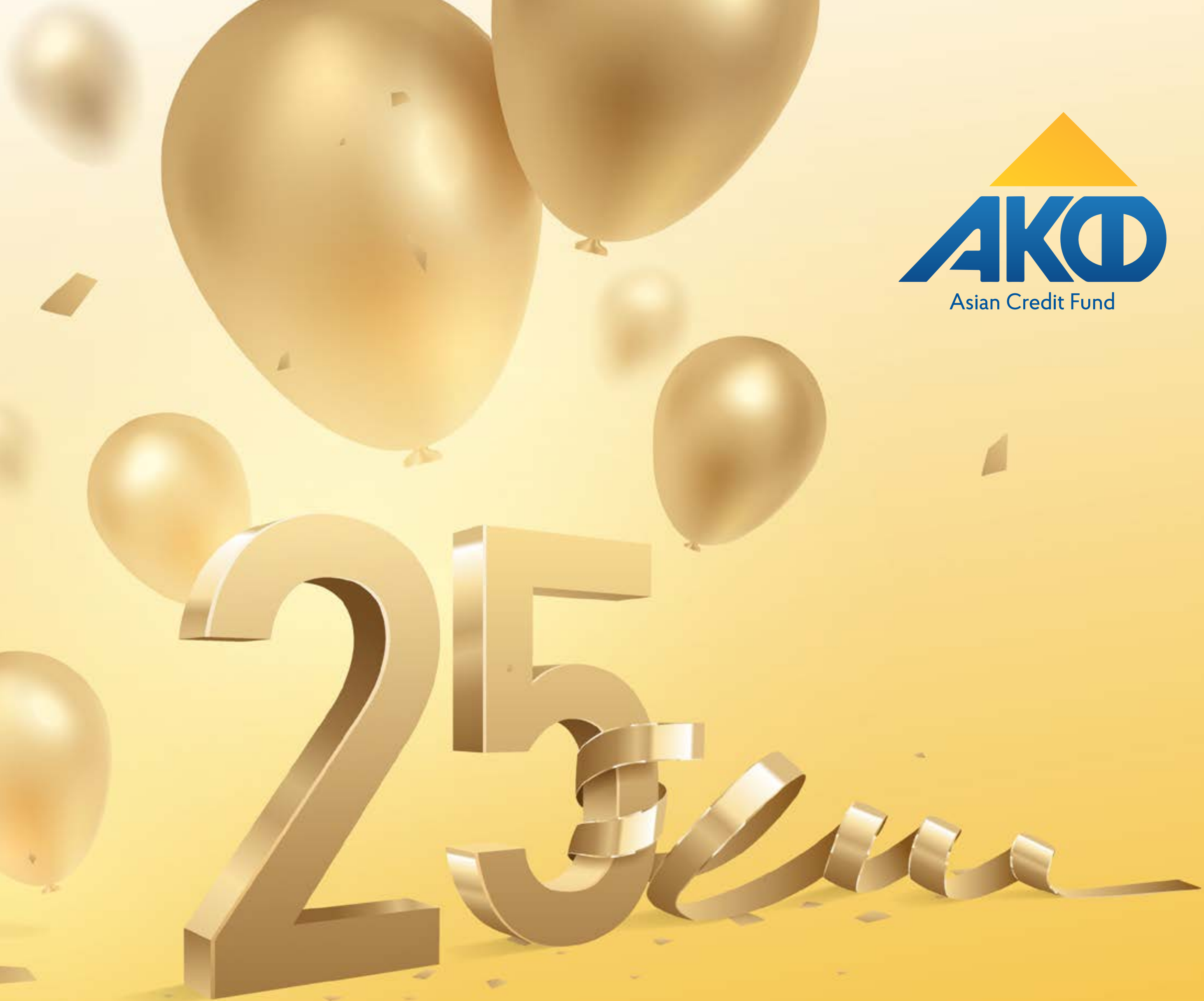
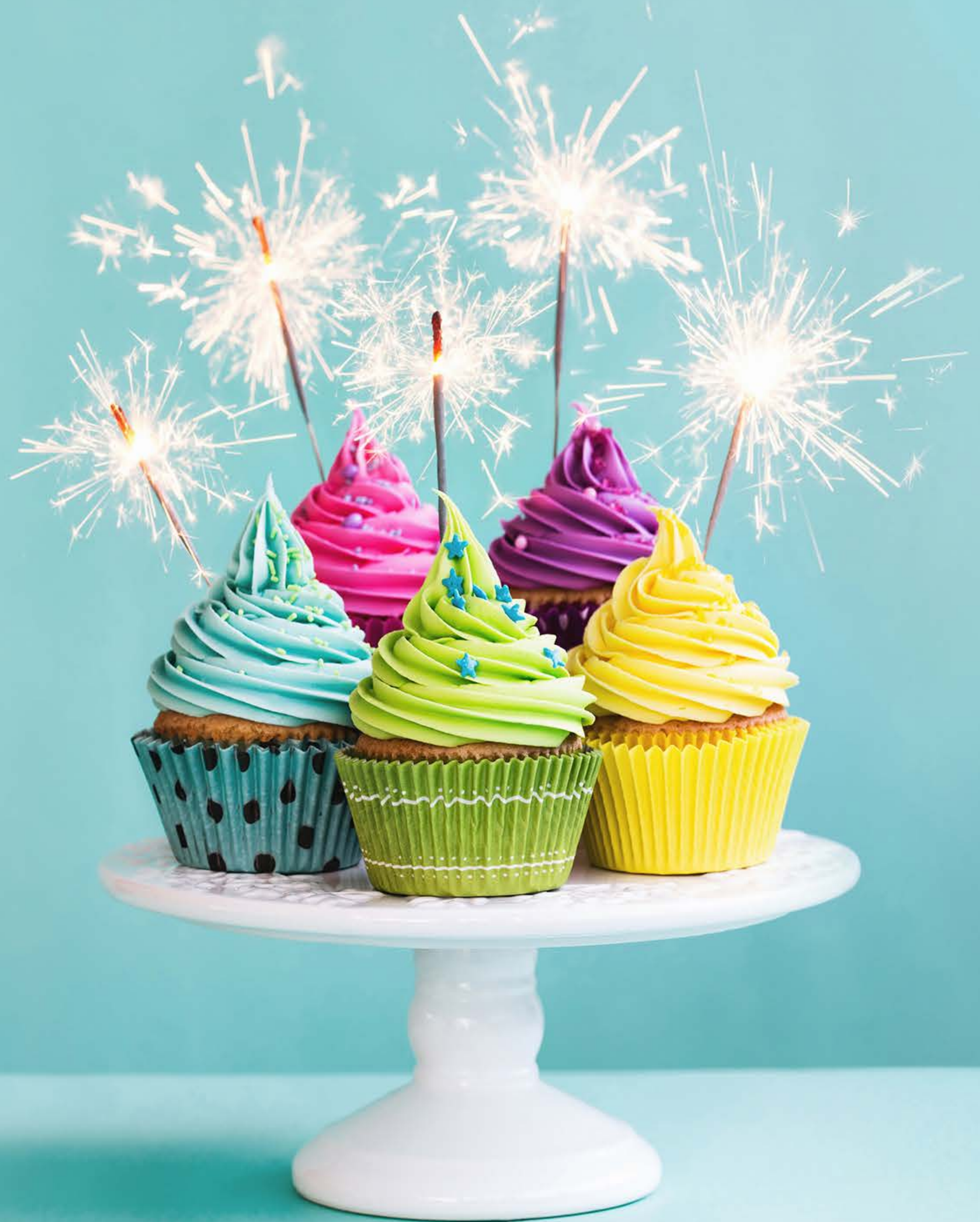


Asian Credit Fund

ANNUAL REPORT 2022



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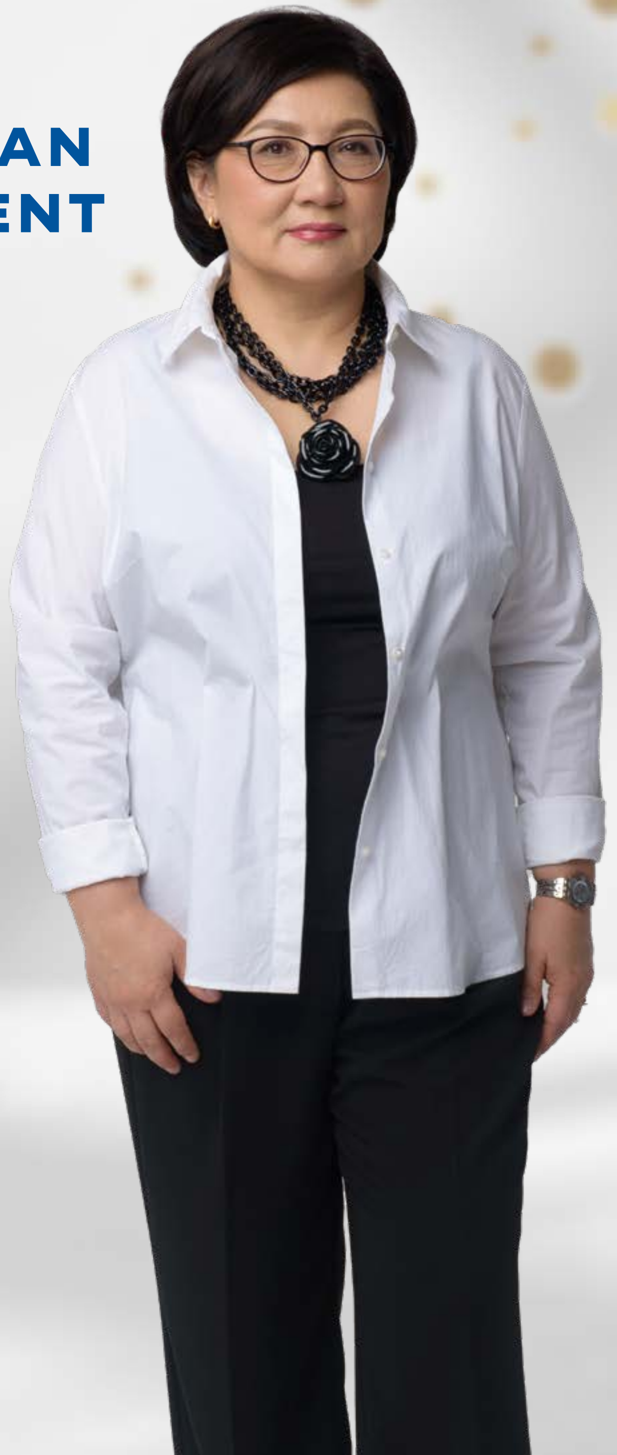
LETTER
FROM THE CHAIRMAN OF THE MANAGEMENT BOARD



Dear clients and partners,

I am pleased to provide the 2022 annual report of Microfinance Organization Asian Credit Fund LLC.

In November 2022 ACF reached its important milestone—the company's 25th anniversary. I am so proud of what we have built in the first 25 years. Together with dedicated and loyal employees, the profound Supervisory Board, and reliable partners, ACF brought to resilience and developed micro and small businesses by providing microloans, influenced, and educated on financial literacy matters rural population of Kazakhstan and made its input in shaping the national economy.

When we started 25 years ago, it wasn't easy to imagine ACF's future. But here we are: a grown strong, professional company with rather essential impact. We are happy and proud of our progress as a microfinance company and of the outcomes of our primary activity.

ACF was launched in 1997 by Mercy Corps to implement a micro and small business lending program. Currently, supported by major since 2019 shareholder BOPA, ACF is the second largest microfinance institution in Kazakhstan ranked by number of rural clients. ACF's financial services are designed to promote the development of rural households, the growth of micro and small businesses, and home ownership in cities and villages throughout the Republic of Kazakhstan.

In the past 25 years ACF has given access to financing to over 118,000 rural households, totaling USD 256.8 million, provided business and financial literacy training for its clients, leadership, and business skills training sessions for young rural adults, supported an enormous number of ecological and sport infinitives and spent every year 1% of its annual net income on charity. This superb performance has positioned ACF among the 10 top MFIs in Kazakhstan.

During 25 years ACF's achievements were greatly rewarded by national and world-known organizations. Throughout its activity, clients have been a key priority for our company. This is evidenced by a quarter of a century of ACF experience in microfinance, SMART certification and numerous examples of successful cooperation based on trust and desire to provide its customers with the best opportunities for growth and development.

We have achieved remarkable results and thanks are due to many: our clients for choosing ACF as a trusted financial partner; our employees for their dedication, hard work and professionalism; our Supervisory Board for their guidance and expertise; our partners for support and collaboration.

Thank you all for making a difference in the lives of the people we serve.

We are entering the next 25 years full of deep understanding of our clients and employees, innovative ideas, a spirit of collegial support, mutual respect and a great desire to improve the quality of life rural population in Kazakhstan.

I can't wait to see what we do in the next 25 years.

