

**Microfinance organization Asian  
Credit Fund LLC**

**Financial statements**

*For the year ended 31 December 2023*

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

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# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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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 2023 and for the year ended 31 December 2023 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 2023 were approved by the management of the Company on 12 April 2024.

Chairman of the Board



  
Zhakupova Zh.B.

Chief accountant

  
Zhumakhanova T.N.

12 April 2024

Almaty, the Republic of Kazakhstan

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**Grant Thornton LLP**

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## 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 2023, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 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 information

Management is responsible for the other information. Other information consists of the information included in the Company's 2023 Annual Report, other than the financial statements and our auditor's report thereon. The Company's 2023 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.

**Auditors' responsibilities for the audit of the financial statements (continued)**

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.

*Grant Thornton LLP*



Evgeny Zhemaletdinov

Auditor/Engagement Partner

Certified Auditor of the Republic of Kazakhstan  
Qualification certificate  
№ MF-00000553 dated 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 on 3 August 2018

12 April 2024  
Almaty, the Republic of Kazakhstan

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

<i>In thousands of tenge</i>	Notes	31 December 2023	31 December 2022
<b>ASSETS</b>			
Cash and cash equivalents	6	1,187,053	4,803,025
Amounts due from credit institutions	7	4,330,305	1,802,779
Loans to customers	8	25,012,912	17,558,838
Financial instruments at fair value through profit or loss	9	1,450,768	2,037,242
Property and equipment	10	276,159	159,033
Right-of-use assets	11	126,359	78,016
Intangible assets	12	271,957	126,329
Corporate income tax assets		12,433	–
Other assets	13	114,806	63,500
<b>TOTAL ASSETS</b>		<b>32,782,752</b>	<b>26,628,762</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Charter capital	14	553,797	553,797
Retained earnings		3,484,783	2,837,172
<b>TOTAL EQUITY</b>		<b>4,038,580</b>	<b>3,390,969</b>
<b>LIABILITIES</b>			
Amounts due to credit institutions	15	25,790,775	20,339,296
Subordinated debt	16	1,405,534	707,330
Repurchase agreements	17	1,153,482	1,956,510
Lease liabilities	11	134,391	89,085
Current corporate income tax liabilities		–	2,538
Deferred corporate income tax liabilities	18	16,606	8,266
Other liabilities	13	243,384	134,768
<b>TOTAL LIABILITIES</b>		<b>28,744,172</b>	<b>23,237,793</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>32,782,752</b>	<b>26,628,762</b>

*Accompanying notes on pages 5 to 43 are an integral part of these financial statements.*

Chairman of the Board



Zhakupova Zh.B.

Chief accountant

Zhumakhanova T.N.

12 April 2024  
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2023

<i>In thousands of tenge</i>	Notes	2023	2022
Interest income	19	9,266,919	6,463,713
Interest expense	19	(4,542,066)	(2,825,452)
<b>Net interest income before expected credit loss expense</b>		<b>4,724,853</b>	<b>3,638,261</b>
Expected credit loss expense	20	(682,188)	(510,623)
<b>Net interest income</b>		<b>4,042,665</b>	<b>3,127,638</b>
Net gain/ (loss) on financial instruments at fair value through profit or loss	21	12,224	(106,666)
Net loss from foreign exchange operations		(105,345)	(53,910)
– dealing		(89,674)	(24,695)
– translation differences		(15,671)	(29,215)
Operating expenses	22	(2,948,961)	(2,173,113)
Other income		44,533	14,103
Other expenses		(8,000)	(3,409)
<b>Income before corporate income tax expense</b>		<b>1,037,116</b>	<b>804,643</b>
Corporate income tax expense	18	(199,862)	(172,509)
<b>Net income</b>		<b>837,254</b>	<b>632,134</b>
Other comprehensive income		–	–
<b>Total comprehensive income for the year</b>		<b>837,254</b>	<b>632,134</b>

*Accompanying notes on pages 5 to 43 are an integral part of these financial statements.*

Chairman of the Board



  
Zhakupova Zh.B.

Chief accountant

  
Zhumakhanova T.N.

