnlineKazFinance MFO LLP	Chairman of the Supervisory Board
15.05.2019 – present	IDF Lab OJSC	General Director
22.09.2014 – present	POS Finance OJSC	General Director
23.07.2014 – present	OnlineMicroFinance MFO LLP	General Director
01.03.2013 – 01.01.2018	Moneyman MFO OJSC	General Director
03.08.2010 – 22.02.2013	Royal Bank of Scotland JSC	Credit Market Department, Vice-President
30.07.2006 – 09.07.2010	Renaissance Capital OJSC	Vice-President on Financial Consulting
01.08.2003 – 02.07.2006	Deutsche Bank, London Branch	Capital Market Division, Deputy director

Sadyrov Shukhrat Abdirasulovich

He was born in 1980 in the Kazakh SSR; she is the national of the Republic of Kazakhstan. In 2003, she graduated from the Kazakh State University named after Al-Farabi in specialty 'International Law' with the Master's degree; in 2007, he graduated from Cranfield School of Management (UK) in Finance. In 2016 graduated from MIT (Massachusetts Institute of Technology) with MBA degree under Sloan Fellowship program
Professional experience:

Period of experience	Place of work	Position
April 2021- present	OnlineKazFinance MFO LLP	Independent member of the Supervisory Board
January 2018 – November 2020	Eurasian Bank in Kazakhstan JSC	Deputy CEO, board member
January 2011 – April 2015	Subsidiary Bank Sberbank of Russia in Kazakhstan JSC	Deputy CEO, board member
October 2003 – January 2011	ATFBank JSC	Managing Director-Head of SME&Retail Sales and Network, Head of Retail Department, Advisor to the CEO,

		Head of Credit Risks Department
May 2001 – September 2003	Temirbank JSC	Regional Risk-manager, Risk-manager

Yekaterina Nikolayevna Kazak

She was born in 1984 in the RSFSR; she is the national of the Russian Federation. In 2006, she graduated from the Moscow State University of Economics, Statistics and Informatics in specialty ‘Economist-Mathematician’.
Professional experience:

Period of experience	Place of work	Position
From 07.08.2020 to the present time	OnlineKazFinance MFO LLP	Member of the Supervisory Board
From 24.01.2014 to the present time	Risk management consultant	Risk management consultant
01.03.2013 - 18.02.2014	Moneyman LLC	Risk Management Director
02.04.2011 - 28.02.2013	Branch of Experian CIS Limited Private Joint-Stock Company	Senior Consultant
02.11.2009 - 01.04.2011	Branch of Experian CIS Limited Private Joint-Stock Company	Head of the Analytical Group
01.04.2008 - 01.11.2009	Branch of Experian CIS Limited Private Joint-Stock Company (former name: Branch of Experian – Scorex Russia Limited Private Joint-Stock Company)	Senior Business Analyst
29.05.2006 - 31.03.2008	Branch of Experian – Scorex Russia Limited Private Joint-Stock Company	Business Analyst
01.11.2004 - 31.03.2006	AFIS media LLC	Managing Analyst

General Director

The day-to-day activities of the Partnership is managed by the General Director, who:

- is a chief executive officer of the Partnership;
- acts without a power of attorney on behalf of the Partnership within the powers granted to it and represents its interests;
- determines the priority areas of the Partnership’s activities;
- approves staffs, defines remuneration systems, fixes amount of official salaries;
- disposes of the Partnership’s property;
- makes transactions, with certain transactions made by the General Director with a consent of the General Meeting of the Members;
- issues powers of attorney for the right to represent the Partnership, including powers of attorney subject to the power of substitution, and enjoys the right to dispose of funds;
- issues binding orders and instructions;

- convenes regular and extraordinary General Meetings, approves the agenda of the General Meeting;
- submits an annual report on the Partnership's activities to the General Meeting of Members of the Partnership;
- resolves all other issues of the Partnership's activities, except for those that are referred to the exclusive competence of the General Meeting of the Partnership's Members or the Supervisory Board;
- approves a standard microcredit agreement; and
- approves internal regulations, procedures for their adoption and other documents regulating the internal activities of the Partnership.

From 2 April 2020 to 22 April 2021, Sergey Valeriyevich Boiko was the General Director of the Company.