Zhanna Zhakupova
Chairman of the Management Board
ACF

ABOUT THE COMPANY

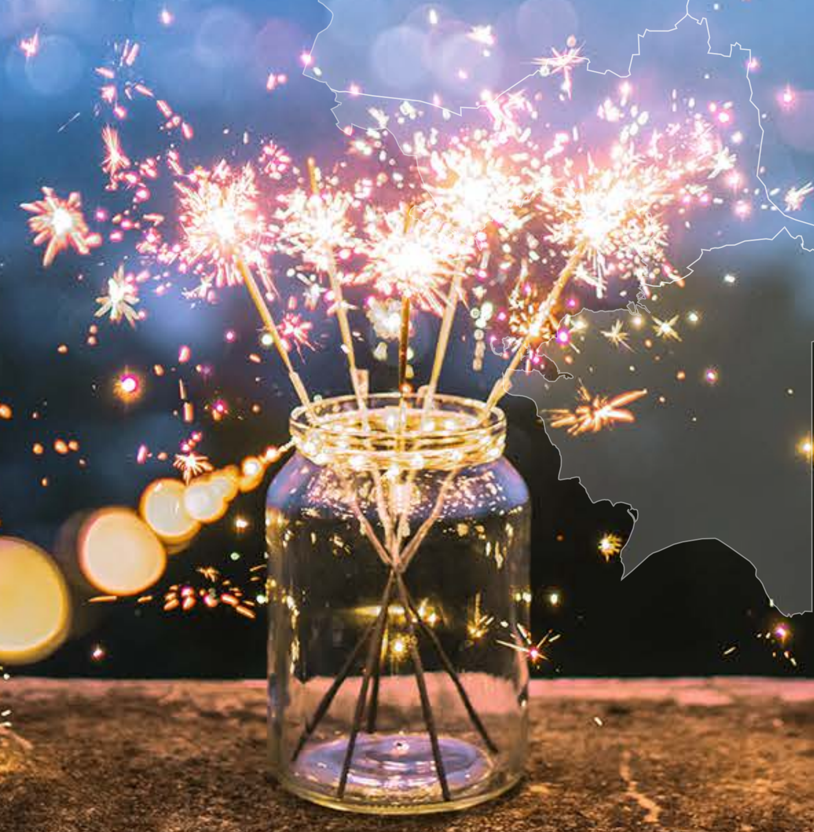
Vision

To realize a vibrant civil society in the Republic of Kazakhstan, nurtured by the development of sustainable rural households.

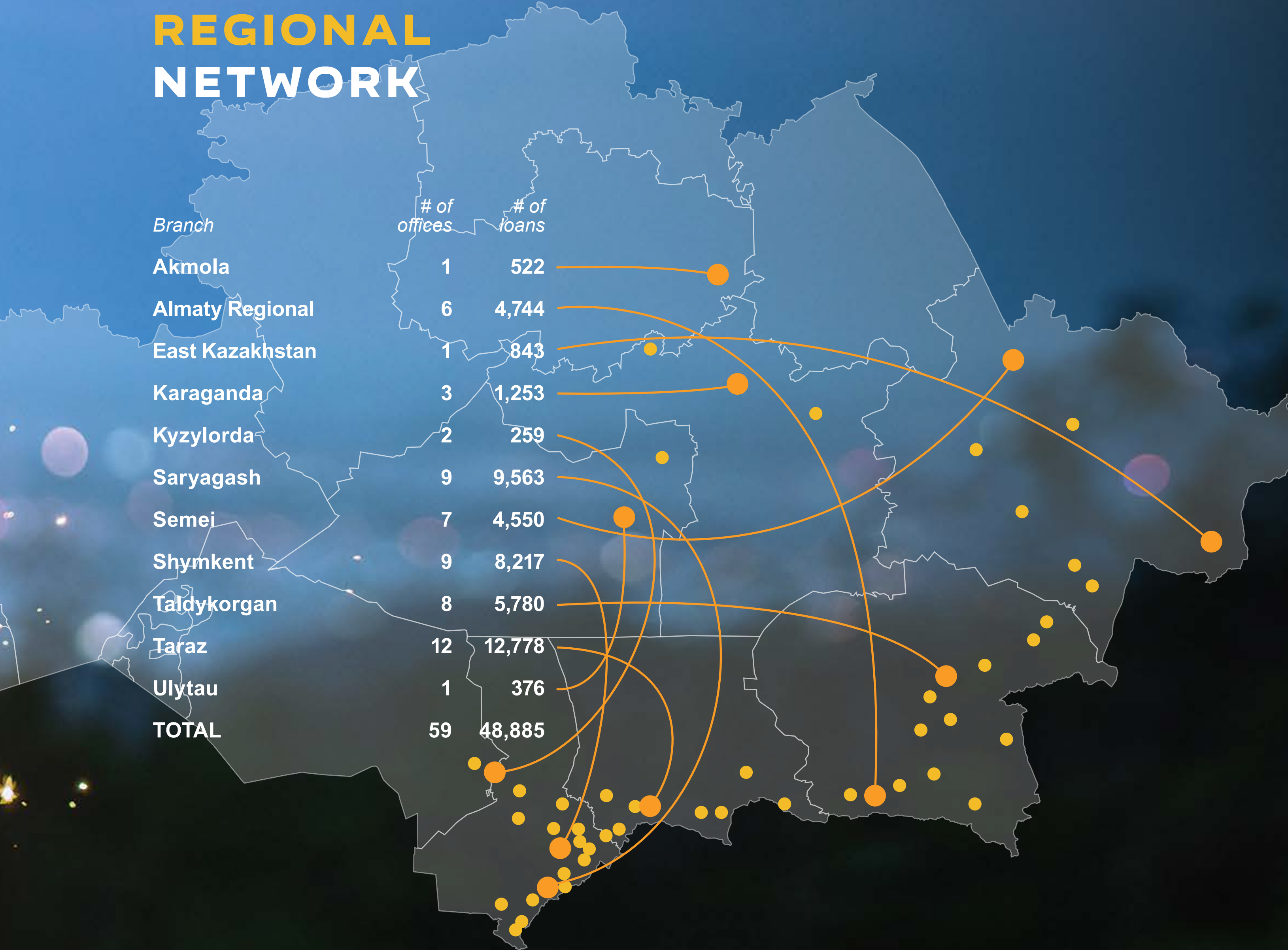
Mission

To improve the quality of life of rural households through affordable financial services.

License to carry out microfinance activities No.02.21.0008.M dated 04.03.2021, issued by the Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market.



REGIONAL NETWORK



Branch	*# of offices*	*# of loans*
Akmola	1	522
Almaty Regional	6	4,744
East Kazakhstan	1	843
Karaganda	3	1,253
Kyzylorda	2	259
Saryagash	9	9,563
Semei	7	4,550
Shymkent	9	8,217
Taldykorgan	8	5,780
Taraz	12	12,778
Ulytau	1	376
TOTAL	59	48,885

25 YEARS OF PROGRESS...

1997
- ACF story begins — ACF was launched as a lending programme by Mercy Corps Kazakhstan.

2001
- Registration of local institution Public Fund ACF.

2006
- Registration of commercial entity to attract equity investments.

2008
- Change in business model — implementation of group lending program.

2012
- First MFI in Kazakhstan to introduce the residential energy lending loan program for rural households.

2013
- Confirmation of financial stability — BB Stable from MicroFinanza Rating.
- Strengthening HR capacity — launch of Internal Training Center.

2015
- Key indicators — 14,926 active clients, KZT 1.86 billion Net Loan Portfolio.
- Attraction of equity investments from international investor — BOPA Ltd Pte and ACF employees.
- Supervision by the National Bank — registration at the registry of the National Bank of Kazakhstan.

2017
- Confirmation of commitment to Client Protection Principles — SMART Certification.
- Double bottom line confirmation — Social Rating BB+ from MicroFinanza Rating.

2019
- Change in ownership — BOPA became major shareholder with 98.32% of ownership.

2020
- Key indicators — 26,669 active clients, KZT 7.97 billion Net Loan Portfolio.
- Support of clients — launch of the call center

2021
- Financial Market — regulator granted a microfinance license to ACF
- DFS Strategic Initiative — implementation of mobile app-like Chat Bot for better communication with ACF target clients.

2022
- Key indicators — 37,750 active clients, KZT 17.56 billion Net Loan Portfolio.
- Development of next 3-year Strategic Plan — aimed on digital transformation with priority of improving ACF interaction with clients, workforce efficiency and developing new business.

...AND OUR JOURNEY CONTINUES

IMPACT BY NUMBERS

Since 1997 ACF had served thousands of rural households and micro and small businesses with a lack of or limited access to finance. The overall goal of ACF is to provide people with financial and development services, support, resources, and tools needed to improve their quality of life and build sustainability for now and for the future.

ACF promotes:

- Responsible finance
- Responsible business practices
- Positive social impact

118,071
individuals served

282,500
clients' business projects funded by ACF

256.8 MILLION USD
disbursed

2,227
housing energy efficiency loans disbursed

70,900
clients received business and financial literacy trainings

10.5 MILLION TENGE
spent on charity

>65%
women-borrowers

93%
rural borrowers

2022 PERFORMANCE INDICATORS

COMPARED TO 2011

39.6 MILLION USD
+45%
gross loan portfolio

48,885
+39%
number of active loans

1,045 USD
+8%
average disbursed loan

1.4 MILLION USD
+22%
net income

57.6 MILLION USD
+86%
total assets

7.3 MILLION USD
+23%
total equity

93%
±
business loans disbursed

65%
−4%
women borrowers

93%
+1%
rural borrowers

59 OFFICES IN 11 REGIONS
+7

382 EMPLOYEES
+49

LOAN PORTFOLIO CHARACTERISTICS

Methodology of lending by shares in the total Loan Portfolio.

Lending methodology by shares in Gross Loan Portfolio

Individual: 90%

Group: 10%

- **2nd place by Number of Rural Clients**
- **5th place by Gross Loan Portfolio***
- **9th place by Assets**

Among Kazakhstani MFOs, 2022

High quality of Loan Portfolio

Diversified Loan Portfolio

Products and processes are client centric

Reasonable approach to risk management

Proactive approach to market challenges

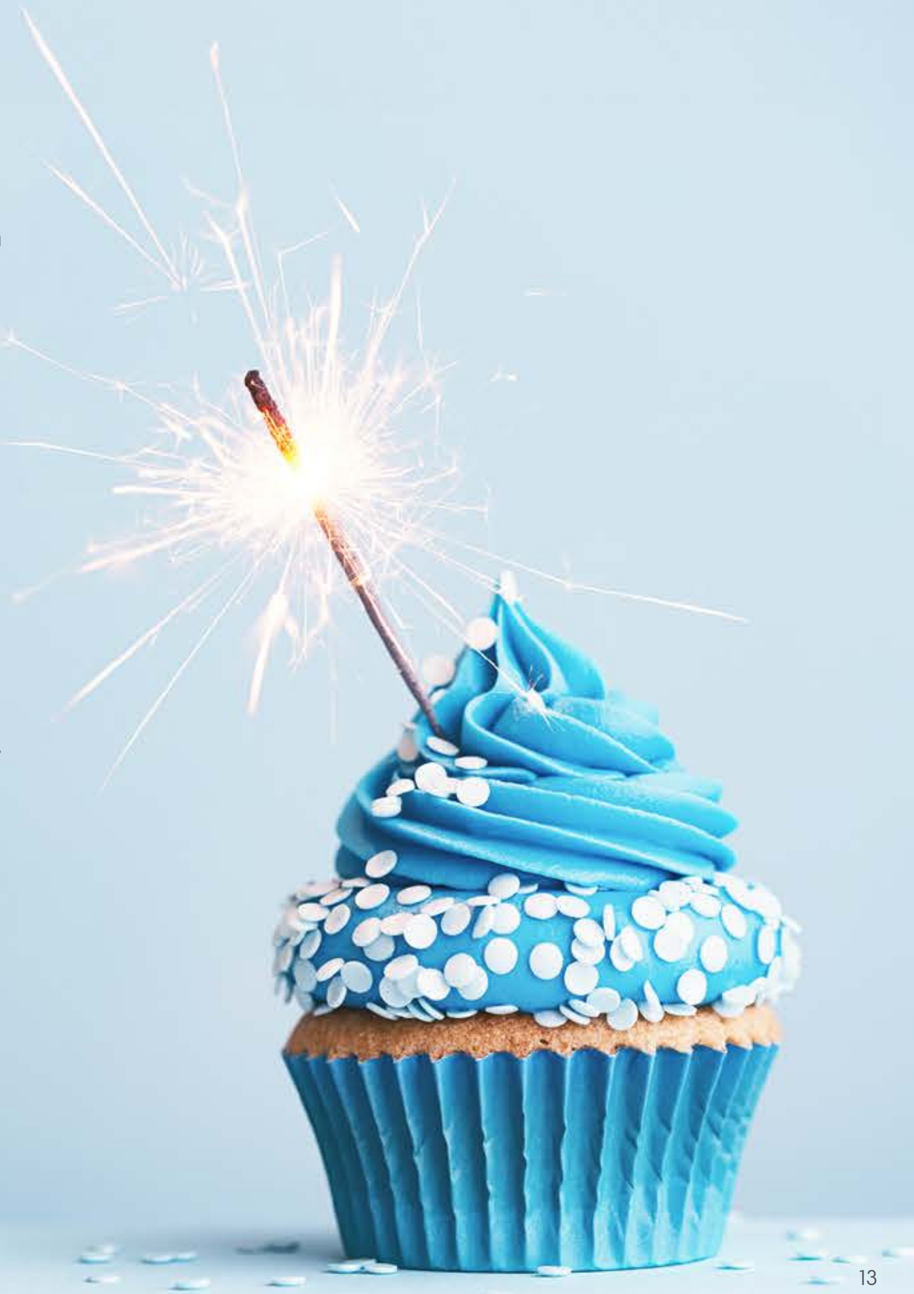
** excluding car lenders*

FINANCIAL LITERACY

ACF has always paid particular attention to the importance of financial literacy and has provided training to its clients over the years. In 25 years, the financial market in Kazakhstan become more sophisticated. Technology and digitization of the financial market emphasize the need for continued financial education, consumer protection, and financial inclusion.

In 2022, 530 ACF borrowers from 14 rural offices covering six regions of Kazakhstan participated ACF's financial literacy training. The training covered family budget and savings, online fraud, and types of financial pyramids. The project was conducted in partnership with the Financial Market Regulatory and Development Agency and Unified Accumulative Pension Fund.

To enable SME clients to pivot, adapt, and embrace digitization, ACF participated in Mastercard and MFC (Microfinance Center) Digitalizing Microenterprises project. During the recent pandemic, many SMEs struggled to keep their businesses running. They needed to learn how to change their offline business model. The project helped 753 ACF business clients receive tools to become more digital, acquire new skills, and thus mitigate some of the harshest consequences of the crisis, increase productivity, and have the ability to reach new customers and new markets more easily.