12 April 2024  
Almaty, the Republic of Kazakhstan



**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2023**

<i>In thousands of tenge</i>	Note	Charter capital	Retained earnings	Total Equity
<b>As at 31 December 2021</b>		<b>553,797</b>	<b>2,205,038</b>	<b>2,758,835</b>
Net income for the year		–	632,134	632,134
Other comprehensive income		–	–	–
<b>Total comprehensive income</b>		<b>–</b>	<b>632,134</b>	<b>632,134</b>
<b>As at 31 December 2022</b>		<b>553,797</b>	<b>2,837,172</b>	<b>3,390,969</b>
Net income for the year		–	837,254	837,254
Other comprehensive income		–	–	–
Dividends declared	14	–	(189,643)	(189,643)
<b>Total comprehensive income</b>		<b>–</b>	<b>647,611</b>	<b>647,611</b>
<b>As at 31 December 2023</b>		<b>553,797</b>	<b>3,484,783</b>	<b>4,038,580</b>

*Accompanying notes on pages 5 to 43 are an integral part of these financial statements.*

Chairman of the Board



*Zhakupova Zh.B.*  
Zhakupova Zh.B.

Chief accountant

*Zhumakhanova T.N.*  
Zhumakhanova T.N.

12 April 2024  
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2023

<i>In thousands of tenge</i>	Notes	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Income before corporate income tax expense		1,037,116	804,643
<b>Adjustments for:</b>			
Depreciation of property and equipment and amortization of intangible assets and right-of-use assets	10,11,12	204,240	139,307
Interest income	19	(9,266,919)	(6,463,713)
Interest expense	19	4,542,066	2,825,452
Provision charge for expected credit losses	20	682,188	510,623
Accrued expenses on unused vacations and other payroll accruals		26,281	9,748
Unrealized foreign exchange loss		15,671	29,215
Net (gain)/ loss on financial instruments at fair value through profit or loss	21	(12,224)	106,666
Loss on disposal of property and equipment		13,345	1,104
Other (income)/ expenses		(23,076)	12,512
<b>Cash outflow from operating activities before changes in working capital</b>		<b>(2,781,312)</b>	<b>(2,024,443)</b>
<b>(Increase) / decrease in operating assets:</b>			
Financial instruments at fair value through profit or loss		576,972	(1,917,792)
Loans to customers		(7,860,813)	(5,616,809)
Amounts due from credit institutions		(2,514,011)	(1,795,044)
Other assets		(36,131)	(7,748)
<b>Increase / (decrease) in operating liabilities:</b>			
Loans from repurchase agreements		(1,013,619)	1,952,155
Other liabilities		95,338	(1,050)
<b>Cash used in operating activities</b>		<b>(13,533,576)</b>	<b>(9,410,731)</b>
Interest received		8,988,368	6,253,668
Interest paid		(4,089,207)	(2,698,367)
Corporate income tax paid		(206,493)	(172,821)
<b>Net cash used in operating activities</b>		<b>(8,840,908)</b>	<b>(6,028,251)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	10	(165,947)	(49,068)
Purchase of intangible assets	12	(182,722)	(14,008)
<b>Net cash used in investing activities</b>		<b>(348,669)</b>	<b>(63,076)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from amounts due to credit institutions	15	13,347,408	13,322,674
Proceeds from amounts of subordinated debt	16	688,125	702,840
Repayment of amounts due to credit institutions	15	(8,134,398)	(4,665,774)
Lease payments		(133,613)	(92,521)
Dividends paid	14	(189,643)	–
<b>Net cash generated from financing activities</b>		<b>5,577,879</b>	<b>9,267,219</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(3,611,698)</b>	<b>3,175,892</b>
Effect of expected credit losses on cash and cash equivalents		(2,592)	(3,275)
Effect of exchange rate changes on cash and cash equivalents		(1,682)	(38,351)
<b>Cash and cash equivalents at the beginning of the year</b>	6	<b>4,803,025</b>	<b>1,668,759</b>
<b>Cash and cash equivalents at the end of the year</b>	6	<b>1,187,053</b>	<b>4,803,025</b>

Accompanying notes on pages 5 to 43 are an integral part of these financial statements.

Chairman of the Board



*Zhakupova Zh.B.*

Zhakupova Zh.B.

Chief accountant

*Zhumakhanova T.N.*

Zhumakhanova T.N.

12 April 2024

Almaty, the Republic of Kazakhstan

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

### 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 2023, the Company had 11 branches and 61 outlets in the Republic of Kazakhstan (as at 31 December 2022: 11 branches and 58 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 2023 and 2022 participatory shares in BOPA Pte LTD are distributed as follows:

Name	Share, %	
	31 December 2023	31 December 2022
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%
	<b>100.00%</b>	<b>100.00%</b>

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

As at 31 December 2023, the Company has 477 employees (31 December 2022: 382 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.