Sergey Valeriyevich Boiko

He was born in 1980 in the Kazakh SSR; he is the national of the Republic of Kazakhstan. In 2002, he graduated from the Law Institute of the Academy of the Ministry of Internal Affairs of the Republic of Kazakhstan with the qualification 'Lawyer'.
Professional experience:

Period of experience	Place of work	Position
02.04.2020 - 22.04.2021	OnlineKazFinance MFO LLP	General Director
From 11.09.2019 to the present time	TechServiceTrade LLP	General Director
18.11.2019 - 12.02.2021	Online Finance LLP	Head of the Internal and Economic Security Service
10.06.2017 - 11.11.2019	Facility Management Group LLP	Head of the Audit and Internal Control Service
18.01.2010 - 07.03.2017	Kazakhstan Mortgage Company MO LLP	Head of the Security Service
26.02.2008 - 10.07.2009	BTA Ipoteka Mortgage Organization JSC	Specialist of the Pledged Property Extrajudicial Disposal Division
16.06.2007 - 25.02.2008	Alliance Consumer Finance MCO LLP	Head of the Anti-Fraud Division
15.02.2006 - 20.04.2007	Sulpak LLP	Manager of the Economic Security Division
19.07.2002 - 14.02.2006	Department of Internal Affairs of Almaty Oblast	Investigator, Criminal Law Expert

On 24 April 2021, Anna Alexandrovna Maximova was appointed to the position of the General Director.

Anna Alexandrovna Maximova

She was born in 1979 in the Kazakh SSR; she is the national of the Republic of Kazakhstan.

Education:

Educational institution	Period of study	Specialty
Kokshetau State University named after Sh. Ualikhanov, Department of Physics and Mathematics	1996-2000	Physics and Mathematics Teacher
Kokshetau University named after A.Myrzakhmetov, Law Department	2003-2005	Jurisprudence
RFCA Academy, joint program with the University named after Ya. Komensky (Prague), Master of Business Administration	2012-2015	Management of Business Administration

Professional experience:

Period of experience (date, month, year)	Place of work	Position
From 23.04.2021 to the present time	OnlineKazFinance MFO LLP	General Director
27.02.2020 - 23.04.2021	OnlineKazFinance MFO LLP	SME Development Director
From April 2019 to January 2020	Eurasian Bank JSC	Corporate Block Executive Director
From August 2018 to April 2019	Eurasian Bank JSC	Head of the Process and Product Division
From June 2016 to August 2018	Kazkommertsbank JSC	Deputy Director of the SME Lending Department

Corporate Ethics

The principles of corporate ethics are reflected in the Code of Professional Ethics of the Company approved by the General Director on 5 January 2020. The basic principles of corporate ethics of the Company are:

- **Legality**. The Company, its managers and employees carry out their activities in strict accordance with the Kazakhstan legislation;
- **Professionalism**. The Company operates exclusively on a professional basis and involves highly qualified specialists. The Company takes measures to support and improve the qualifications and professionalism of its employees, including through professional training;
- **Confidentiality**. Employees, as part of their job duties, may have access to non-public (confidential) information regarding the Company, customers or counterparties. In this regard, the employees are required to observe information barriers between the subdivisions when non-public information is reliably protected. The Company expects that employees moving to another place of work will maintain the confidentiality of official/non-public information;
- **Presumption of good faith in business dealings**. The managers and employees act in good faith, in accordance with the rules of morality, ethics and established business practice. The managers and employees are obliged to responsibly and fairly treat each other, customers, partners, other entities and participants of the relationships;
- **Compliance with generally accepted standards of business ethics in the Company's activities**. The Company's employees, regardless of their position, nature of work and position, are obliged to comply with the standards of business ethics in the performance of their tasks and responsibilities;

- **Creation of a working climate**. The Company strives to create a working climate allowing each employee revealing his/her potential, openly expressing his/her point of view and not being afraid to talk about problems; and
- **Information transparency**. The Company adheres to the practice of disclosing the information about its legal status and its activities in the microfinance sector within the framework of the effective legislation.

Preventing Conflict of Interests

A conflict of interest is managed within the framework of the procedures enshrined in the Regulation on settlement of corporate conflicts and conflicts of interest as approved by the extraordinary General Meeting of Members of OnlineKazFinance Microfinance Organization LLP dated 7 August 2020.