SUPERVISORY BOARD

Highly experienced ACF Supervisory Board provides direction to the management by setting ACF's strategy and overseeing its implementation. The end goal of the Supervisory Board is to help ACF achieve long-term success.

Christian ANDERSEN

Chairperson, board member since September 2014

BOARD COMMITTEES: Audit Committee and Risk Management Committee, Member

CURRENT POSITION: 2011–2018—Present: Co-founder and CEO of BOPA, Singapore; Board Chair Alliance Microfinance, Myanmar; Board member and Chair of Audit Committee in KIF, Timor LesteTimor

EDUCATION: MBA, IMD, General Management

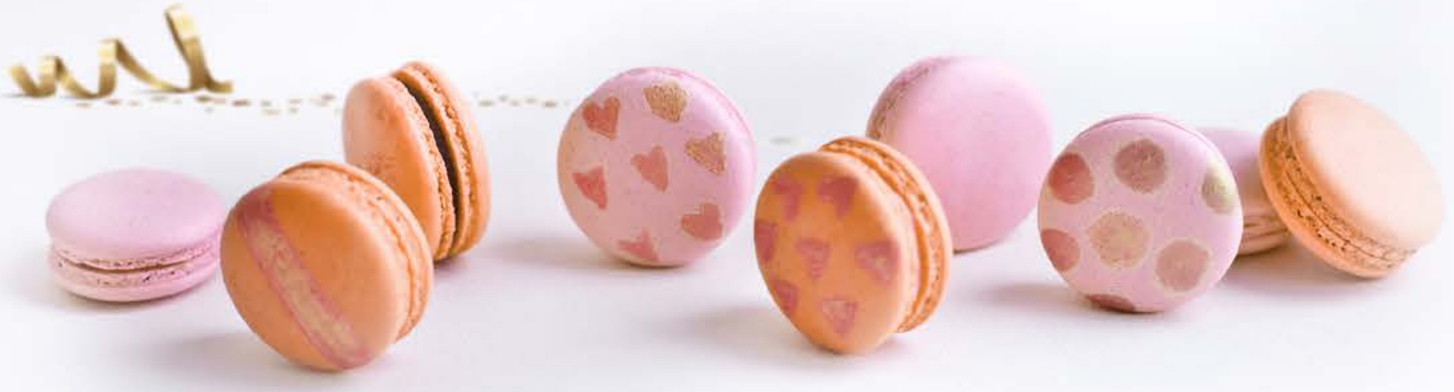
Senad SINANOVIC

Board member since March 2018

BOARD COMMITTEES: Risk Management Committee, Chair

CURRENT POSITION: Sep'2000—Present: CEO, Partner Microcredit Foundation, Bosnia and Herzegovina

EDUCATION: Pan-european University Apeiron, Economics



Marco DE NATALE

Board member since November 2019

BOARD COMMITTEES: Audit Committee, Chair; Risk Management Committee, Member

CURRENT POSITION: 2022—Present: Regional CFO-Africa, VisionFund/World Vision

EDUCATION: MS, Management Science & Engineering, Standford University; BA, Economic & Finance, Università Commerciale 'Luigi Bocconi'

Don GINSEL

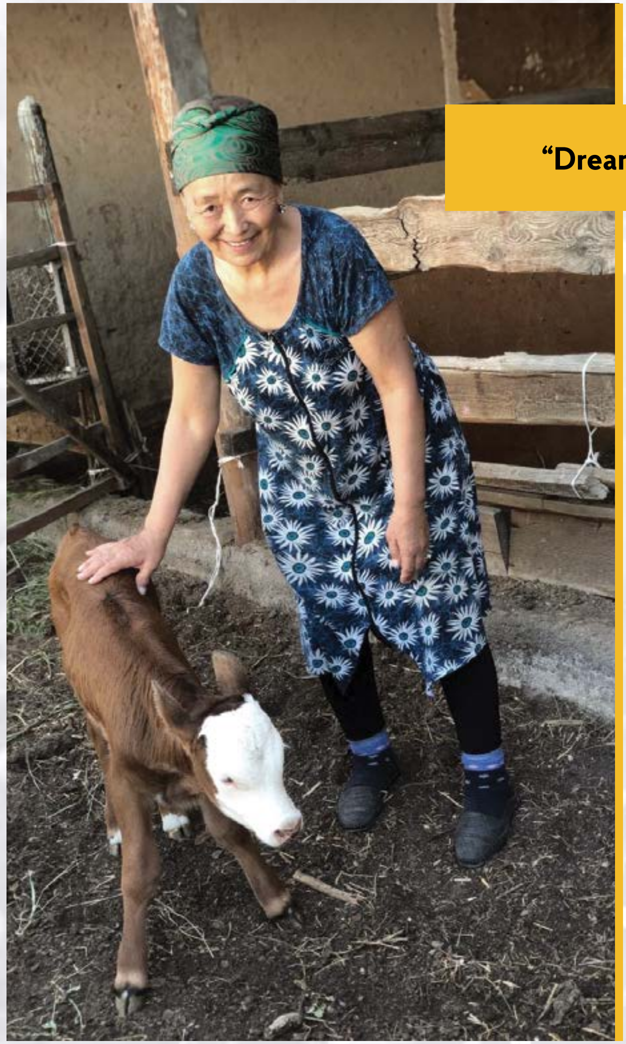
Board member since January 2021

BOARD COMMITTEES: Risk Management Committee, Member

CURRENT POSITION: 2013–2017—Present: Founder, Holland FinTech, The Netherlands; President, FINTECH AERA, The Netherlands; Co-founder, Foundation Capital Waters, The Netherlands

EDUCATION: MSC/Ir, Civil & Coastal Engineering, Technische Universiteit Delft; Business Administration, Erasmus Universiteit Rotterdam

SUCCESS STORIES



Balgyz Jurtchieva

“Dreams always come true if the partner is ACF”

I have always wanted to have a small farm. In 2011, I received a micro-loan in the amount of USD 720 from ACF for the first time to purchase sheep. Now I have 150 sheep, 26 cows, and 12 horses!

For all the time of our cooperation, I have increased the number of livestock and repaired outbuildings, completed additional premises for livestock, and made repairs at home. I see many advantages of working with ACF: micro-loans are issued without commissions, I can repay ahead of schedule at any time and not think about extra interest or penalties, and I can repay microloans not only through the cash desk at ACF offices but also through terminals.

But most importantly, I can get a flexible repayment schedule tailored specifically for my seasonal business!

I am grateful to ACF for the fact that such a company exists. I wish to thank the employees who are always interested in my business ideas and happy to help anytime!

A satisfied client is the best business strategy

Gulbagira Syrlybayeva

“If there were more such organizations as ACF, the village population would live much better”

Being an ACF client since 2017, I know I can get a microloan anytime and for any goal. Thanks to ACF, I built a greenhouse, started a new business, and opened a store.

I have been growing crops for more than ten years, producing different crops, from sweet pepper to watermelon. However, I was always searching for new business ideas. One day, I decided to extend my activities and start growing seedlings for those who lived in my village. To this end, I needed cash that I didn’t have in sufficient quantity and received it from ACF. Since then, I have brought my business to a new level. Ten hectares of my land are used year-round in winter and summer. In winter, I grow seedlings in a new greenhouse, and summertime—is a time of fruits and vegetables. In 2020 I opened a grocery store.

I am so happy to have ACF as my financial partner. On behalf of all village dwellers, I would like to thank the person who founded ACF.

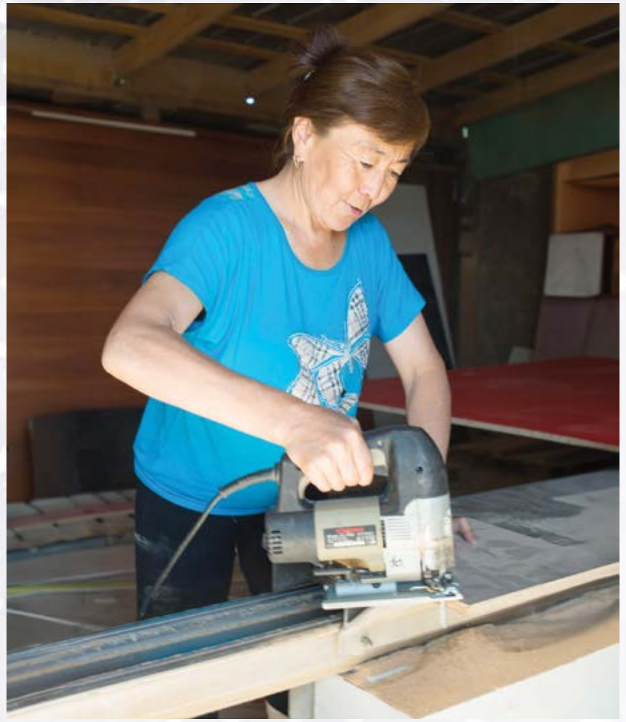
Kharshyga Onorkhan

“Thanks to my hard work and the support of ACF, my business is thriving, and my family feels confident about the future”

For 15 years, I had been running a furniture business producing two types of furniture: kitchen tables and beds. I accepted the orders at home and made and sold furniture there. There were ambitions to expand the range, but there were difficulties with production, a lack of the required equipment, and, as a result, few orders.

Thus, in 2013 I decided to apply to ACF, and since then, we’ve collaborated successfully. I’ve received 11 microloans for business development and expansion. During this time, the business capital has grown by 317%. I have bought new equipment and two sales outlets at the market and significantly expanded my product range.

Thanks to ACF support, my furniture business is growing, and each year the range of loyal customers is getting larger and larger.



Meruert Ismailova

“My dream of a new house came true with ACF!”

In 2007, I became a pensioner and, with my husband, moved from the crowded capital city to my native village. We started our own business, a food store, which we constructed on a piece of land we could purchase with our savings.

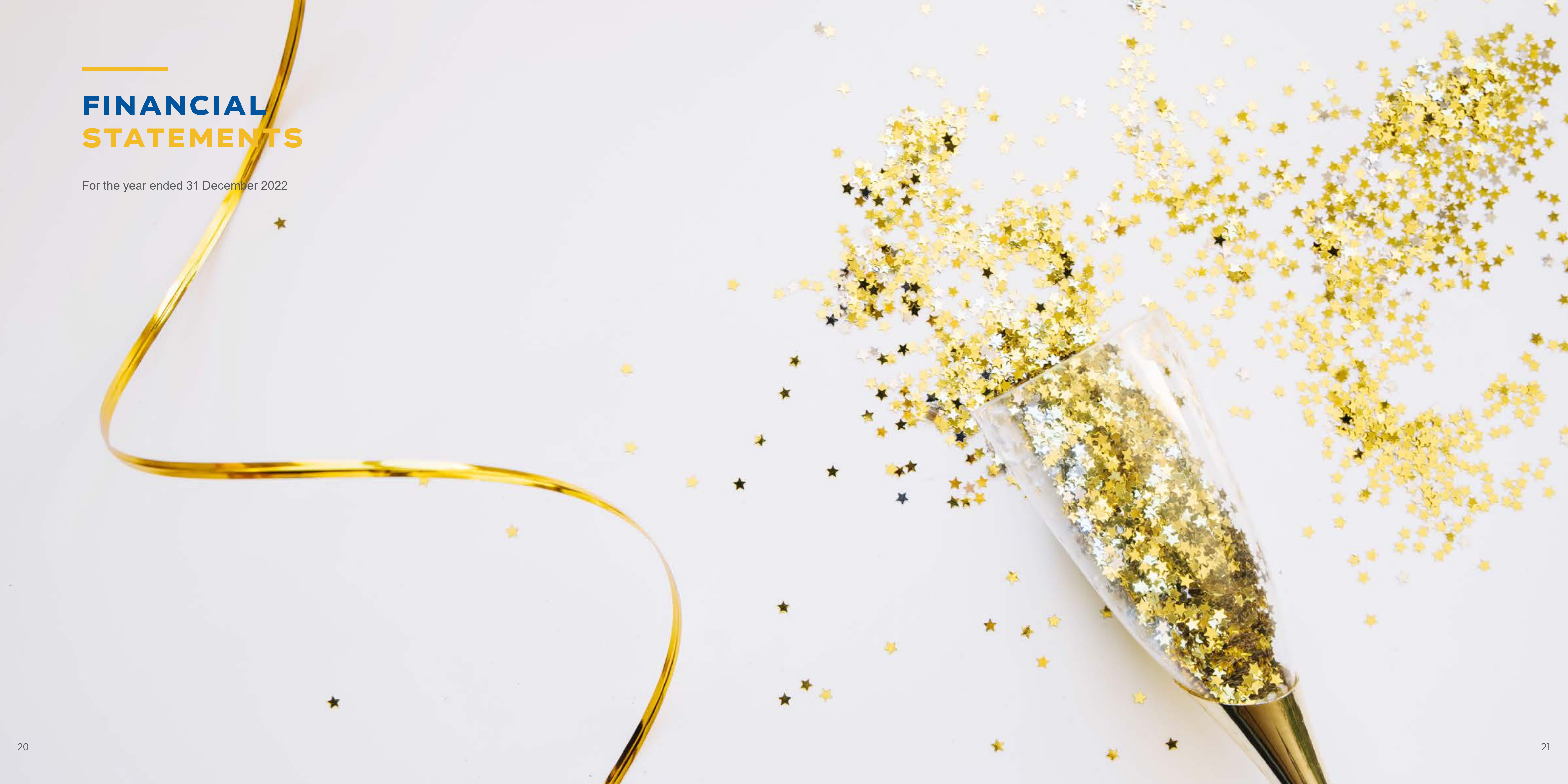
In addition, we began raising livestock. We wanted to have a good house and started the construction in 2012 using the funds from our savings to construct the house shell, with additional construction being planned step-by-step once funds were available from our monthly business income. However, we understood that we’d be able to build only a one-roomed temporary house.

At that time, I worked with ACF and took group loans to close family budget gaps and address immediate working capital business needs. Knowing that ACF had the Residential Energy Efficiency Loan, I applied. To make my story short, I received not only the loan but consultation about innovative, simple, and affordable energy-saving techniques and materials I could use.