#### Accrual basis

These financial statements were prepared on the accrual basis. The accrual basis assumes recognition of the results of business operations, as well as events when they occurred, regardless of the time of payment. Transactions and events are recorded in the accounting and included in the financial statements for the periods, which they relate to.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 2. BASIS OF PREPARATION (CONTINUED)

#### 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 2023 and 2022, were as follows:

	31 December 2023	31 December 2022
<b>Exchange rates at the end of the year</b>		
Tenge/1 US dollar	454.56	462.65
Tenge/1 euro	502.24	492.86

### 3. SUMMARY OF MATERIAL 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 (hereinafter - “FVOCI”);
- FVPL.

The Company classifies and measures its derivative and trading portfolio at FVPL. The Company may designate financial instruments at FVPL, if doing so 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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Financial assets and liabilities (continued)

##### *Initial measurement (continued)*

##### *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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Financial assets and liabilities (continued)

##### *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. The Company did not reclassify any of its financial assets and liabilities in 2023.

##### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current accounts, and amounts due from credit institutions that mature within 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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Leases (continued)

##### *Company as a lessee (continued)*

##### *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).

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### **Renegotiated loans (continued)**

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 profit or loss and other 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 there 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.



# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Derecognition of financial assets and liabilities (continued)

##### Taxation

Current corporate income tax (hereinafter – “CIT”) expense is calculated in accordance with the tax legislation of the Republic of Kazakhstan.

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.

##### *Deferred corporate income tax*

Deferred CIT assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred CIT 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 CIT 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 profit or loss and other 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:

<b>Categories of property and equipment</b>	<b>Useful life</b>
Computer hardware	2.5-10 years
Vehicles	5-10 years
Office furniture and equipment	2-10 years

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### Property and equipment (continued)

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 profit or loss and other 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 2023, 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 (2022: 9.5%). Part of the social tax amount in the amount of 3.5% is transferred to the NJSC State Corporation "Government for Citizens" (2022: 3.5%).

In 2023, the Company pays mandatory social health insurance contributions in the amount of 3% of wages and other employee benefits, including material benefits (2022: 3%).

The Company withholds mandatory pension contributions in the amount of 10% of the salaries of its employees in 2023 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*

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:

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### *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 recognised using the contractual interest rate in “Interest income” in the statement of profit or loss and other comprehensive income.

#### **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 profit or loss and other 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).

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 4. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

#### 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. 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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 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 2023:

- IFRS 17 – *Insurance Contracts*;
- Amendments to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*;
- Amendments to IAS 8 – *Definition of Accounting Estimates*;
- Amendment to IAS 12 – *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- Amendment to IAS 12 – *International Tax Reform—Pillar II Model Rules*.

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 2022, except for newly adopted standards and interpretations effective 1 January 2023.

The Company has not early adopted standards, interpretations or amendments that have been issued but are not yet effective.

#### *IFRS 17 Insurance Contracts*

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. 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 a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a 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

The management believes that this standard is not applicable to the Company.

#### *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide 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 had no impact on the Company's financial statements since there were no changes in accounting policies.

#### *Definition of Accounting Estimates - Amendments to IAS 8*

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements since there were no changes in accounting estimates or policies.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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### 5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### Standards and Interpretations adopted this year (continued)

##### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12*

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

##### *International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023.

The amendments had no impact on the Company's financial statements.

#### 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 IAS 1 – *Classification of Liabilities as Current or Non-current*;
- Amendments to IFRS 16 – *Lease Liability in a Sale and Leaseback*;
- Amendments to IAS 7 and IFRS 7 - *Supplier Finance Arrangements* .

##### *Amendments to IFRS 16: Lease Liability in a Sale and Leaseback*

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

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

##### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020 and October 2022, 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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

#### New and revised IFRS – issued but not yet effective (continued)

##### *Amendments to IAS 1: Classification of Liabilities as Current or Non-current (continued)*

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current classification of liabilities and the need to revise the terms of existing loan agreements.

##### *Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7*

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

### 6. CASH AND CASH EQUIVALENTS

As at 31 December 2023 and 2022, cash and cash equivalents are presented as follows:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Current accounts in Kazakhstani banks	583,520	3,983,184
Time deposits with banks up to 90 days	507,139	478
Cash on brokerage accounts	96,598	247,922
Reverse repurchase agreements up to 90 days	–	575,313
Cash on hand	731	165
	<b>1,187,988</b>	<b>4,807,062</b>
Less: allowance for expected credit losses	(935)	(4,037)
<b>Total cash and cash equivalents</b>	<b>1,187,053</b>	<b>4,803,025</b>

As at 31 December 2022, the Company entered into reverse repurchase agreements at the KASE. 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.