To prevent the corporate conflicts and conflicts of interest of any kind, the governing and controlling bodies, officials, executives and employees of the Partnership are obliged to:

- comply with the requirements of legislation, regulations, the Articles of Association and internal documents of the Partnership;
- refrain from taking actions and making decisions that can lead to conflict situations;
- exclude the possibility of involving the Partnership in illegal activities;
- ensure the highest possible efficiency when doing business;
- carry out internal and external control in accordance with the Articles of Association and internal documents of the Partnership;
- audit the terms of transactions through efforts of the Internal Audit Service and an external auditor;
- ensure the record of information about affiliates, the Partnership's Members and its affiliates;
- ensure compliance with the procedure for settling transactions as established by the effective legislation and bylaws;
- disclose information concerning the Partnership's activities in accordance with the requirements of the effective legislation;
- ensure the accuracy of accounting statements and other published information provided to the Members and the Supervisory Board of the Partnership and other stakeholders;
- develop and improve the measures to prevent the use of information available in the Company for personal purposes by the persons having access to such information;
- timely consider the reliability and objectivity of negative information about the Company in the mass media and other sources and timely respond to each fact of such information appearance;
- participate in identification of the risks and deficiencies of the Partnership's internal control system;

- ensure the adequacy of a remuneration paid to members of the governing bodies to the Partnership's financial condition, as well as the extent to which the achieved performance of the Partnership meet the targets; and
- promote compliance with the principles of professional ethics.

To prevent the conflicts of interest between the Partnership and the governing and controlling bodies, the officials, executives, employees and officials are obliged in the performance of their official duties to:

- comply with the standards of business communication and the principles of professional ethics;
- timely inform a superior official about the occurrence of circumstances resulting in a conflict situation;
- notify in writing a superior official of organization(s) in which an official or his/her family members have a significant financial interest, and with which the Partnership conducts or intends to conduct commercial activities;
- refrain from any activity directly affecting the relationship between the Partnership and company(ies) in which an official or his/her family members have a significant financial interest or are affiliates;
- preliminarily obtain a permission from the Supervisory Board of the Partnership to participate in the governing bodies of another company the interests of which may conflict with the interests of the Partnership; and
- inform a superior official in advance about one's intention to work part-time for another company and provide information confirming that the proposed work does not conflict the interests of the Partnership.

External Auditor

The Company selected engaged one of the largest international auditing companies – Ernst & Young as its external auditor. On 1 February 2021, contract for audit of financial statements No.GFS-2021-00004 was signed with Ernst & Young LLP.

Information on Major Transactions and Related Party Transactions

1. Agreement on assignment of rights of claim (cession) with an affiliate – FintechFinance MFO LLP;
2. Unsecured agreement on providing a subordinated loan to the Partnership; and
3. Credit facility Agreement.

RISK MANAGEMENT

- RISK MANAGEMENT SYSTEM
- RISK ANALYSIS

Risk Management

Risk Management System

The General Director is in charge of general risk management. His competence, in particular, includes:
1) approval of the basic risk management principles and assessment of the adequacy of the Company's organizational structure to these principles; and
2) control over the activities of the Company's risk management subdivisions, identification of weaknesses in the risk management and taking of appropriate measures.
The financial risks are managed through the establishment of limit restrictions on settlement of operations the observance of which is mandatory for the relevant subdivisions and officials of the Company authorized to make these operations.
The structural subdivisions of the Company draw up on a regular basis the management reporting forms that provide the governing bodies of the Company with the information necessary for making decisions.

Risk Analysis

Credit risk. The Company assumes the credit risk, specifically the risk that a borrower will not be able to fully repay the debt in due time. When settling transactions that carry a credit risk, the limits are set on a credit risk in the form of limits fixed for borrowers/credit products/other sections of the loan portfolio. At the same time, the Company has automated the process of managing the limits and restrictions in order to timely monitor and eliminate the causes of increased credit risk.
The goal of credit risk management is to minimize the Company's losses due to borrowers' default in their obligations and to maximize the Company's profitability taking into account the credit risk.
The credit risk management objectives are:

- analysis and assessment of credit risks;
- determination of risk exposure;
- credit risk management; and
- control over the efficiency of credit risk management.

Liquidity risk is the risk of mismatching the maturity of a claim in active transactions with the maturity of a liability.
The liquidity is assessed:

- depending on the number of assets at the disposal of the Company and the possible timing of their disposal without significant losses for the Company; and
- depending on the existing liabilities, maturity dates and dynamics of changes in the number of liabilities over time.