I am thankful to ACF for the financial support that helped me complete the house construction, as well as the opportunity to learn about new materials that significantly improved the comfort of our living situation simultaneous to decreasing heating expenses.

FINANCIAL STATEMENTS

For the year ended 31 December 2022



Statement of management's responsibilities for the preparation and approval of the financial statements for the year ended 31 December 2022

Management is responsible for the preparation and fair presentation of the financial statements, of Microfinance organization Asian Credit Fund LLC (hereinafter—the "Company") as at 31 December 2022 for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (hereinafter—"IFRSs").

In preparing the financial statements management is responsible for:
- selecting of proper accounting principles and its consistent application;
- presenting information, including accounting policies, in a manner that provides relevance, reliability, comparability and understandability of such information;
- using of reasonable and appropriate estimates and assumptions;
- providing additional disclosures when compliance with the requirements of IFRS is insufficient for users of the financial statements to understand the impact of particular transactions, as well as other events and conditions on the financial position and financial results of the Company's operation; and
- assessment of the Company's ability to continue as a going concern in the foreseeable future.

Management is also responsible for:
- designing, implementing and maintaining the effective and reliable functionality of the internal control system;
- maintaining adequate accounting system which allows the preparation of information about the Company financial position at any time with reasonable accuracy, and to ensure compliance of the financial statements with IFRSs;
- maintaining accounting records in accordance with the legislation of the Republic of Kazakhstan;
- adopting measures within its competence to safeguard assets of the Company; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2022 were approved by the management of the Company on 12 May 2023.

Zhakupova Zh. B.
Executive Director

Zhumakhanova T. N.
Chief Accountant

12 May 2023. Almaty, the Republic of Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Participants and Supervisory Board of Microfinance organization Asian Credit Fund LLC

Opinion

We have audited the financial statements of Microfinance organization Asian Credit Fund LLC (hereinafter—"the Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other 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 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter—"IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter—"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 ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those statements on 6 June 2022.

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's 2022 Annual Report, other than the financial statements and our auditor's report thereon. The Company's 2022 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, upon reading the Annual Report, we conclude that there is a material misstatement, we are required to communicate the matter to those charged with governance.

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 financial reporting process of Microfinance organization Asian Credit Fund LLC.

Auditors' 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 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 audit of Microfinance organization Asian Credit Fund LLC.

Evgeny Zhemaletdinov
Engagement partner
Certified Auditor of the Republic of Kazakhstan
Certificate No.MF-00000553 on 20 December 2003

Yerzhan Dossymbekov
General Director
Grant Thornton LLP

State license for providing audit services on the territory of the Republic of Kazakhstan No.18015053, issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated 3 August 2018

12 May 2023. Almaty, the Republic of Kazakhstan

Statement of financial position

As at 31 December 2022

In thousands of tenge	Notes	31 Dec. 2022	31 Dec. 2021
ASSETS			
Cash and cash equivalents	6	**4,803,025**	1,668,759
Amounts due from credit institutions	7	**1,802,779**	—
Loans to customers	8	**17,558,838**	12,239,332
Financial instruments at fair value through profit or loss	9	**2,037,242**	—
Property and equipment	10	**159,033**	136,908
Right-of-use assets	11	**78,016**	75,625
Intangible assets	12	**126,329**	131,501
Other assets	13	**63,500**	50,348
TOTAL ASSETS		**26,628,762**	14,302,473
EQUITY			
Charter capital	14	**553,797**	553,797
Retained earnings		**2,837,172**	2,205,038
TOTAL EQUITY		**3,390,969**	2,758,835
LIABILITIES			
Amounts due to credit institutions	15	**20,339,296**	11,235,834
Subordinated debt	16	**707,330**	—
Repurchase agreements	17	**1,956,510**	—
Lease liabilities	11	**89,085**	84,927
Current corporate income tax liabilities		**2,538**	5,519
Deferred corporate income tax liabilities	18	**8,266**	5,597
Other liabilities	13	**134,768**	211,761
TOTAL LIABILITIES		**23,237,793**	11,543,638
TOTAL EQUITY AND LIABILITIES		**26,628,762**	14,302,473

Accompanying notes on pages 30 to 70 are an integral part of these financial statements.

Zhakupova Zh. B.
Executive Director

Zhumakhanova T. N.
Chief Accountant

12 May 2023. Almaty, the Republic of Kazakhstan

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
Interest income	19	**6,463,713**	4,079,452
Interest expense	19	**(2,825,452)**	(1,834,565)
Net interest income before expected credit loss expense		**3,638,261**	2,244,887
Expected credit loss (expense) / recovery	20	**(510,623)**	101,816
Net interest income		**3,127,638**	2,346,703
Loss on modification of financial liabilities not resulting in derecognition	15	**—**	(37,578)
Net loss on financial instruments at fair value through profit or loss	21	**(106,666)**	—
Net loss from foreign exchange operations		**(53,910)**	(16,918)
translation differences		**(29,215)**	(3,384)
dealing		**(24,695)**	(13,534)
Operating expenses	22	**(2,173,113)**	(1,635,503)
Other income		**14,103**	27,104
Other expenses		**(3,409)**	(5,328)
Income before corporate income tax benefit		**804,643**	678,480
Corporate income tax expense	18	**(172,509)**	(159,985)
Net income		**632,134**	518,495
Other comprehensive income		**—**	—
Total comprehensive income for the year		**632,134**	518,495

Accompanying notes on pages 30 to 70 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before corporate income tax expense		**804,643**	678,480
Adjustments for:			
Depreciation of property and equipment and amortization of intangible assets and right-of-use assets	10,11,12	**139,307**	122,110
Interest income	18	**(6,463,713)**	(4,079,452)
Interest expense	18	**2,825,452**	1,834,565
Provision charge/ (recovery) for expected credit losses	19	**510,623**	(101,816)
Loss resulting from modification of financial liabilities not resulting in derecognition	15	**—**	37,578
Accrued expenses on unused vacations and other payroll accruals		**9,748**	13,671
Unrealized foreign exchange loss		**29,215**	3,384
Net loss on financial instruments at fair value through profit or loss	20	**106,666**	—
Loss on disposal of property and equipment		**1,104**	462
Other expenses		**12,512**	10,497
Cash outflow from operating activities before changes in working capital		**(2,024,443)**	(1,480,521)
(Increase) / decrease in operating assets:			
Financial instruments at fair value through profit or loss		**(1,917,792)**	—
Loans to customers		**(5,616,809)**	(4,128,420)
Amounts due from credit institutions		**(1,795,044)**	—
Other assets		**(7,748)**	(24,783)
Increase / (decrease) in operating liabilities:			
Loans from repurchase agreements		**1,952,155**	—
Other liabilities		**(1,050)**	59,991
Cash used in operating activities		**(9,410,731)**	(5,573,733)
Interest received		**6,253,668**	4,044,416
Interest paid		**(2,698,367)**	(1,780,754)
Corporate income tax paid		**(172,821)**	(165,254)
Net cash generated from / (used in) operating activities		**(6,028,251)**	(3,475,325)

Statement of cash flows *(continued)*

For the year ended 31 December 2022

In thousands of tenge	Notes	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	10	**(49,068)**	(22,361)
Purchase of intangible assets	12	**(14,008)**	(41,895)
Net cash used in investing activities		**(63,076)**	(64,256)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from amounts due to credit institutions	15	**13,322,674**	7,846,552
Proceeds from of subordinated loan	16	**702,840**	—
Repayment of amounts due to credit institutions	15	**(4,665,774)**	(3,210,615)
Lease payments	11	**(92,521)**	(86,551)
Net cash used in financing activities		**9,267,219**	4,549,386
Net increase in cash and cash equivalents		**3,175,892**	1,009,805
Effect of expected credit losses on cash and cash equivalents		**(3,275)**	64
Effect of exchange rate changes on cash and cash equivalents		**(38,351)**	477
Cash and cash equivalents at the beginning of the year		**1,668,759**	658,413
Cash and cash equivalents at the end of the year	6	**4,803,025**	1,668,759

Statement of changes in equity

For the year ended 31 December 2022

In thousands of tenge	Charter capital	Retained earnings	Total Equity
As at 31 December 2020	553,797	1,686,543	**2,240,340**
Net income for the year	—	518,495	**518,495**
Other comprehensive income	—	—	**—**
Total comprehensive income	—	**518,495**	**518,495**
As at 31 December 2021	553,797	**2,205,038**	**2,758,835**
Net income for the year	—	632,134	**632,134**
Other comprehensive income	—	—	—
Total comprehensive income	—	**632,134**	**632,134**
As at 31 December 2022	553,797	**2,837,172**	**3,390,969**

Accompanying notes on pages 30 to 70 are an integral part of these financial statements.

1. General information

Microfinance organization “Asian Credit Fund” Limited Liability Company (hereinafter—the “Company”) was registered on 27 October 2005, and is carrying out its activities in the territory of the Republic of Kazakhstan. On 29 December 2014, the Company was re-registered in connection with the decision of its participants on changing the name of the Company from Microcredit organization “Asian Credit Fund” Limited Liability Company to Microfinance organization “Asian Credit Fund” Limited Liability Company as per requirement of the Law of Republic of Kazakhstan on Microfinance Organizations. The Company’s activities are supervised and regulated by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (hereinafter—the “Agency”).

The Company’s principal activity is granting micro loans to customers. As at 31 December 2022, the Company had 11 branches and 58 outlets in the Republic of Kazakhstan (as at 31 December 2021: 7 branches and 51 outlets).

The Company’s participants are BOPA Pte LTD with 98.32% share and Karavella Invest LLP with 1.68% share. As at 31 December 2022 and 2021 participatory shares in BOPA Pte LTD are distributed as follows:

	Share, %	
Name	**31 Dec. 2022**	31 Dec. 2021
The Investment Fund for Developing Countries	**30.31%**	30.31%
Finnish Fund Industrial Cooperation LTD	**25.87%**	25.87%
Selfinvest APS	**17.33%**	17.33%
Other participants owning less than 8% each	**26.49%**	26.49%
	100.00%	100.00%

The Company’s head office is located at 60 Auezov Str., Almaty, the Republic of Kazakhstan.

As at 31 December 2022, the Company has 382 employees (31 December 2021: 333 employees).

2. Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter—“IFRSs”).

The financial statements are presented in thousands of tenge, unless otherwise indicated.

Going concern

These financial statements have been prepared assuming that the Company is a going concern and will continue its operation for the foreseeable future.

Management believes that the Company is able to generate sufficient funds to meet its liabilities. The management of the Company does not have any intention or necessity to liquidate or significantly reduce the size of its business.

Functional currency

Items included in the financial statements are measured using the currency of the primary of the economic environment in which the Company operates (“the functional currency”). The functional currency and presentation currency of the financial statements of the Company is the Kazakhstani tenge (“tenge”).

These financial statements have been prepared on the historical cost basis except for certain properties and financial instruments.

Exchange rates on Kazakhstan Stock Exchange (hereinafter—“KASE”) for the foreign currencies, used by the Company during preparation of the financial statements as at 31 December 2022 and 2021, were as follows:

	31 Dec. 2022	31 Dec. 2021
Exchange rates at the end of the year		
Tenge/1 US dollar	**462.65**	431.80
Tenge/1 euro	**492.86**	489.10

3. Summary of significant accounting policies

Financial assets and liabilities

Initial recognition

Date of recognition. All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e., the date that the Company commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities. The Company classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- FVPL

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Loans to customers at amortised cost. The Company only measures loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment. The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Company’s assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test. As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company changes the business model for managing financial assets. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets and liabilities in 2022.

Cash and cash equivalents

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

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded within cash and cash equivalents or amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position unless these are sold to third parties. In this case the purchase and sale are recorded within gains less losses from trading securities in the statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Leases

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets. The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities. At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below 2,100 thousand tenge). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- The normal course of business,
- The event of default, and
- The event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Renegotiated loans

The Company will seek to restructure loans in cases where a borrower is unable to adhere to an agreed repayment schedule due to objective changes in circumstances, but the Company deems that the borrower is able to repay the loan in full with a modified repayment schedule. Restructuring may involve extending the payment arrangements and the agreement of new loan conditions.

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit-impaired (POCI).

When assessing whether or not to derecognise a loan to a customer, amongst others, the Company considers the following factors:

- Change in currency of the loan.
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Company records a modification gain or loss, presented within interest revenue calculated using effective interest rate in the statement of comprehensive income, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Company also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired,
- The Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, and
- The Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Write-off. Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another 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 the respective carrying amounts is recognised in profit or loss.

Taxation

Current corporate income tax expense is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

Deferred corporate income tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred corporate income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred corporate income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred corporate income tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred corporate income tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes are recorded in the statement of comprehensive income within operating expenses.

Property and equipment

Property and equipment carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

Carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Categories of property and equipment	Useful life
Computer hardware	2.5–10 years
Vehicles	5–10 years
Office furniture and equipment	2–10 years

Asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end. Costs related to repairs and renewals are charged when incurred and included in the statement of comprehensive income within Operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include computer software and are initially measured at cost.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic lives from 1 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Deductions from employee benefits

In 2022, the Company pays social tax to the budget of the Republic of Kazakhstan in accordance with the tax legislation of the Republic of Kazakhstan at a flat rate of 9.5% of wages and other employee benefits, including material benefits (2021: 9.5%). Part of the social tax amount in the amount of 3.5% is transferred to the NJSC State Corporation "Government for Citizens" (2021: 3.5%).

In 2022, the Company pays mandatory social health insurance contributions in the amount of 3% of wages and other employee benefits, including material benefits (2021: 2%).

The Company withholds mandatory pension contributions in the amount of 10% of the salaries of its employees in 2022 as contributions to the Unified Accumulative Pension Fund JSC and also withholds personal income tax at a flat rate up to 10% from salaries and other employee benefits, including material benefits.