As at 31 December 2023 and 2022, all cash and cash equivalents were classified to the stage 1. During 2023 and 2022, there were no transfers between the stages.

The movement of allowance for expected credit losses for the years ended 31 December 2023 and 2022 is presented as follows:

<i>In thousands of tenge</i>	Notes	2023	2022
Provision at the beginning of the year		(4,037)	(762)
Accrual of provision		(2,592)	(3,275)
Reclassification of provision	7	5,694	–
<b>Provision at the end of the year</b>		<b>(935)</b>	<b>(4,037)</b>

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 7. AMOUNTS DUE FROM CREDIT INSTITUTIONS

As at 31 December 2023 and 2022, amounts due from credit institutions are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
Restricted cash on Kazakhstani bank account	<b>4,335,999</b>	1,802,779
Less: allowance for expected credit losses	<b>(5,694)</b>	–
<b>Total restricted cash</b>	<b>4,330,305</b>	<b>1,802,779</b>

As at 31 December 2023, cash in the bank accounts in the amount of 4,335,999 thousand tenge provided by the Company as collateral for certain loans received by the Company from credit institutions (as at 31 December 2022: 1,802,779 thousand tenge).

The movement of allowance for expected credit losses for the years ended 31 December 2023 and 2022 is presented as follows:

<i>In thousands of tenge</i>	<b>2023</b>	2022
Provision at the beginning of the year	–	–
Reclassification of provision	<b>(5,694)</b>	–
<b>Provision at the end of the year</b>	<b>(5,694)</b>	–

### 8. LOANS TO CUSTOMERS

As at 31 December 2023 and 2022, loans to customers are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
Loans to customers	<b>26,339,315</b>	18,341,789
Less: allowance for expected credit losses	<b>(1,326,403)</b>	(782,951)
<b>Total loans to customers</b>	<b>25,012,912</b>	<b>17,558,838</b>

The analysis of loans by products is presented below:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
Individual loans	<b>24,915,249</b>	16,442,825
Group loans	<b>1,424,066</b>	1,898,964
<b>Total loans to customers</b>	<b>26,339,315</b>	<b>18,341,789</b>

The 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 2023 and 2022, accrued interest on loans to customers amounted to 617,527 thousand tenge and 402,414 thousand tenge, respectively.

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

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
Unsecured loans	<b>25,252,883</b>	17,120,008
Loans, secured with real estate	<b>811,730</b>	982,145
Loans, secured with movable property	<b>274,702</b>	239,636
<b>Total loans to customers</b>	<b>26,339,315</b>	<b>18,341,789</b>

To reduce its credit risk the Company actively uses collateral, represented by vehicles and residential properties as at 31 December 2023 and 2022 in the total amount of 2,364,388 thousand tenge and 2,726,910 thousand tenge, respectively.



**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to individual loans during the year ended 31 December 2023 is as follows:

<i>In thousands of tenge</i>	Stage 1	Stage 2	Stage 3	Total
<b>Individual loans</b>				
<b>Gross carrying amount as at 1 January 2023</b>	15,628,489	346,302	468,034	16,442,825
New assets originated	27,526,985	–	–	27,526,985
Assets repaid	(19,043,462)	(78,284)	(16,454)	(19,138,200)
Net change in accrued interest	173,155	8,330	40,249	221,734
Transfers to stage 1	1,130	(863)	(267)	–
Transfers to stage 2	(406,475)	406,475	–	–
Transfers to stage 3	(476,598)	(147,478)	624,076	–
Changes to contractual cash flows due to modifications not resulting in derecognition	(1,812)	(3,280)	(9,462)	(14,554)
Recoveries	–	–	11,719	11,719
Amounts written off	–	–	(135,260)	(135,260)
<b>Gross carrying amount as at 31 December 2023</b>	<b>23,401,412</b>	<b>531,202</b>	<b>982,635</b>	<b>24,915,249</b>