A position is considered risky if there are not enough liquid assets and predicted inflow of financial resources to discharge the liabilities over a certain period of time. The liquidity management activities are coordinated by the General Director or his deputy by controlling short-term, medium-term and long-term liquidity.
The liquidity risk is regulated by controlling the deficit / surplus of cash resources, distribution and redistribution of cash resources by instruments depending on maturity dates, the degree of their liquidity and a rate of return. The liquidity management requires an analysis of a level of liquid assets required to settle liabilities at maturity; providing access to various sources of funding; availability of plans in case of problems with financing and control over the compliance of balance sheet liquidity ratios with the requirements of the legislation and the National Bank of the Republic of Kazakhstan. As of 31 December 2020 and 31 December 2019, the indicators of compliance with the standards exceeded the thresholds.

Market risk is a risk that a fair value of future cash flows of financial instruments will fluctuate due to changes in the market conditions. Considering that the Company does not attract or issue instruments with floating interest rates, as well as it does not raise equity instruments, the Company's Management assesses the impact of changes in the foreign exchange rate as a key market parameter affecting the future cash flows of the Company.

Foreign exchange risk is a risk of loss due to unfavourable changes in foreign exchange rates on open positions in foreign currencies.
The Company manages its foreign exchange risk by balancing financial assets and financial liabilities denominated in the Russian roubles, US dollars, and Euros. The Company also hedges the foreign exchange risk by concluding the forward contracts for currencies subject to the greatest volatility.

Operating risk is a risk arising from a system failure, human error, fraud, or external events. When a control system ceases to function, the operating risks can harm reputation, have legal consequences or lead to financial losses. The Company cannot make an assumption that all operating risks have been eliminated, but by means of a control system and by monitoring and responding appropriately to potential risks, the Company actively manages such risks. The control system provides effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and assessment procedures, including internal reviews.

SUSTAINABLE DEVELOPMENT

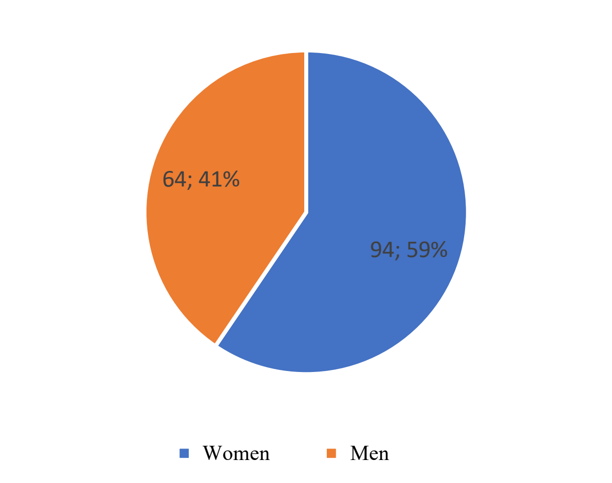
- PERSONNEL STRUCTURE AND PERSONNEL POLICY
- ON-SITE LABOUR PROTECTION AND SAFETY
- ENVIRONMENT PROTECTION
- RESPONSIBILITY TO CONSUMERS
- SOCIAL RESPONSIBILITY AND CHARITY

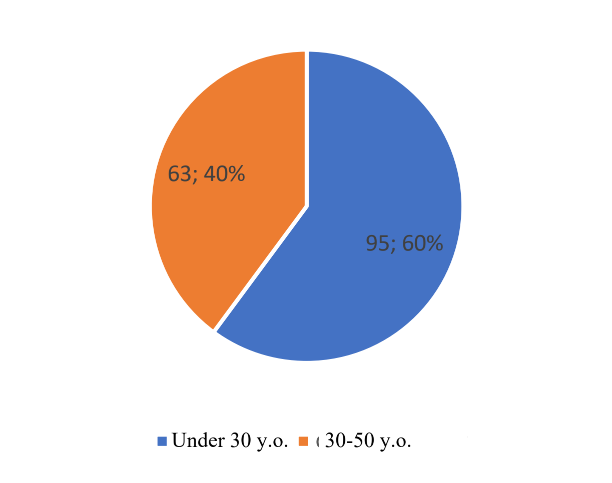
Sustainable Development

Personnel Structure and Personnel Policy

At the end of 2020, the Company had 158 staff members, including 94 women and 64 men. The share of women in the Company's personnel made up 59%.
60% of the Company's employees were in the age group under 30 years old, 40% – 30-50 years old. The oldest employee of the Company turned 48 in 2020, the youngest one is 17.