Charter capital

Charter capital is classified as equity. Incremental costs directly attributable to the issue of additional charter capital are recognised as a deduction from equity, net of any tax effects.

Contingent assets and liabilities

Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is almost certain.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

The Company calculates interest income on debt financial assets measured at amortised cost or at FVOCI by applying the effective interest rate to the gross carrying amount of financial assets other than credit-impaired assets. Effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Company calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

For POCI financial assets, the Company calculates interest income by calculating the credit-adjusted effective interest rate and applying that rate to the amortised cost of the asset. The credit-adjusted effective interest rate is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVPL is ecognized using the contractual interest rate in "Interest income" in the statement of comprehensive income.

4. Significant accounting judgements and estimates

Foreign currency translation

The financial statements are presented in tenge, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the official exchange rate established by the Kazakhstan Stock Exchange (hereinafter—the "KASE") and communicated by the National Bank of the Republic of Kazakhstan (hereinafter—the "NBRK"), at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of comprehensive income as net gains/(losses) from transactions in foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the official exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the official exchange rate on the date of the transaction are included in net losses from foreign currencies.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Determining the lease term of contracts with renewal options

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.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Estimation uncertainty

In the process of applying the Company's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Leases—estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Additional details are provided in Note 24.

Expected credit losses on financial assets

The measurement of expected credit losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. In addition, large-scale business disruptions may give rise to liquidity issues for some entities and consumers. Deterioration in credit quality of loan portfolios (amongst other items) as a result of the COVID-19 pandemic may have a significant impact on the Company's ECL measurement. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulae and the choice of inputs.
- Determination of associations between macroeconomic scenarios and, economic inputs, such as GDP and the effect on PDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

More details are provided in Notes 8 and 25.

Taxation

The Republic of Kazakhstan currently has a single Tax Code that regulates main taxation matters. The existing taxes include value added tax, corporate income tax, social and other taxes. Implementation of these regulations is often unclear or non existent and only an insignificant number of precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and forfeits. These facts create tax risks in the Republic of Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in compliance with the tax laws of the Republic of Kazakhstan regulating its operations. However, the risk remains that relevant authorities could take differing positions with regard to interpretive tax issues.

5. Adoption of new and revised international financial reporting standards

Standards and Interpretations adopted this year

The Company adopted the following new and revised standards during the reporting year, which became effective on 1 January 2022:

- Amendments to IFRS 3—*Reference to the Conceptual Framework.*
- Amendments to IAS 16—*Property, Plant and Equipment: Proceeds before Intended Use.*
- Amendments to IAS 37—*Onerous Contracts—Costs of Fulfilling a Contract.*
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards—*Subsidiary First-time Adoption of International Financial Reporting Standards.*
- Amendment to IFRS 9 Financial Instruments—*Commission on the '10% test' for derecognition of financial liabilities.*
- Amendment to IAS 41 Agriculture—*taxation of fair value measurements.*

The accounting policies adopted in the preparation of the financial statement are consistent with those followed in the preparation of the Company's financial statement for the year ended 31 December 2021, except for newly adopted standards and interpretations effective 1 January 2022. The Company has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3—Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statement of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

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

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statement of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Amendments to IAS 37—Onerous Contracts—Costs of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labor and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statement of the Company as there were no onerous contracts.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards—Subsidiary First-time Adoption of International Financial Reporting Standards
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments did not have impact on the financial statements of the Company as the Company applies International Financial Reporting Standards since the date of formation.

Amendment to IFRS 9 Financial Instruments—Commission on the '10% test' for derecognition of financial liabilities

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 between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statement of the Company as there were no modifications of the Company's financial instruments during the period.

Amendment to IAS 41 Agriculture—taxation of fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

New and revised IFRS—issued but not yet effective

The Company did not adopt the following new standards, amendments and clarifications that have been issued but are not yet effective:

- Amendments to IFRS 17 Insurance contracts.
- Amendments to IAS 1: Classification of liabilities as current or non-current.
- Amendments to IAS 8—Definition of Accounting Estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2—Disclosure of Accounting Policies.
- Amendments to IAS 12—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

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 (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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. This standard is not applicable to the Company.

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8—Definition of Accounting Estimates

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

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

The amendments are not expected to have a material impact on the Company's financial statement.

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

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

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Amendments to IAS 12—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

6. Cash and cash equivalents

As at 31 December 2022 and 2021, cash and cash equivalents are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Current accounts in Kazakhstani banks	**3,983,184**	1,061,415
Reverse repurchase agreements up to 90 days	**575,313**	100,000
Cash on brokerage accounts	**247,922**	—
Time deposits with banks up to 90 days	**478**	508,000
Cash on hand	**165**	106
	4,807,062	1,669,521
Less: allowance for expected credit losses	**(4,037)**	(762)
Total cash and cash equivalents	**4,803,025**	1,668,759

As at 31 December 2022 and 2021, the Company entered into reverse repurchase agreements at the Kazakhstan Stock Exchange. The subject of these agreements are government securities of the Ministry of Finance of the Republic of Kazakhstan and debt securities of Kazakhstan Sustainability Fund JSC, the fair value of which as at 31 December 2022 was 553,914 thousand tenge (31 December 2021: 101,131 thousand tenge).

As at 31 December 2022 and 2021, all cash and cash equivalents were classified to the stage 1. During 2022 and 2021, there were no transfers between the stages.

The movement of allowance for expected credit losses for the years ended 31 December 2022 and 2021 is presented as follows:

In thousands of tenge	**2022**	2021
Provision at the beginning of the year	**(762)**	(826)
Recovery of provision	**(3,275)**	64
Provision at the end of the year	**(4,037)**	(762)

7. Amounts due from credit institutions

As at 31 December 2022 and 2021, amounts due from credit institutions are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Restricted cash on Kazakhstani bank account	**1,802,779**	—
Total restricted cash	**1,802,779**	—

As at 31 December 2022, cash in the bank accounts in the amount of 1,802,779 thousand tenge provided by the Company as collateral for certain loans received by the Company from credit institutions.

8. Loans to customers

As at 31 December 2022 and 2021, loans to customers are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Loans to customers	**18,341,789**	12,582,744
Less: allowance for expected credit losses	**(782,951)**	(343,412)
Total loans to customers	**17,558,838**	12,239,332

The analysis of loans by products is presented below:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Individual loans	**16,442,825**	10,377,743
Group loans	**1,898,964**	2,205,001
Total loans to customers	**18,341,789**	12,582,744

Group loans are unsecured loans granted to groups of borrowers, who sign loan agreements with joint obligation to repay their loans.

As at 31 December 2022 and 2021, accrued interest on loans to customers amounted to 402,414 thousand tenge and 236,995 thousand tenge, respectively.

The analysis of loans in terms of collateral received is presented below:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Unsecured loans	**17,120,008**	11,547,339
Loans, secured with real estate	**982,145**	793,138
Loans, secured with movable property	**239,636**	242,267
Total loans to customers	**18,341,789**	12,582,744

To reduce its credit risk the Company actively uses collateral, represented by vehicles and residential properties as at 31 December 2022 and 2021 in the total amount of 2,726,910 thousand tenge and 2,051,191 thousand tenge, respectively.

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to individual loans during the year ended 31 December 2022 is as follows:

In thousands of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Individual loans				
Gross carrying amount as at 1 January 2022	**10,061,938**	**118,912**	**196,893**	**10,377,743**
New assets originated	**28,638,330**	—	—	**28,638,330**
Assets repaid	**(22,622,781)**	**(29,586)**	**(11,852)**	**(22,664,219)**
Net change in accrued interest	**126,091**	**14,121**	**27,401**	**167,613**
Transfers to stage 1	**450**	**(450)**	—	—
Transfers to stage 2	**(271,317)**	**271,317**	—	—
Transfers to stage 3	**(301,163)**	**(23,841)**	**325,004**	—
Changes to contractual cash flows due to modifications not resulting in derecognition	**(3,059)**	**(4,171)**	—	**(7,230)**
Recoveries	—	—	**7,299**	**7,299**
Amounts written off	—	—	**(76,711)**	**(76,711)**
Gross carrying amount as at 31 December 2022	**15,628,489**	**346,302**	**468,034**	**16,442,825**

In thousands of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Individual loans				
Allowance for ECL as at 1 January 2022	**(38,271)**	**(38,968)**	**(130,030)**	**(207,269)**
New assets originated	**(321,170)**	—	—	**(321,170)**
Assets repaid	**227,190**	**7,594**	**7,639**	**242,423**
Transfers to stage 1	**4**	**(4)**	—	—
Transfers to stage 2	**(74,991)**	**74,991**	—	—
Transfers to stage 3	**(222,446)**	**(21,000)**	**243,446**	—
Impact on ECL of exposures transferred between stages and changes to models and inputs used for ECL calculations	***239,364***	***(110,302)***	***(502,494)***	***(373,432)***
Unwinding of discount	—	—	**(10,339)**	**(10,339)**
Changes to contractual cash flows due to modifications not resulting in derecognition	**48**	**1,467**	—	**1,515**
Recoveries	—	—	**(7,299)**	**(7,299)**
Amounts written off	—	—	**76,711**	**76,711**
Allowance for ECL as at 31 December 2022	**(190,272)**	**(86,222)**	**(322,366)**	**(598,860)**

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to group loans during the year ended 31 December 2022 is as follows:

In thousands of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Group loans				
Gross carrying amount as at 1 January 2022	**2,049,650**	**17,390**	**137,961**	**2,205,001**
New assets originated	**2,724,499**	—	—	**2,724,499**
Assets repaid	**(2,985,094)**	**(3,522)**	**(41,215)**	**(3,029,831)**
Net change in accrued interest	**(606)**	**(893)**	**(695)**	**(2,194)**
Transfers to stage 2	**(30,749)**	**30,749**	—	—
Transfers to stage 3	**(52,896)**	**(7,350)**	**60,246**	—
Changes to contractual cash flows due to modifications not resulting in derecognition	—	**(114)**	—	**(114)**
Recoveries	—	—	**4,473**	**4,473**
Amounts written off	—	—	**(2,870)**	**(2,870)**
Gross carrying amount as at 31 December 2022	**1,704,804**	**36,260**	**157,900**	**1,898,964**

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Group loans				
Allowance for ECL as at 1 January 2022	**(15,837)**	**(8,818)**	**(111,488)**	**(136,143)**
New assets originated	**(44,231)**	**—**	**—**	**(44,231)**
Assets repaid	**46,980**	**1,239**	**21,336**	**69,555**
Transfers to stage 2	**(10,152)**	**10,152**	**—**	**—**
Transfers to stage 3	**(40,672)**	**(7,508)**	**48,180**	**—**
Impact on ECL of exposures transferred between stages and changes to models and inputs used for ECL calculations	***35,330***	***(6,462)***	***(95,469)***	***(66,601)***
Unwinding of discount	**—**	**—**	**(5,108)**	**(5,108)**
Changes to contractual cash flows due to modifications not resulting in derecognition	**—**	**40**	**—**	**40**
Recoveries	**—**	**—**	**(4,473)**	**(4,473)**
Amounts written off	**—**	**—**	**2,870**	**2,870**
Allowance for ECL as at 31 December 2022	**(28,582)**	**(11,357)**	**(144,152)**	**(184,091)**

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to individual loans during the year ended 31 December 2021 is as follows:

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Individual loans				
Gross carrying amount as at 1 January 2021	**5,704,486**	**150,190**	**186,781**	**6,041,457**
New assets originated	13,626,820	—	—	**13,626,820**
Assets repaid	(9,185,995)	(69,808)	(53,829)	**(9,309,632)**
Net change in accrued interest	74,190	251	(9,480)	**64,961**
Transfers to stage 1	52,449	(50,827)	(1,622)	**—**
Transfers to stage 2	(206,339)	210,662	(4,323)	**—**
Transfers to stage 3	(3,015)	(117,887)	120,902	**—**
Changes to contractual cash flows due to modifications not resulting in derecognition	(658)	(3,669)	(1,540)	**(5,867)**
Recoveries	—	—	14,324	**14,324**
Amounts written off	—	—	(54,320)	**(54,320)**
Gross carrying amount as at 31 December 2021	**10,061,938**	**118,912**	**196,893**	**10,377,743**

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Individual loans				
Allowance for ECL as at 1 January 2021	**(75,165)**	**(44,687)**	**(112,150)**	**(232,002)**
New assets originated	(157,258)	—	—	**(157,258)**
Assets repaid	191,684	21,864	39,863	**253,411**
Transfers to stage 1	(18,131)	17,080	1,051	**—**
Transfers to stage 2	1,979	(4,979)	3,000	**—**
Transfers to stage 3	37	46,751	(46,788)	**—**
Impact on ECL of exposures transferred between stages and changes to models and inputs used for ECL calculations	*18,583*	*(76,507)*	*(18,322)*	***(76,246)***
Unwinding of discount	—	—	(37,213)	**(37,213)**
Changes to contractual cash flows due to modifications not resulting in derecognition	—	1,510	533	**2,043**
Recoveries	—	—	(14,324)	**(14,324)**
Amounts written off	—	—	54,320	**54,320**
Allowance for ECL as at 31 December 2021	**(38,271)**	**(38,968)**	**(130,030)**	**(207,269)**

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to group loans during the year ended 31 December 2021 is as follows:

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Group loans				
Gross carrying amount as at 1 January 2021	**2,123,514**	**69,183**	**134,743**	**2,327,440**
New assets originated	2,650,206	—	—	**2,650,206**
Assets repaid	(2,672,387)	(32,442)	(69,585)	**(2,774,414)**
Net change in accrued interest	(6,293)	(716)	(5,535)	**(12,544)**
Transfers to stage 1	21,847	(19,157)	(2,690)	**—**
Transfers to stage 2	(62,252)	66,345	(4,093)	**—**
Transfers to stage 3	(4,303)	(64,867)	69,170	**—**
Changes to contractual cash flows due to modifications not resulting in derecognition	(682)	(956)	(402)	**(2,040)**
Recoveries	—	—	24,990	**24,990**
Amounts written off	—	—	(8,637)	**(8,637)**
Gross carrying amount as at 31 December 2021	**2,049,650**	**17,390**	**137,961**	**2,205,001**

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Group loans				
Allowance for ECL as at 1 January 2021	**(41,457)**	**(20,721)**	**(100,593)**	**(162,771)**
New assets originated	(53,110)	—	—	**(53,110)**
Assets repaid	78,088	9,505	68,987	**156,580**
Transfers to stage 1	(8,731)	6,182	2,549	**—**
Transfers to stage 2	956	(3,796)	2,840	**—**
Transfers to stage 3	83	20,573	(20,656)	**—**
Impact on ECL of exposures transferred between stages and changes to models and inputs used for ECL calculations	*8,334*	*(20,955)*	*(11,609)*	***(24,230)***
Unwinding of discount	—	—	(36,821)	**(36,821)**
Changes to contractual cash flows due to modifications not resulting in derecognition	—	394	168	**562**
Recoveries	—	—	(24,990)	**(24,990)**
Amounts written off	—	—	8,637	**8,637**
Allowance for ECL as at 31 December 2021	**(15,837)**	**(8,818)**	**(111,488)**	**(136,143)**

Modified and restructured loans

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

During 2022, the Company has modified the terms and conditions of certain loans, including introduction of payment holidays. The Company considered these modifications to be non-substantial. As a result, the Company recognised loss on modification of loans to customers, not resulting in derecognition in the amount of 7,344 thousand tenge, accounted within interest revenue on loans to customers of the statement of comprehensive income.