<i>In thousands of tenge</i>	Stage 1	Stage 2	Stage 3	Total
<b>Individual loans</b>				
<b>Allowance for ECL as at 1 January 2023</b>	(190,272)	(86,222)	(322,366)	(598,860)
New assets originated	(258,313)	–	–	(258,313)
Assets repaid	214,912	21,623	10,096	246,631
Transfers to stage 1	(10)	9	1	–
Transfers to stage 2	122,807	(122,807)	–	–
Transfers to stage 3	5,100	103,761	(108,861)	–
<i>Impact on ECL of exposures transferred between stages</i>	<i>127,897</i>	<i>(19,037)</i>	<i>(108,860)</i>	–
<i>Changes to models and inputs used for ECL calculations</i>	<i>(206,319)</i>	<i>(67,015)</i>	<i>(372,668)</i>	<i>(646,002)</i>
Changes to contractual cash flows due to modifications not resulting in derecognition	20	906	5,806	6,732
Recoveries	–	–	(11,719)	(11,719)
Amounts written off	–	–	135,260	135,260
<b>Allowance for ECL as at 31 December 2023</b>	<b>(312,075)</b>	<b>(149,745)</b>	<b>(664,451)</b>	<b>(1,126,271)</b>

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

An analysis of changes in the gross carrying value and corresponding ECL allowance in relation to group loans during the year ended 31 December 2023 is as follows:

<i>In thousands of tenge</i>	Stage 1	Stage 2	Stage 3	Total
<b>Group loans</b>				
<b>Gross carrying amount as at 1 January 2023</b>	<b>1,704,804</b>	<b>36,260</b>	<b>157,900</b>	<b>1,898,964</b>
New assets originated	1,290,631	–	–	1,290,631
Assets repaid	(1,702,376)	(8,888)	(34,729)	(1,745,993)
Net change in accrued interest	(7,860)	794	445	(6,621)
Transfers to stage 2	(29,117)	29,117	–	–
Transfers to stage 3	(71,153)	(16,831)	87,984	–
Changes to contractual cash flows due to modifications not resulting in derecognition	(100)	(83)	(129)	(312)
Recoveries	–	–	17,554	17,554
Amounts written off	–	–	(30,157)	(30,157)
<b>Gross carrying amount as at 31 December 2023</b>	<b>1,184,829</b>	<b>40,369</b>	<b>198,868</b>	<b>1,424,066</b>

<i>In thousands of tenge</i>	Stage 1	Stage 2	Stage 3	Total
<b>Group loans</b>				
<b>Allowance for ECL as at 1 January 2023</b>	<b>(28,582)</b>	<b>(11,357)</b>	<b>(144,152)</b>	<b>(184,091)</b>
New assets originated	(17,345)	–	–	(17,345)
Assets repaid	30,001	2,573	22,657	55,231
Transfers to stage 2	8,285	(8,285)	–	–
Transfers to stage 3	1,053	14,593	(15,646)	–
<i>Impact on ECL of exposures transferred between stages</i>	<i>9,338</i>	<i>6,308</i>	<i>(15,646)</i>	<i>–</i>
<i>Changes to models and inputs used for ECL calculations</i>	<i>(14,745)</i>	<i>(8,562)</i>	<i>(43,333)</i>	<i>(66,640)</i>
Changes to contractual cash flows due to modifications not resulting in derecognition	2	24	84	110
Recoveries	–	–	(17,554)	(17,554)
Amounts written off	–	–	30,157	30,157
<b>Allowance for ECL as at 31 December 2023</b>	<b>(21,331)</b>	<b>(11,014)</b>	<b>(167,787)</b>	<b>(200,132)</b>

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:

<i>In thousands of tenge</i>	Stage 1	Stage 2	Stage 3	Total
<b>Individual loans</b>				
<b>Gross carrying amount as at 1 January 2022</b>	<b>10,061,938</b>	<b>118,912</b>	<b>196,893</b>	<b>10,377,743</b>
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)
<b>Gross carrying amount as at 31 December 2022</b>	<b>15,628,489</b>	<b>346,302</b>	<b>468,034</b>	<b>16,442,825</b>

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**8. LOANS TO CUSTOMERS (CONTINUED)**

<i>In thousands of tenge</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Individual loans</b>				
<b>Allowance for ECL as at 1 January 2022</b>	<b>(38,271)</b>	<b>(38,968)</b>	<b>(130,030)</b>	<b>(207,269)</b>
New assets originated	(154,866)	–	–	(154,866)
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	2,891	21,000	(23,891)	–
<i>Impact on ECL of exposures transferred between stages</i>	<i>77,878</i>	<i>(53,987)</i>	<i>(23,891)</i>	–
<i>Changes to models and inputs used for ECL calculations</i>	<i>(302,251)</i>	<i>(2,328)</i>	<i>(245,496)</i>	<i>(550,075)</i>
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
<b>Allowance for ECL as at 31 December 2022</b>	<b>(190,272)</b>	<b>(86,222)</b>	<b>(322,366)</b>	<b>(598,860)</b>