Age and sex structure of personnel at the end of 2020





The remuneration paid to the employees is determined by the work of each individual employee and does not depend on gender, age, and social status. The Company uses a flexible system of bonuses based on the results of the quarter and year.
The Company encourages the employees to participate in the activities aimed at improving their professional qualifications.

On-site Labour Protection and Safety

The employees' health and safety are unconditional priorities at OnlineKazFinance Microfinance Organization LLP. The Company adheres to the following health and safety approaches:

- the goals and objectives of the Company can be realized provided only all established labour safety standards are met; and
- recognition and ensuring the priority of the life and health of employees and other persons to the results of activities.

The basic provisions on the employees' labour protection are reflected in the Instruction on labour protection approved by the General Director. Each newly hired employee is given instructions on occupational safety before starting to perform his/her duties.

Environment Protection

The Company's activities do not directly impact on the environment. However, the Company declares its commitment to the following principles in the field of nature protection:

- minimizing the impact on biological and physical natural systems;
- optimal use of limited resources; and
- application of saving technologies.

Responsibility to Consumers

The Company believes that a lender should not mislead a customer by using fine print and other tricks. Using a customer-oriented approach, the Company ensures that the requests of its customers are dealt with in a timely manner through the technical support service.

The Company is ready to study each individual customer's request and provide support to customers who find themselves in difficult life situations.

To support the borrowers, on 1 October 2020, the Company introduced the position of a financial ombudsman acting as a mediator in disputes between borrowers and the Company. The ombudsman monitors the observance of the interests of customers used the services of the Solva and Moneyman platforms, but remaining dissatisfied with the service.

The ombudsman is engaged in explaining the rights of users and the possibilities for their legal protection. The ombudsman is also responsible for auditing the Company's internal processes and regulations. It is vested with all the powers and technical capabilities to resolve a dispute between a customer and the Company within 1-2 days, with processing urgent requests within a day. Its decisions are binding on all employees of the Company.

The borrowers can contact the ombudsman through a special form 'Protection of the borrower's rights' on the Company's website in the 'Complaints' section.