In thousands of tenge	2022	2021
Loans to customers modified during the period		
Amortised cost before modification	**35,044**	168,852
Net losses on modification of loans to customers not resulting in derecognition	**7,344**	7,907

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Guarantees
- Inventory
- Real estate
- Vehicles
- Other

Recoverability of loans mainly depends on creditworthiness of the borrower rather than on collateral. The Company's policy provides for foreclosure by selling the collateral in exceptional cases. This is supported by previous experience of obtaining and selling the collateral in the event of the borrower's inability to meet its obligations to the Company.

Concentration of loans to customers

As at 31 December 2022 and 2021, the Company has no borrowers or groups of interrelated borrowers whose loan balances exceed 10% of the Company's equity. According to the legislation of the Republic of Kazakhstan, the maximum amount of a microloan to a single borrower equals to 53,588 thousand tenge as at 31 December 2022 (as at 31 December 2021: 58,340 thousand tenge).

9. Financial instruments at fair value through profit or loss

As at 31 December 2022 and 2021 financial instruments at fair value through profit or loss are presented as follows:

In thousands of tenge	31 Dec. 2022	31 Dec. 2021
Debt instruments		
Eurobonds of Ministry of Finance of Republic of Kazakhstan	**2,037,242**	—
Total financial instruments at fair value through profit or loss	**2,037,242**	—

As at 31 December 2022, financial instruments at fair value through profit or loss in the amount of 1,959,609 thousand tenge were pledged as collateral for loans received under repurchase agreements *(Note 17).*

10. Property and equipment

Property and equipment are presented as follows:

In thousands of tenge	Computer hardware	Vehicles	Office furniture and equipment	Total
Historical cost:				
1 January 2021	**100,047**	**14,522**	**124,571**	**239,140**
Additions	9,062	—	13,299	**22,361**
Disposals	(11,571)	—	(17,641)	**(29,212)**
31 December 2021	**97,538**	**14,522**	**120,229**	**232,289**
Additions	25,063	—	24,005	**49,068**
Disposals	(1,961)	—	(13,373)	**(15,334)**
31 December 2022	**120,640**	**14,522**	**130,861**	**266,023**
Accumulated depreciation:				
1 January 2021	**(36,112)**	**(3,223)**	**(61,494)**	**(100,829)**
Charge	(8,458)	(1,935)	(12,909)	**(23,302)**
Disposals	11,348	—	17,402	**28,750**
31 December 2021	**(33,222)**	**(5,158)**	**(57,001)**	**(95,381)**
Charge	(10,035)	(1,935)	(13,869)	**(25,839)**
Disposals	1,505	—	12,725	**14,230**
31 December 2022	**(41,752)**	**(7,093)**	**(58,145)**	**(106,990)**
Net book value:				
31 December 2021	64,316	9,364	63,228	**136,908**
31 December 2022	**78,888**	**7,429**	**72,716**	**159,033**

As at 31 December 2022 and 2021, property and equipment were not pledged as collateral under the obligations of the Company.

As at 31 December 2022 the fully depreciated property and equipment amounted 30,486 thousand tenge (31 December 2021: 32,612 thousand tenge).

11. Lease

Movements in right-of-use assets and lease liabilities are as follows:

In thousands of tenge	Right-of-use assets	Lease liabilities
As at 1 January 2021	**37,781**	**34,540**
Additions	**122,174**	**122,174**
Depreciation expense	**(84,330)**	**—**
Interest expense	**—**	**14,764**
Payments	**—**	**(86,551)**
As at 31 December 2021	75,625	84,927
Additions	**65,878**	**65,878**
Modification	**30,801**	**30,801**
Depreciation expense	**(94,288)**	**—**
Interest expense	**—**	**17,895**
Payments	**—**	**(110,416)**
As at 31 December 2022	78,016	89,085

Right-of-use assets are represented by the Company's right to use premises under lease agreements. The Company recognised rent expense from short-term leases of 16,479 thousand tenge for the year ended 31 December 2022 (in 2021: 16,415 thousand tenge) *(Note 22)*.

12. Intangible assets

Intangible assets are presented as follows:

In thousands of tenge	License agreements	Software	Construction in progress	Other	Total
Historical cost:					
1 January 2021	**5,096**	**124,259**	**—**	**13,044**	**142,399**
Additions	—	—	41,895	—	**41,895**
Disposals	(2,425)	(1,072)	—	(3,053)	**(6,550)**
31 December 2021	**2,671**	**123,187**	**41,895**	**9,991**	**177,744**
Additions	2,581	4,863	4,564	2,000	**14,008**
Disposals	—	(260)	—	(2,303)	**(2,563)**
Transfers	—	46,459	(46,459)	—	**—**
31 December 2022	**5,252**	**174,249**	**—**	**9,688**	**189,189**
Accumulated depreciation:					
1 January 2021	**(1,461)**	**(28,767)**	**—**	**(8,087)**	**(38,315)**
Charge	(2,287)	(11,260)	—	(931)	**(14,478)**
Disposals	2,425	1,072	—	3,053	**6,550**
31 December 2021	**(1,323)**	**(38,955)**	**—**	**(5,965)**	**(46,243)**
Charge	(697)	(17,685)	—	(798)	**(19,180)**
Disposals	—	260	—	2,303	**2,563**
31 December 2022	**(2,020)**	**(56,380)**	**—**	**(4,460)**	**(62,860)**
Net book value:					
31 December 2021	1,348	84,232	41,895	4,026	**131,501**
31 December 2022	**3,232**	**117,869**	**—**	**5,228**	**126,329**

As at 31 December 2022 the fully depreciated intangible assets amounted 647 thousand tenge (3,157 thousand tenge).

13. Other assets and liabilities

As at 31 December 2022 and 2021 other assets are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Accounts receivable	**1,824**	17,351
Total other financial assets	**1,824**	**17,351**
Advances paid	**48,162**	25,469
Prepaid expenses	**9,552**	2,581
Inventories	**2,811**	4,728
Prepaid taxes other than corporate income tax	**56**	67
Other	**1,095**	152
Total other non-financial assets	**61,676**	**32,997**
Total other assets	**63,500**	**50,348**

As at 31 December 2022 and 2021 other liabilities are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Payables to suppliers	**18,200**	17,449
Payables to employees	**452**	1,809
Total other financial liabilities	**18,652**	**19,258**
Accrued expenses on unused vacations	**58,203**	48,455
Taxes payable other than corporate income tax	**42,310**	135,448
Other payables	**15,603**	8,600
Total other non-financial liabilities	**116,116**	**192,503**
Total other liabilities	**134,768**	**211,761**

14. Charter capital

As at 31 December 2022 and 2021 the Company's paid and outstanding charter capital was equal to 553,797 thousand tenge.

15. Amounts due to credit institutions

As at 31 December 2022 and 2021, the amounts due to credit institutions are presented as follows:

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Loans from investment funds	**18,733,324**	11,235,834
Loans from banks	**1,605,972**	—
Total	**20,339,296**	11,235,834

As at 31 December 2022, the Company had borrowings from 17 investment funds (as at 31 December 2021: from 16 investment funds).

During 2021 the Company renegotiated contractual terms of a number of loan agreements with investment funds, including maturity dates and interest rates. As a result of significant modifications of terms of these loan agreements, the Company recognised a loss of 37,578 thousand tenge in the statement of comprehensive income. The effect of the initial recognition of financial liabilities under the modification will be amortized over the remaining terms of the loans.

Covenants

As at 31 December 2022 and 2021, the Company has a number of financial and non-financial credit exposures. Management believes that the Company complied with all the requirements of financial covenants under agreements with credit institutions.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non–cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's statement of cash flows as cash flows from financing activities.

In thousands of tenge	1 Jan. 2022	Receipt of loans	Repayment of principal	Interest repayment	Interest accrual	Effect of exchange rate	Other	31 Dec. 2022
Amounts due to credit institutions	**11,235,834**	**13,322,674**	**(4,665,774)**	**(2,294,268)**	**2,474,708**	**214,749**	**51,373**	**20,339,296**
Total	**11,235,834**	**13,322,674**	**(4,665,774)**	**(2,294,268)**	**2,474,708**	**214,749**	**51,373**	**20,339,296**

In thousands of tenge	1 Jan. 2021	Receipt of loans	Repayment of principal	Interest repayment	Interest accrual	Effect of exchange rate	Loss from modification of financial liabilities	Other	31 Dec. 2021
Amounts due to credit institutions	6,513,869	7,846,552	(3,210,615)	(1,708,664)	1,764,610	(1,095)	37,578	(6,401)	**11,235,834**
Total	**6,513,869**	**7,846,552**	**(3,210,615)**	**(1,708,664)**	**1,764,610**	**(1,095)**	**37,578**	**(6,401)**	**11,235,834**

16. Subordinated debt

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Subordinated debt	**707,330**	—
Total	**707,330**	**—**

On 21 December 2022, the Company entered into a subordinated loan agreement with Symbiotics Asset Management S.A. in the amount of 702,840 thousand tenge, with an interest rate of 23% per annum and maturity date in December 2029.

17. Repurchase agreements

In thousands of tenge	**31 Dec. 2022**	31 Dec. 2021
Repurchase agreements	**1,956,510**	—
Total	**1,956,510**	**—**

Collateral provided as security for liabilities

As at 31 December 2022, loans from repurchase agreements were collateralised by financial instruments at fair value through profit or loss with a fair value of 1,959,609 thousand tenge *(Note 9)*.

18. Taxation

Corporate income tax expense for the years 2022 and 2021 are presented as follows:

In thousands of tenge	**2022**	2021
Current corporate income tax expense	**169,840**	156,651
Deferred corporate income tax expense	**2,669**	3,334
Total income tax expense	**172,509**	**159,985**

A reconciliation of the theoretical corporate income tax expense (CIT) applicable to profit before tax at the effective CIT rate with the actual corporate income tax expense for the years ended 31 December 2022 and 2021 are presented as follows:

In thousands of tenge	**2022**	2021
Profit before corporate income tax expense	**804,643**	678,480
Current tax rate	**20%**	**20%**
Theoretical corporate income tax amount	**160,929**	**135,696**
Tax effect of permanent differences:		
Non-deductible losses from foreign currencies	**—**	7,557
Non-deductible expenses	**11,580**	16,732
Total corporate income tax expense	**172,509**	**159,985**

Movements in deferred corporate income tax liabilities for the years ended 31 December 2022 and 2021 are as follows:

In thousands of tenge	**1 Jan. 2021**	**Changes, recognized in the statement of profit and loss**	**31 Dec. 2021**	**Changes, recognized in the statement of profit and loss**	**31 Dec. 2022**
Deferred income tax assets					
Accrued expenses on unused vacations	**6,957**	2,734	**9,691**	1,950	**11,641**
Lease liabilities	**6,908**	10,077	**16,985**	832	**17,817**
Other liabilities	**917**	(42)	**875**	445	**1,320**
Loans to customers	**2,451**	(2,451)	**—**	—	**—**
Amounts due to credit institutions	**4,941**	(2,128)	**2,813**	(2,813)	**—**
Total deferred income tax assets	**22,174**	**8,190**	**30,364**	**414**	**30,778**
Deferred income tax liabilities					
Property and equipment and intangible assets	**(17,120)**	(3,716)	**(20,836)**	(2,605)	**(23,441)**
Right-of-use assets	**(7,317)**	(7,808)	**(15,125)**	(478)	**(15,603)**
Total deferred income tax liabilities	**(24,437)**	**(11,524)**	**(35,961)**	**(3,083)**	**(39,044)**
Total deferred income tax liabilities, net	**(2,263)**	**(3,334)**	**(5,597)**	**(2,669)**	**(8,266)**

19. Net interest income

For the years ended 31 December 2022 and 2021, net interest income is presented as follows:

In thousands of tenge	2022	2021
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Loans to customers	**6,333,303**	4,070,155
Interest income on financial instruments at fair value through profit or loss	**99,936**	—
Interest income from reverse repo	**27,864**	3,706
Interest income from short-term deposits	**2,610**	5,591
Total interest income	**6,463,713**	4,079,452
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost:		
Amounts due to credit institutions	**(2,550,105)**	(1,819,801)
Interest expense on repurchase agreements	**(257,452)**	—
Interest expense on lease (Note 11)	**(17,895)**	(14,764)
Subordinated debt	**(4,490)**	—
Total interest expenses	**(2,825,452)**	(1,834,565)
Net interest income	**3,638,261**	2,244,887