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:

<i>In thousands of tenge</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Group loans</b>				
<b>Gross carrying amount as at 1 January 2022</b>	<b>2,049,650</b>	<b>17,390</b>	<b>137,961</b>	<b>2,205,001</b>
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)
<b>Gross carrying amount as at 31 December 2022</b>	<b>1,704,804</b>	<b>36,260</b>	<b>157,900</b>	<b>1,898,964</b>

<i>In thousands of tenge</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Group loans</b>				
<b>Allowance for ECL as at 1 January 2022</b>	<b>(15,837)</b>	<b>(8,818)</b>	<b>(111,488)</b>	<b>(136,143)</b>
New assets originated	(23,665)	–	–	(23,665)
Assets repaid	46,980	1,239	21,336	69,555
Transfers to stage 2	10,152	(10,152)	–	–
Transfers to stage 3	725	7,508	(8,233)	–
<i>Impact on ECL of exposures transferred between stages</i>	<i>10,877</i>	<i>(2,644)</i>	<i>(8,233)</i>	–
<i>Changes to models and inputs used for ECL calculations</i>	<i>(46,937)</i>	<i>(1,174)</i>	<i>(44,164)</i>	<i>(92,275)</i>
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
<b>Allowance for ECL as at 31 December 2022</b>	<b>(28,582)</b>	<b>(11,357)</b>	<b>(144,152)</b>	<b>(184,091)</b>

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 8. LOANS TO CUSTOMERS (CONTINUED)

#### 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 2023, 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 14,866 thousand tenge, accounted within interest revenue on loans to customers of the statement of profit or loss and other comprehensive income.

	2023	2022
<b>Loans to customers modified during the period</b>		
Amortised cost before modification	72,631	35,044
Net losses on modification of loans to customers not resulting in derecognition	14,866	7,344

#### 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 received and their collateral value are listed below:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Guarantees	21,767,106	16,049,714
Real estate	1,865,547	2,501,169
Vehicles	455,945	225,423
Inventory	42,896	42,896
<b>Total</b>	<b>24,131,494</b>	<b>18,819,202</b>

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 2023 and 2022, 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 36,637 thousand tenge as at 31 December 2023 (as at 31 December 2022: 53,588 thousand tenge).

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 9. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2023 and 2022 financial instruments at fair value through profit or loss are presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
<b>Debt instruments</b>		
Eurobonds of Ministry of Finance of Republic of Kazakhstan	<b>1,450,768</b>	2,037,242
<b>Total financial instruments at fair value through profit or loss</b>	<b>1,450,768</b>	<b>2,037,242</b>

As at 31 December 2023, financial instruments at fair value through profit or loss in the amount of 1,130,007 thousand tenge were pledged as collateral for loans received under repurchase agreements (as at 31 December 2022: 1,959,609 thousand tenge) (Note 17).

### 10. PROPERTY AND EQUIPMENT

As at 31 December 2023 and 2022 property and equipment are presented as follows:

<i>In thousands of tenge</i>	<b>Computer hardware</b>	<b>Vehicles</b>	<b>Office furniture and equipment</b>	<b>Total</b>
<b>Historical cost:</b>				
<b>1 January 2022</b>	<b>97,538</b>	<b>14,522</b>	<b>120,229</b>	<b>232,289</b>
Additions	25,063	–	24,005	49,068
Disposals	(1,961)	–	(13,373)	(15,334)
<b>31 December 2022</b>	<b>120,640</b>	<b>14,522</b>	<b>130,861</b>	<b>266,023</b>
Additions	78,603	19,500	67,844	165,947
Disposals	(14,384)	(9,692)	(13,922)	(37,998)
<b>31 December 2023</b>	<b>184,859</b>	<b>24,330</b>	<b>184,783</b>	<b>393,972</b>
<b>Accumulated depreciation:</b>				
<b>1 January 2022</b>	<b>(33,222)</b>	<b>(5,158)</b>	<b>(57,001)</b>	<b>(95,381)</b>
Amortisation charge	(10,035)	(1,935)	(13,869)	(25,839)
Disposals	1,505	–	12,725	14,230
<b>31 December 2022</b>	<b>(41,752)</b>	<b>(7,093)</b>	<b>(58,145)</b>	<b>(106,990)</b>
Amortisation charge	(15,731)	(2,020)	(17,749)	(35,500)
Disposals	9,030	3,796	11,851	24,677
<b>31 December 2023</b>	<b>(48,453)</b>	<b>(5,317)</b>	<b>(64,043)</b>	<b>(117,813)</b>
<b>Net book value:</b>				
31 December 2022	78,888	7,429	72,716	159,033
<b>31 December 2023</b>	<b>136,406</b>	<b>19,013</b>	<b>120,740</b>	<b>276,159</b>

As at 31 December 2023 and 2022, property and equipment were not pledged as collateral under the obligations of the Company.