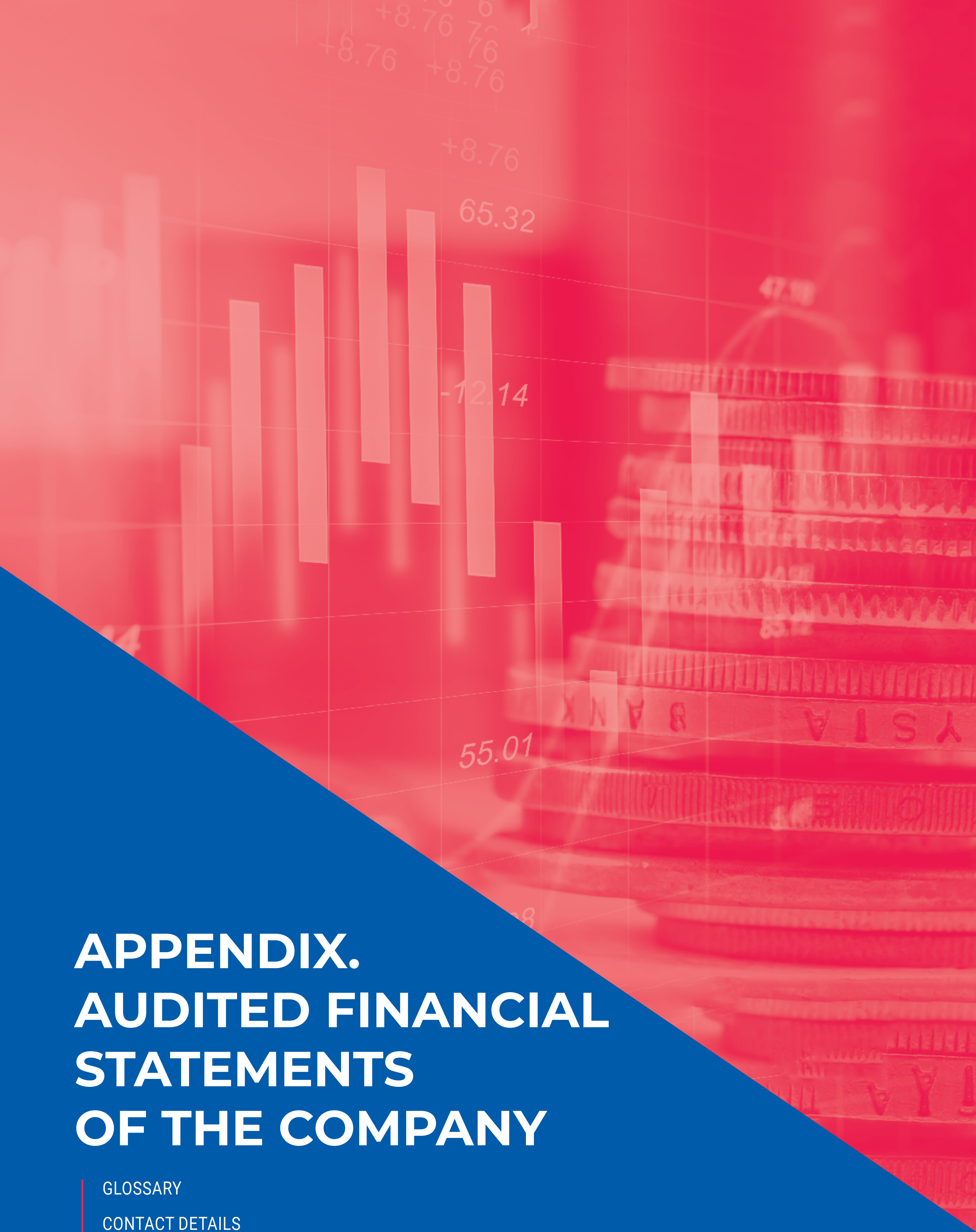
Social Responsibility and Charity

The Company regularly provides various types of support to the low-income population, provides financial assistance to young sportsmen, and supports veterans. This activity is carried out independently and in the format of partnership with various charitable organizations, in particular:

- During the period of the state of emergency in the spring of 2020, the Company, at the request of customers, provided them with support by extending the loan terms.
- In April 2020, it was decided to hold a number of events to provide support to aged persons in cooperation with the public association 'Almaty' Women's Club'. Thus, aged persons living in Aksai Microdistrict of

Almaty City were provided with targeted assistance in the form of purchasing and home delivery of a set of products;

- In April 2020, together with individual entrepreneur Oxana Shagareva (IE AG Argentum Estetic), the Company equipped the volunteers of the public associations of Almaty City, as well as medical staff of municipal clinical hospital No.7, with protective antiviral kits.
- In May-August 2020, a series of free trainings for small businesses on the topic 'How to sell at the time of a crisis' was organized under the guidance of Galiya Koyanbayeva, an expert practitioner, business coach with 15 years of experience. More than 1000 entrepreneurs from Pavlodar, Almaty, Semipalatinsk, Kyzylorda, Kostanay, Atyrau, Karaganda and other oblasts took part in the trainings.
- In September 2020, the Company purchased antiviral clothing sets from the Kazakhstan entrepreneurs and handed them over to the participants of the National Volunteer Network and the medical staff of Scientific Centre for Obstetrics, Gynaecology and Perinatology JSC.



APPENDIX. AUDITED FINANCIAL STATEMENTS OF THE COMPANY

Glossary

AIX – Astana International Exchange
KASE – Kazakhstan Stock Exchange
NPL – non-performing loans (NPL 90+ - loans with delay in payment of principal debt or fee for more than 90 days)
GDP – gross domestic product
SME – small and medium-sized business entities
MFO – microfinance organization
AIFC – Astana International Financial Centre

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Microfinance Organization OnlineKazFinance Limited Liability Partnership

Financial statements

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

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INDEPENDENT AUDITOR'S REPORT

NOTES TO THE FINANCIAL STATEMENTS

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Independent auditor's report

To the founders of Microfinance Organization
OnlineKazFinance Limited Liability Partnership