20. Expected credit losses (expense) / recovery

The table below summarizes the (expense)/ recovery on ECL for financial assets reflected in the statement of profit or loss for the years ended 31 December 2022 and 2021:

In thousands of tenge	Notes	2022			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	6	**(3,275)**	**—**	**—**	**(3,275)**
Loans to customers	8	**183,511**	**(106,424)**	**(584,435)**	**(507,348)**
Total recovery/ (expenses) on expected credit losses		**180,236**	**(106,424)**	**(584,435)**	**(510,623)**

In thousands of tenge	Notes	2021			
		Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	6	64	—	—	**64**
Loans to customers	8	86,321	(64,189)	79,620	**101,752**
Total recovery/ (expenses) on expected credit losses		**86,385**	**(64,189)**	**79,620**	**101,816**

21. Net loss on financial instruments at fair value through profit or loss

For the years ended 31 December 2022 and 2021, net loss on financial instruments at fair value through profit or loss is presented as follows:

In thousands of tenge	2022	2021
Revaluation of financial instruments	**(141,506)**	—
Capital gains from the sale of financial instruments	**34,840**	—
Total	**(106,666)**	—

22. Operating expenses

For the years ended 31 December 2022 and 2021, operating expenses are presented as follows:

In thousands of tenge	2022	2021
Salaries, bonuses and related taxes	**1,440,515**	1,062,478
Professional services	**153,349**	140,029
Depreciation and amortisation	**139,307**	122,110
Transportation	**105,887**	77,371
Business trip and representative expenses	**58,007**	27,030
Bank fees	**50,124**	45,238
Office supplies	**31,116**	18,974
Advertising and marketing	**23,149**	16,223
Communication and information services	**21,224**	20,710
Current rent	**16,479**	16,415
Repair and maintenance	**15,096**	6,747
Taxes other than income tax	**3,187**	4,555
Training of personnel	**2,329**	3,860
Database maintenance services	**1,426**	26
Other	**111,918**	73,737
Total	**2,173,113**	1,635,503

23. Commitments and contingencies

Operating Environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Management of the Company is monitoring developments in the current environment and taking measures it considered necessary in order to support the sustainability and development of the Company's business in the foreseeable future. However, the impact of further economic developments on future operations and financial position of the Company is difficult to estimate.

Claims and litigations

In the ordinary course of business, the Company is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Company.

The Company assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. Management is of opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Taxation

The Company believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. As at 31 December 2022, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and custom positions including questions on transfer pricing, will be sustained.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2022. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

Capital commitments

As at 31 December 2022, the Company had no capital commitments.

Investment related commitments

As at 31 December 2022, the Company had no investment contracts.

24. Fair value of financial instruments

IFRS defines fair value as 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.

The Company uses a hierarchical structure of valuation techniques to determine and disclose the fair value of financial instruments;

- **Level 1:** quoted market price (unadjusted) in an active market for an identical instrument.
- **Level 2:** inputs other than quotes prices included within 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 similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- **Level 3:** inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable 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 assumptions are required to reflect differences between the instruments.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except some financial instruments detailed in the following table, the management of the Company considers that the carrying amounts of financial assets and financial liabilities, which are not measured at fair value on a recurring basis in the financial statements approximate their fair values.

	31 December 2022			31 December 2021		
In thousands of tenge	Carrying amount	Fair value	Unrecognised gain/ (loss)	Carrying amount	Fair value	Unrecognised gain/ (loss)
Financial assets						
Cash and cash equivalents	**4,803,025**	**4,803,025**	**—**	1,668,759	1,668,759	—
Amounts due from credit institutions	**1,802,779**	**1,802,779**	**—**	—	—	—
Loans to customers	**17,558,838**	**17,639,674**	**80,836**	12,239,332	12,338,840	99,508
Other financial assets	**1,824**	**1,824**	**–**	17,351	17,351	—
Financial liabilities						
Amounts due to credit institutions	**20,339,296**	**20,578,132**	**(238,836)**	11,235,834	11,413,359	(177,525)
Subordinated debt	**707,330**	**739,181**	**(31,851)**	—	—	—
Lease liabilities	**89,085**	**89,085**	**—**	84,927	84,927	—
Repurchase agreements	**1,956,510**	**1,959,609**	**(3,099)**	—	—	—
Other financial liabilities	**18,652**	**18,652**	**—**	19,258	19,258	—

The table below provides an analysis of financial instruments presented in the financial statements at fair value, by levels of the fair value hierarchy as at 31 December 2022 and 2021:

	Fair value measurement as at 31 December 2022				
In thousands of tenge	Date of measurement	Level 1	Level 2	Level 3	Total
Assets at fair value					
Financial instruments at fair value through profit or loss	31.12.2022	**2,037,242**	**—**	**—**	**2,037,242**
Assets whose fair value is disclosed					
Cash and cash equivalents	31.12.2022	**4,803,025**	**—**	**—**	**4,803,025**
Amounts due from credit institutions	31.12.2022	**—**	**1,802,779**	**—**	**1,802,779**
Loans to customers	31.12.2022	**—**	**17,639,674**	**—**	**17,639,674**
Other financial assets	31.12.2022	**—**	**—**	**1,824**	**1,824**
Total fair value		**6,840,267**	**19,442,453**	**1,824**	**26,284,544**
Liability whose fair value is disclosed					
Amounts due to credit institutions	31.12.2022	**—**	**20,578,132**	**—**	**20,578,132**
Subordinated debt	31.12.2022	**—**	**739,181**	**—**	**739,181**
Lease liabilities	31.12.2022	**—**	**—**	**89,085**	**89,085**
Repurchase agreements	31.12.2022	**—**	**1,959,609**	**—**	**1,959,609**
Other financial liabilities	31.12.2022	**—**	**—**	**18,652**	**18,652**
Total fair value		**—**	**23,276,922**	**107,737**	**23,384,659**
Fair value, net		**6,840,267**	**(3,834,469)**	**(105,913)**	**2,899,885**

In thousands of tenge	Fair value measurement as at 31 December 2021				
	Date of measurement	Level 1	Level 2	Level 3	Total
Assets whose fair value is disclosed					
Cash and cash equivalents	31.12.2021	106	1,668,653	—	**1,668,759**
Loans to customers	31.12.2021	—	12,338,840	—	**12,338,840**
Other financial assets	31.12.2021	—	—	17,351	**17,351**
Total fair value		**106**	**14,007,493**	**17,351**	**14,024,950**
Liability whose fair value is disclosed					
Amounts due to credit institutions	31.12.2021	—	11,413,359	—	**11,413,359**
Lease liabilities	31.12.2021	—	—	84,927	**84,927**
Other financial liabilities	31.12.2021	—	—	19,258	**19,258**
Total fair value		**—**	**11,413,359**	**104,185**	**11,517,544**
Fair value, net		106	2,594,134	(86,834)	**2,507,406**

As at 31 December 2022, there were no movement between levels in the fair value hierarchy.

25. Risk management

Introduction

The Company manages risks through a process of ongoing identification, measurement and monitoring, setting risk limits and other measures of internal controls. The process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Company's strategic planning process.

Risk management structure

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Supervisory Board

Supervisory Board of the Company has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Executive management

The responsibility of the Executive Management is to monitor the risk management process in the Company. Executive management ensures that the Company operates within the established risk limits. In turn, the relevant departments directly manage certain types of risks, and together with a lawyer, they constantly monitor compliance with the requirements of the current legislation.

Risk Committee

The Risk Committee has overall responsibility for developing a risk management strategy and implementing risk principles, concepts, policies and limits. It is responsible for significant risk management issues and monitors the implementation of relevant decisions made in relation to risks.

Audit Committee

The main purpose of the Audit Committee is to assist the effective implementation of control functions over the financial and economic activities of the Company by the Supervisory Board, evaluate the adequacy of the internal control system, and monitor the effectiveness of internal and external audit activities.

Risk management

The Risk Management Unit is responsible for implementing and implementing risk management procedures to ensure an independent control process.

Internal audit

The Company's risk management processes are audited annually by the Internal Audit Department, which verifies both the adequacy of the procedures and the Company's compliance with these procedures. The Internal Audit Department discusses the results of its audits with management and submits its findings and recommendations to the Audit Committee.

Credit risk

Credit risk is the risk that the Company will incur a loss because its clients or counterparties failed to discharge their contractual obligations.

Maximum credit risk is limited to carrying amount of financial instruments, except for secured loans. All loans issued by the company are secured.

Credit quality by types of financial assets

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Company's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to B–.

The financial assets of the Company, including provisions for expected credit loss on credit ratings, are presented as follows:

In thousands of tenge	BBB	BBB-	BB+	B+	Credit rating is not assigned	31 Dec. 2022
Cash and cash equivalents	78,017	1,601,796	2,873,810	1,315	247,922	4,802,860
Amounts due from credit institutions	—	—	1,802,779	—	—	1,802,779
Loans to customers	—	—	—	—	17,558,838	17,558,838
Financial instruments at fair value through profit or loss	2,037,242	—	—	—	—	2,037,242
Other financial assets	—	—	—	—	1,824	1,824
Total	**2,115,259**	**1,601,796**	**4,676,589**	**1,315**	**17,808,584**	**26,203,543**

In thousands of tenge	BBB	BBB-	B	Credit rating is not assigned	31 Dec. 2021
Cash and cash equivalents	100,000	1,012,876	555,777	—	**1,668,653**
Loans to customers	—	—	—	12,239,332	**12,239,332**
Other financial assets	—	—	—	17,351	**17,351**
Total	**100,000**	**1,012,876**	**555,777**	**12,256,683**	**13,925,336**

It is the Company's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Company's rating policy. The attributable risk ratings are assessed and updated regularly.

Collateral

The amount and type of collateral depends on an assessment of the credit risk of the counterparty.

Management is monitoring the market value of collateral, requires additional collateral in accordance with the main agreement and monitors the market value of collateral obtained during the review of the availability of provision for impairment.

Impairment assessment

The Company calculates ECL on a group basis according to the migration matrix adjusted for the impact of the macroeconomic factors to measure the expected cash shortfalls, discounted at the effective interest rate or its approximate value. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

Probability of Default (PD)
The Probability of Default 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 derecognised and is still in the portfolio.

Exposure at Default (EAD)
The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

Loss Given Default (LGD)
The Loss Given Default 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, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 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 developed a policy to assess at the end of each reporting period whether there has been a significant increase in the credit risk of a financial instrument since initial recognition, by taking into account changes in the risk of default over the remaining life of the financial instrument. Based on the process described above, the Company combines its loans into the following groups:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECL.

PICO: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime expected credit losses.

	Unimpaired financial assets		Impaired financial assets		
In thousands of tenge	**Gross carrying amount of assets**	**Amount of allowance for expected credit losses**	**Gross carrying amount of assets**	**Amount of allowance for expected credit losses**	**31 Dec. 2022 Total**
Cash and cash equivalents	**4,807,062**	**(4,037)**	**—**	**—**	**4,803,025**
Amounts due from credit institutions	**1,802,779**	**—**	**—**	**—**	**1,802,779**
Loans to customers	**17,715,855**	**(316,433)**	**625,934**	**(466,518)**	**17,558,838**
Financial instruments at fair value through profit or loss	**2,037,242**	**—**	**—**	**—**	**2,037,242**
Other financial assets	**1,824**	**—**	**—**	**—**	**1,824**
					31 Dec. 2021 Total
Cash and cash equivalents	1,669,521	(762)	—	—	**1,668,759**
Loans to customers	12,247,890	(101,894)	334,854	(241,518)	**12,239,332**
Other financial assets	17,351	—	—	—	**17,351**

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- The Company has information about force majeure, as well as other circumstances that caused the borrower significant material damage or do not allow the borrower to continue commercial or employment activities, including information about the deprivation/suspension of a license for activities, as well as information about the absence of employment or commercial activities of the borrower.
- A high probability of bankruptcy or another kind of financial reorganization, as well as involvement in the court proceedings of the borrower, which may worsen its financial condition.
- The borrower is deceased.

By decision of the Credit Committee, the Company is entitled to use additional risk factors as signs of impairment:

- Lack of communication with the borrower.
- Court proceedings on claims of third parties, where the borrower acts as a defendant.
- Loss of collateral for a loan or the absence of duly executed collateral.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive payments according to the last schedule approved in accordance with the restructuring. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Treasury

The Company's treasury comprises transactions with financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Company's credit risk department analyses publicly available information.

Group and individual loans

The Company's lending includes secured and unsecured loans to individuals. The main indicator for evaluating these products is the number of overdue days.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Company assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

LGD levels are assessed for all asset classes of Stage 1, 2 and 3 and POCI. These LGD levels take into account the expected EAD figure compared with the amounts that are expected to be recovered or realised, including as a result of the sale of collateral.

LGD is estimated on a monthly basis by the Company's Risk Management Department. Credit risk assessment is based on the LGD model based on historical information on cash recoveries and expectations on recoveries from sale of collateral. The value of collateral is estimated by adjusting for the liquidity ratio, after which it is discounted for a period of 2 years using the initial effective rate.

Significant increase in credit risk

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company deems that the credit risk have increased significantly since initial recognition in the following cases:

- Significant changes in external market credit risk indicators for a specific loan or similar loans with the same expected maturity.
- Overdue on principal and/or interest for a period exceeding 30 calendar days.
- Significant financial difficulties of the borrower;
- Loan restructuring due to financial difficulties during the last 12 months.
- The Company has information about force majeure, as well as other circumstances that caused the borrower significant material damage or do not allow it to continue its activities, including information about the deprivation/suspension of a license for activities, as well as information about the lack of employment or commercial activities borrower.
- High probability of bankruptcy or another kind of financial reorganization, as well as involvement in the court proceedings of the borrower, which may worsen its financial condition.