As at 31 December 2023 the fully depreciated property and equipment amounted to 33,535 thousand tenge (31 December 2022: 30,486 thousand tenge).

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 11. LEASE

As at 31 December 2023 and 2022, the movements in right-of-use assets and lease liabilities are as follows:

<i>In thousands of tenge</i>	Right-of-use assets	Lease liabilities
<b>As at 1 January 2022</b>	<b>75,625</b>	<b>84,927</b>
Additions	65,878	65,878
Modification	30,801	30,801
Depreciation expense	(94,288)	–
Interest expense	–	17,895
Payments	–	(110,416)
<b>As at 31 December 2022</b>	<b>78,016</b>	<b>89,085</b>
Additions	292,078	292,078
Modification	(112,065)	(113,159)
Depreciation expense	(131,670)	–
Interest expense	–	27,315
Payments	–	(160,928)
<b>As at 31 December 2023</b>	<b>126,359</b>	<b>134,391</b>

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 35,537 thousand tenge for the year ended 31 December 2023 (in 2022: 16,479 thousand tenge) (Note 22).

### 12. INTANGIBLE ASSETS

As at 31 December 2023 and 2022 intangible assets are presented as follows:

<i>In thousands of tenge</i>	License agreements	Software	Construction in progress	Other	Total
<b>Historical cost:</b>					
<b>1 January 2022</b>	<b>2,671</b>	<b>123,187</b>	<b>41,895</b>	<b>9,991</b>	<b>177,744</b>
Additions	2,581	4,863	4,564	2,000	14,008
Disposals	–	(260)	–	(2,303)	(2,563)
Transfers	–	46,459	(46,459)	–	–
<b>31 December 2022</b>	<b>5,252</b>	<b>174,249</b>	<b>–</b>	<b>9,688</b>	<b>189,189</b>
Additions	178,386	3,987	–	349	182,722
Disposals	(2,581)	(3,761)	–	(228)	(6,570)
<b>31 December 2023</b>	<b>181,057</b>	<b>174,475</b>	<b>–</b>	<b>9,809</b>	<b>365,341</b>
<b>Accumulated depreciation:</b>					
<b>1 January 2022</b>	<b>(1,323)</b>	<b>(38,955)</b>	<b>–</b>	<b>(5,965)</b>	<b>(46,243)</b>
Amortisation charge	(697)	(17,685)	–	(798)	(19,180)
Disposals	–	260	–	2,303	2,563
<b>31 December 2022</b>	<b>(2,020)</b>	<b>(56,380)</b>	<b>–</b>	<b>(4,460)</b>	<b>(62,860)</b>
Amortisation charge	(17,057)	(18,770)	–	(1,243)	(37,070)
Disposals	2,581	3,748	–	217	6,546
<b>31 December 2023</b>	<b>(16,496)</b>	<b>(71,402)</b>	<b>–</b>	<b>(5,486)</b>	<b>(93,384)</b>
<b>Net book value:</b>					
31 December 2022	3,232	117,869	–	5,228	126,329
<b>31 December 2023</b>	<b>164,561</b>	<b>103,073</b>	<b>–</b>	<b>4,323</b>	<b>271,957</b>

As at 31 December 2023 the fully depreciated intangible assets amounted nil tenge (as at 31 December 2022: 647 thousand tenge).

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 13. OTHER ASSETS AND LIABILITIES

As at 31 December 2023 and 2022 other assets are presented as follows:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Accounts receivable	36,116	1,824
<b>Total other financial assets</b>	<b>36,116</b>	<b>1,824</b>
Advances paid	53,948	48,162
Inventories	16,811	2,811
Prepaid expenses	2,468	9,552
Prepaid taxes other than corporate income tax	205	56
Other	5,258	1,095
<b>Total other non-financial assets</b>	<b>78,690</b>	<b>61,676</b>
<b>Total other assets</b>	<b>114,806</b>	<b>63,500</b>

As at 31 December 2023 and 2022 other liabilities are presented as follows:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Payables to suppliers	12,461	18,200
Payables to employees	–	452
<b>Total other financial liabilities</b>	<b>12,461</b>	<b>18,652</b>
Taxes payable other than corporate income tax	139,462	42,310
Accrued expenses on unused vacations	69,829	58,203
Other payables	21,632	15,603
<b>Total other non-financial liabilities</b>	<b>230,923</b>	<b>116,116</b>
<b>Total other liabilities</b>	<b>243,384</b>	<b>134,768</b>

### 14. CHARTER CAPITAL

As at 31 December 2023 and 2022 the Company's paid and outstanding charter capital was equal to 553,797 thousand tenge.