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers	
Estimation of an allowance for expected credit losses on loans to customers in accordance with IFRS 9 *Financial Instruments* is a key area of management's judgment. Estimation of an allowance for expected credit losses (ECL) on loans to customers includes identification of significant increase in credit risk and default, assessment of the probability of default and loss given default. The company uses statistical models when estimating the allowance on a collective basis. ECL on loans to customers assessed individually is based on the analysis of financial and non-financial information, including current and expected financial indicators of borrowers, the value of collateral and term of its realization, and estimation of probabilities of possible scenarios. Due to substantial amount of loans to customers and an extensive use of professional judgment, the estimation of the allowance for ECL on loans to customers was a key audit matter. Information on the allowance for ECL on loans to customers is presented in Note 15, *Loans to customers* and Note 26, *Financial risk management*, to the financial statements.	Our audit approach included the analysis of the methodology to estimate the allowance for expected credit losses on the loan portfolio, in particular, the methodology used to calculate probabilities of default and loss given default. We considered the judgments used by the Company's management to determine the significant increase in credit risk and default criteria on loans to customers. We performed testing of input data and analysis of assumptions used by the Company, including historical information on debt servicing and loss given default as a result of sale of collateral. We analysed the allocation of loans by stage of impairment and application of the respective criteria of a significant increase in credit risk, default, probability of default and loss given default to these impairment stages. We analysed the information related to estimation of allowance for ECL on loans to customers disclosed in the financial statements
Income and expenses related to the issue of loans	
Determination of the composition of income and expenses included in the loan amounts is a key area of management's judgment. A judgment is used to select types of income and expenses to be included in the carrying value of loans, and those to be recognized as income and expenses for the current period. Since the amounts of income and expenses related to the origination of loans are significant and due to the judgment inherent to the process of accounting for such income and expenses, these income and expenses were one of the key matters of our audit. Information on capitalized income and expenses and their types is presented in Note 15, *Loans to customers* of the financial statements.	Our audit procedures on income and expenses related to origination of loans to customers included, among others, the analysis of the terms of agreements, which gave rise to these income and expenses. We considered management's assumptions related to the types of income and expenses to be included in the carrying amount of loans issued. We performed selective testing of income and expenses related to the issue of loans against the primary supporting documents. We analysed the information on the capitalized income and expenses disclosed in the financial statements.

Other matters

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

Other information included in the Company's annual report 2020

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Anton Ustimenko
Audit Partner

Olga Khegay
Auditor

Rustamzhan Sattarov
General Director
Ernst & Young LLP

Auditor qualification Certificate
MF-0000286 of 25 September 2015

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

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

4 June 2021

Olga Khegay
Auditor

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(thousands of tenge)

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

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

Anna Maksimova
General Director

Nadezhda Martovskaya
Chief Accountant

4 June 2021

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

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(thousands of tenge)

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

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

Anna Maksimova
General Director

«МИКРОФИНАНСОВАЯ ОРГАНИЗАЦИЯ ОнлайнКазФинанс» Товарищество с ограниченной ответственностью

Nadezhda Martovskaya
Chief Accountant

4 June 2021

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(thousands of tenge)

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

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

Anna Maksimova
General Director

Nadezhda Martovskaya
Chief Accountant

4 June 2021

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

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

(thousands of tenge)

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

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

Anna Maksimova
General Director

Nadezhda Martovskaya
Chief Accountant

Жауапкершілігі шектеулі серіктестігі
«МИКРОФИНАНСОВАЯ ОРГАНИЗАЦИЯ ОнлайнКазФинанс»
Товарищество с ограниченной ответственностью

4 June 2021

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

(thousands of tenge, unless otherwise indicated)

1. General

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

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

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

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

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

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

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

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

Operating environment in the Republic of Kazakhstan

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

(thousands of tenge, unless otherwise indicated)

2. Basis of preparation

Statement of compliance

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

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

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

3. Restatement of comparative information

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

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

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

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

(thousands of tenge, unless otherwise indicated)

3. Restatement of comparative information (continued)

Statement of comprehensive income for the year ended 31 December 2019

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

Statement of financial position as at 31 December 2019

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

(thousands of tenge, unless otherwise indicated)

3. Restatement of comparative information (continued)

Statement of cash flows for the year ended 31 December 2019

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

Statement of financial position as at 31 December 2018

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies

(a) Basis of preparation

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

(b) Functional and presentation currency

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

(c) Adoption of new or revised standards and interpretations

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

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

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

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

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

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

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

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Significant assumptions and sources of estimation uncertainty

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

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

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

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

Impairment of loans and accounts receivable

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

Key assumptions include the following:

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

Classification of subordinated loans from related parties

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

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

(f) Income from credit and financial activities

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

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

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

(g) Income tax

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

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

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

(h) Cash and cash equivalents

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

(i) Capitalized expenses related to the loan issue

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

(j) Financial assets

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

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

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(j) Financial assets (continued)

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

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

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

(k) Financial liabilities

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

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

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

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

Financial liabilities measured at amortized cost

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

(l) Impairment of financial assets

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

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

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

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(l) Impairment of financial assets (continued)