Grouping financial assets measured on a collective basis

Depending on the factors below, the Company calculates ECLs either on a collective or on an individual basis. The company calculates an ECL on an individual basis for financial instruments that are material and for which a significant increase in credit risk or signs of impairment has been identified. Financial instruments are material if the amount owed by the borrower or a group of related borrowers at the reporting date exceeds or is equal to the threshold of 25% of Tier 1 capital established by the Company.

For all other classes of asset, the Company calculates ECL on a collective basis. The Company groups these financial assets into homogeneous individual and group loans.

Forward-looking information and multiple economic scenarios

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP by production approach.
- Oil production and gas condensates volume.
- Crude oil price, Brent.
- Refinancing rate of the NBRK.
- Inflation rate.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Company obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. NBRK, and international financial institutions). Experts of the Company's Credit Risk Department determine the weights attributable to the multiple scenarios. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations (optimistic, base and pessimistic scenarios with the probabilities 10%, 80% and 10% accordingly):

Key factors	Forecast data for 2023
GDP by production method, % to prior year	103.5
Oil production and gas condensates volume, mln. tons	90.5
Crude oil price, Brent, USD per barrel	78.3
Refinancing rate of the NBRK	16.8
Inflation rate at the end of the period, %	19.5

Geographical concentration

The assets and liabilities management committee controls the risk associated with changes in legislation and assesses its impact on the Company.

The geographic concentration of assets and liabilities indicated in the following table:

In thousands of tenge	Kazakhstan	OECD countries*	Total as at 31 Dec. 2022
Financial assets			
Cash and cash equivalents	4,803,025	—	4,803,025
Amounts due from credit institutions	1,802,779	—	1,802,779
Loans to customers	17,558,838	—	17,558,838
Financial instruments at fair value through profit or loss	2,037,242	—	2,037,242
Other financial assets	1,824	—	1,824
Total financial assets	26,203,708	—	26,203,708
Financial liabilities			
Amounts due to credit institutions	1,605,972	18,733,324	20,339,296
Subordinated debt	—	707,330	707,330
Lease liabilities	89,085	—	89,085
Repurchase agreements	1,956,510	—	1,956,510
Other financial liabilities	15,214	3,438	18,652
Total financial liabilities	3,666,781	19,444,092	23,110,873

In thousands of tenge	Kazakhstan	OECD countries*	Total as at 31 Dec. 2021
Financial assets			
Cash and cash equivalents	1,668,759	—	1,668,759
Loans to customers	12,239,332	—	12,239,332
Other financial assets	17,351	—	17,351
Total financial assets	13,925,442	—	13,925,442
Financial liabilities			
Amounts due to credit institutions	—	11,235,834	11,235,834
Lease liabilities	84,927	—	84,927
Other financial liabilities	12,714	6,544	19,258
Total financial liabilities	97,641	11,242,378	11,340,019

** OECD countries—members of the Organization for Economic Cooperation and Development.*

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and unforeseen circumstances. The Management controls this risk by means of maturity analysis, determining the Company's strategy for the next financial period. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

In thousands of tenge	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 Dec. 2022 Total
Interest-bearing financial assets							
Cash and cash equivalents	11.91%	575,313	—	—	—	478	575,791
Amounts due from credit institutions	0.25%	—	—	—	1,802,779	—	1,802,779
Loans to customers	42.93%	266,471	251,084	5,031,393	11,992,384	17,506	17,558,838
Financial instruments at fair value through profit or loss	2.86%	25,050	—	1,462	2,010,730	—	2,037,242
Total interest-bearing financial assets		866,834	251,084	5,032,855	15,805,893	17,984	21,974,650
Non–interest bearing financial assets							
Cash and cash equivalents		4,227,234	—	—	—	—	4,227,234
Other financial assets		1,824	—	—	—	—	1,824
Total non–interest bearing financial assets		4,229,058	—	—	—	—	4,229,058
Total financial assets		5,095,892	251,084	5,032,855	15,805,893	17,984	26,203,708
Interest-bearing financial liabilities							
Amounts due to credit institutions	18.27%	4,606	631,705	3,070,329	16,632,656	—	20,339,296
Subordinated debt	23.00%	—	—	—	—	707,330	707,330
Lease liabilities	15.00%	—	—	47,125	41,960	—	89,085
Repurchase agreements	16.30%	1,956,510	—	—	—	—	1,956,510
Total interest-bearing financial liabilities		1,961,116	631,705	3,117,454	16,674,616	707,330	23,092,221
Non–interest bearing financial liabilities							
Other financial liabilities		452	18,200	—	—	—	18,652
Total non–interest bearing financial liabilities		452	18,200	—	—	—	18,652
Total financial liabilities		1,961,568	649,905	3,117,454	16,674,616	707,330	23,110,873
Difference between financial assets and financial liabilities		3,134,324	(398,821)	1,915,401	(868,723)	(689,346)	3,092,835
Difference between interest bearing financial assets and interest-bearing financial liabilities		(1,094,282)	(380,621)	1,915,401	(868,723)	(689,346)	(1,117,571)

In thousands of tenge	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 Dec. 2021 Total
Interest-bearing financial assets							
Cash and cash equivalents	7.70%	608,000	—	—	—	—	**608,000**
Loans to customers	42.08%	340,141	185,436	3,633,945	8,047,818	31,992	**12,239,332**
Total interest-bearing financial assets		**948,141**	**185,436**	**3,633,945**	**8,047,818**	**31,992**	**12,847,332**
Non–interest bearing financial assets							
Cash and cash equivalents		1,060,759	—	—	—	—	**1,060,759**
Other financial assets		17,351	—	—	—	—	**17,351**
Total non–interest bearing financial assets		**1,078,110**	**—**	**—**	**—**	**—**	**1,078,110**
Total financial assets		**2,026,251**	**185,436**	**3,633,945**	**8,047,818**	**31,992**	**13,925,442**
Interest-bearing financial liabilities							
Amounts due to credit institutions	18.74%	—	—	1,134,631	10,101,203	—	**11,235,834**
Lease liabilities	15.00%	—	—	67,523	17,404	—	**84,927**
Total interest-bearing financial liabilities		**—**	**—**	**1,202,154**	**10,118,607**	**—**	**11,320,761**
Non–interest bearing financial liabilities							
Other financial liabilities		1,809	17,449	—	—	—	**19,258**
Total non–interest bearing financial liabilities		**1,809**	**17,449**	**—**	**—**	**—**	**19,258**
Total financial liabilities		**1,809**	**17,449**	**1,202,154**	**10,118,607**	**—**	**11,340,019**
Difference between financial assets and financial liabilities		2,024,442	167,987	2,431,791	(2,070,789)	31,992	**2,585,423**
Difference between interest bearing financial assets and interest-bearing financial liabilities		948,141	185,436	2,431,791	(2,070,789)	31,992	**1,526,571**

The table below shows the financial liabilities of the Company as at 31 December 2022 and 2021, by maturity based on contractual undiscounted repayment obligations.

In thousands of tenge	Less than 3 months	3 to 12 months	1 to 5 years	31 Dec. 2022, Total
Amounts due to credit institutions	**2,497,542**	**6,912,952**	**14,950,895**	**24,361,389**
Subordinated debt	**—**	**162,102**	**1,695,953**	**1,858,055**
Lease liabilities	**24,242**	**64,436**	**12,493**	**101,171**
Repurchase agreements	**1,959,994**	**—**	**—**	**1,959,994**
Other financial liabilities	**452**	**18,200**	**—**	**18,652**
Total	**4,482,230**	**7,157,690**	**16,659,341**	**28,299,261**

In thousands of tenge	Less than 3 months	3 to 12 months	1 to 5 years	31 Dec. 2021, Total
Amounts due to credit institutions	26,486	5,740,160	8,039,236	**13,805,882**
Lease liabilities	6,372	69,134	18,694	**94,200**
Other financial liabilities	1,809	17,449	—	**19,258**
Total	**34,667**	**5,826,743**	**8,057,930**	**13,919,340**

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges and equity prices. The market risk is managed and monitored based on sensitivity analysis. The Company does not have significant concentration of market risk, except for foreign currency concentration.

The Company is not exposed to interest rate risk as the interest rates on financial assets and liabilities are fixed.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2022 and 2021, on its non–trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the tenge, with all other variables held constant on the statement of profit or loss and other comprehensive income (due to the fair value of currency sensitive non–trading monetary assets and liabilities). All other variables are held constant.

Financial assets and liabilities of the Company in terms of currency as at 31 December 2022:

In thousands of tenge	Tenge	US dollar	Euro	Total
Financial assets				
Cash and cash equivalents	**706,263**	**765,331**	**3,331,431**	**4,803,025**
Amounts due from credit institutions	**—**	**1,312,383**	**490,396**	**1,802,779**
Loans to customers	**17,558,838**	**—**	**—**	**17,558,838**
Financial instruments at fair value through profit or loss	**—**	**1,175,289**	**861,953**	**2,037,242**
Other financial assets	**1,824**	**—**	**—**	**1,824**
Total financial assets	**18,266,925**	**3,253,003**	**4,683,780**	**26,203,708**
Financial liabilities				
Amounts due to credit institutions	**12,763,525**	**2,814,840**	**4,760,931**	**20,339,296**
Subordinated debt	**707,330**	**—**	**—**	**707,330**
Lease liabilities	**89,085**	**—**	**—**	**89,085**
Repurchase agreements	**1,956,510**	**—**	**—**	**1,956,510**
Other financial liabilities	**16,894**	**1,102**	**656**	**18,652**
Total financial liabilities	**15,533,344**	**2,815,942**	**4,761,587**	**23,110,873**
Open position	**2,733,581**	**437,061**	**(77,807)**	**3,092,835**

Financial assets and liabilities of the Company in terms of currency as at 31 December 2021:

In thousands of tenge	Tenge	US dollar	Euro	Total
Financial assets				
Cash and cash equivalents	1,175,191	438,042	55,526	**1,668,759**
Loans to customers	12,239,332	—	—	**12,239,332**
Other financial assets	17,351	—	—	**17,351**
Total financial assets	**13,431,874**	**438,042**	**55,526**	**13,925,442**
Financial liabilities				
Amounts due to credit institutions	11,235,834	—	—	**11,235,834**
Lease liabilities	84,927	—	—	**84,927**
Other financial liabilities	13,404	—	5,854	**19,258**
Total financial liabilities	**11,334,165**	**—**	**5,854**	**11,340,019**
Open position	**2,097,709**	**438,042**	**49,672**	**2,585,423**

Analysis of sensitivity to the foreign exchange market

The effect on equity does not differ from the effect on the income statement and other comprehensive income. Negative amounts in the table reflect a potential net decrease in the statement of profit or loss and other comprehensive income, while positive amounts reflect a potential net increase. An equivalent decrease in the exchange rate of each of the following currencies against the tenge will have the opposite effect on profit before tax.

In thousands of tenge	2022		2021	
Currency	**Change in exchange rate in%**	**Effect on profit before corporate income tax expense**	Change in exchange rate in%	Effect on profit before corporate income tax expense
US dollar	**20%**	**87,412**	20%	87,608
US dollar	**-20%**	**(87,412)**	-20%	(87,608)
Euro	**20%**	**(15,561)**	20%	9,934
Euro	**-20%**	**15,561**	-20%	(9,934)

Prepayment risk

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

Management of the Company believes that creditors will not request early repayment of loans and borrowers will not make earliest repayments, which may impact significantly on Company's net income. This assumption is based on historical data from four previous financial years.

Operational risk

Operational risk is the risk of loss arising from systems 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 a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Control system should include effective segregation of duties, access, authorisation and reconciliation procedures, staff trainings and assessment processes, including the use of internal audit. Operational Risks Manager and Compliance Officer under Legal Department together with the Management Board are responsible for managing of operational risks inherent to the Company's products, activities, procedures and systems. Within scope of intervention, Compliance Officer monitors the consistency and effectiveness of the control of the Risk of non–compliance in the Company.

Price risk

Price risk is the risk that the value of a financial instrument can change due to changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to price risk due to general and specific market fluctuations on its products.

An analysis of the sensitivity of net profit or loss to changes in securities prices (based on positions in effect as at 31 December 2022 and 2021 and a simplified scenario of a 1% decrease or increase in prices of all securities) can be presented as follows:

	31 Dec. 2022	31 Dec. 2021
In thousands of tenge	**Profit or loss**	Profit or loss
1% increase in securities price	**20,372**	—
1% decrease in securities price	**(20,372)**	—

26. Capital management

The Company maintains an active management of capital base to cover the risks inherent in the business. The Company's sufficiency of capital is monitored using, amongst other measures, norms established by the legislation of the Republic of Kazakhstan.

The main object of capital management for Company is to provide the Company's compliance to external requirements in terms of capital and support of high credit rate and norms of capital sufficiency required for its activity.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities.

In 2021, in accordance with the changes in the legislation on microfinance organizations, the Company was registered as a microfinance organization. In accordance with the effective capital requirements, set by the NBRK, the Company must maintain capital adequacy ratio (k1) not lower than 0.1, maximum risk per borrower (k2) not greater than 0.25 and leverage ratio (k3) not greater than 10. As at 31 December 2022, the capital adequacy ratio exceeds the statutory minimum: k1—0.147; k2—0.013; and k3—5.728.

27. Transactions with related parties

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

Principal transactions with related parties for 2022 and 2021 are presented as follows:

	2022		2021	
In thousands of tenge	**Transactions with related parties**	**Total for the category**	Transactions with related parties	Total for the category
Expenses during the year				
Operating expenses	**—**	**2,173,113**	6,047	1,635,503

As at 31 December 2022, the key management personnel consists of the Executive Director, Financial Director, Business Development Director, Operations Director, Human Resources Director and members of the Supervisory Board, total of 10 persons.

Total compensation to key management personnel included in Personnel expenses in the statement of profit or loss and other comprehensive income is 115,121 thousand tenge for the year ended 31 December 2022 (2021: 107,042 thousand tenge). The remuneration of key management personnel includes salaries and other short-term payments in accordance with the internal regulations of the Company.

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