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

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

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

(m) Property and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

(thousands of tenge, unless otherwise indicated)

4. Summary of significant accounting policies (continued)

(o) Intangible assets

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

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

(p) Share capital and dividends

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

(q) Contingencies

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

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

(r) Foreign currencies

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

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

5. Interest income

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

6. Fee and commission income and agent revenue

(1) Loans to individuals maturing in less than three years

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

(thousands of tenge, unless otherwise indicated)

6. Fee and commission income and agent revenue (continued)

(2) SME loans

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

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

	2020	*2019 (restated)*
Accrued fee and commission income	812 809	–
Total	**812 809**	**–**

7. Other income

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

8. Other expenses

	2020	*2019 (restated)*
Other expenses	54 921	2 866
Total	**54 921**	**2 866**

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

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

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

9. Finance expenses

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

(thousands of tenge, unless otherwise indicated)

10. Operating expenses

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

11. General and administrative expenses

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

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

12. Net losses from foreign currencies

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

13. Cash and cash equivalents

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

Balances of cash and cash equivalents are not restricted.

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

14. Deposit

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

(thousands of tenge, unless otherwise indicated)

15. Loans to customers

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

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

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

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

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

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

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

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

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

(thousands of tenge, unless otherwise indicated)

15. Loans to customers (continued)

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

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

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

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

16. Receivables from the sale of portfolios

As at 31 December 2020, receivables on the sale of portfolios amounted to KZT 3 097 260 thousand. All sales were performed at arm's length. Maturities of these receivables are stated in *Note 26*.

17. Property and equipment and intangible assets

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

(thousands of tenge, unless otherwise indicated)

18. Loans and borrowings

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

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

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

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

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

19. Income tax

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

The corporate income tax rate is 20%.

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

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

(thousands of tenge, unless otherwise indicated)

19. Income tax (continued)

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

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

20. Share capital

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

21. Right-of-use assets

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

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

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

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

22. Other assets and liabilities

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

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

(thousands of tenge, unless otherwise indicated)

23. Accounts payable

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

24. Derivatives

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

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

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

25. Related party transactions

(a) Transactions with the Parent and related parties

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

	2020	2019
Recognized in comprehensive income		
Interest income	13 006	–
Interest expense	1 500 300	422 518
Operating expenses	292 860	251 946
General and administrative expenses	470 610	9 267
Other types of transactions		
Proceeds from loans and borrowings, including interest (incl. subordinated loans)	10 262 882	2 406 849
Repayment of loans and borrowings, including interest	5 920 016	1 533 126

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

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

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

(thousands of tenge, unless otherwise indicated)

25. Related party transactions (continued)

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

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

(b) Compensation to key management personnel

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

26. Financial risk management

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

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

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

(a) Credit risk

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

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

The credit risk management objectives are as follows:

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

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

Cash and deposit

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

(thousands of tenge, unless otherwise indicated)

26. Financial risk management (continued)

(a) Credit risk (continued)

Loan portfolio

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

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

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

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

The aging analysis of loans is provided below.

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

(1) Loans to individuals

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

(2) SME loans

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

(thousands of tenge, unless otherwise indicated)

26. Financial risk management (continued)

(a) Credit risk (continued)

Loan portfolio (continued)

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

(1) Loans to individuals

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

(2) SME loans

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

(b) Liquidity risk

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

Liquidity is assessed:

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

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

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

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

(thousands of tenge, unless otherwise indicated)

26. Financial risk management (continued)

(b) Liquidity risk (continued)

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

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

(thousands of tenge, unless otherwise indicated)

26. Financial risk management (continued)

(b) Liquidity risk (continued)

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

(thousands of tenge, unless otherwise indicated)

26. Financial risk management (continued)

(c) Market risk

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

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

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

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

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

(d) Operational risk

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

27. Capital management

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

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

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

(thousands of tenge, unless otherwise indicated)

27. Capital management (continued)

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

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

28. Contingencies

(a) Litigation

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

(b) Taxation

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

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

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

(a) Accounting classifications and fair value

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

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

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

(thousands of tenge, unless otherwise indicated)

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

(b) Fair value hierarchy

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

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

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

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

(thousands of tenge, unless otherwise indicated)

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

(b) Fair value hierarchy (continued)

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

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

Valuation models and assumptions

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

Assets for which fair value approximates their carrying amount

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

Derivatives

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

Financial assets and financial liabilities at amortized cost

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

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

30. Events after the reporting period

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