In 2023, the Company declared and paid dividends in the amount of 189,643 thousand tenge.

### 15. AMOUNTS DUE TO CREDIT INSTITUTIONS

As at 31 December 2023 and 2022, the amounts due to credit institutions are presented as follows:

<i>In thousands of tenge</i>	31 December 2023	31 December 2022
Loans from investment funds	21,899,775	18,733,324
Loans from banks	3,891,000	1,605,972
<b>Total</b>	<b>25,790,775</b>	<b>20,339,296</b>

As at 31 December 2023, the Company had borrowings from 15 investment funds (as at 31 December 2022: from 17 investment funds).

#### Covenants

As at 31 December 2023 and 2022, 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.

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**15. AMOUNTS DUE TO 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.

<i>In thousands of tenge</i>	<b>1 January 2023</b>	<b>Receipt of loans</b>	<b>Repayment of principal</b>	<b>Interest repayment</b>	<b>Interest accrual</b>	<b>Effect of exchange rate</b>	<b>Other</b>	<b>31 December 2023</b>
Amounts due to credit institutions	20,339,296	13,347,408	(8,134,398)	(3,971,677)	4,237,363	4,636	(31,853)	25,790,775
<b>Total</b>	<b>20,339,296</b>	<b>13,347,408</b>	<b>(8,134,398)</b>	<b>(3,971,677)</b>	<b>4,237,363</b>	<b>4,636</b>	<b>(31,853)</b>	<b>25,790,775</b>
<i>In thousands of tenge</i>	<b>1 January 2022</b>	<b>Receipt of loans</b>	<b>Repayment of principal</b>	<b>Interest repayment</b>	<b>Interest accrual</b>	<b>Effect of exchange rate</b>	<b>Other</b>	<b>31 December 2022</b>
Amounts due to credit institutions	11,235,834	13,322,674	(4,665,774)	(2,294,268)	2,545,615	214,749	(19,534)	20,339,296
<b>Total</b>	<b>11,235,834</b>	<b>13,322,674</b>	<b>(4,665,774)</b>	<b>(2,294,268)</b>	<b>2,545,615</b>	<b>214,749</b>	<b>(19,534)</b>	<b>20,339,296</b>



# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 16. SUBORDINATED DEBT

As at 31 December 2023 and 2022, subordinated debt is presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
Subordinated debt	<b>1,405,534</b>	707,330
<b>Total</b>	<b>1,405,534</b>	<b>707,330</b>

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. On 30 November 2023, the Company entered into a subordinated loan agreement with Triple Jump Financial Inclusion Resilience Fund B.V. in the amount of 688,125 thousand tenge, with an interest rate of 21.5% per annum and maturity date in January 2029.

### 17. REPURCHASE AGREEMENTS

As at 31 December 2023 and 2022, repurchase agreements are presented as follows:

<i>In thousands of tenge</i>	Maturity date	Interest rate, %	<b>31 December 2023</b>	31 December 2022
Repurchase agreements	3 January 2024	14.95	<b>1,153,482</b>	1,956,510
<b>Total</b>			<b>1,153,482</b>	<b>1,956,510</b>

#### Collateral provided as security for liabilities

As at 31 December 2023, loans from repurchase agreements were collateralised by financial instruments at fair value through profit or loss with a fair value of 1,130,007 thousand tenge (as at 31 December 2022: 1,959,609 thousand tenge) (Note 9).

### 18. TAXATION

Corporate income tax expense for the years 2023 and 2022 are presented as follows:

<i>In thousands of tenge</i>	<b>2023</b>	2022
Current corporate income tax expense	<b>191,522</b>	169,840
Deferred corporate income tax expense	<b>8,340</b>	2,669
<b>Total income tax expense</b>	<b>199,862</b>	<b>172,509</b>

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 2023 and 2022 are presented as follows:

<i>In thousands of tenge</i>	<b>2023</b>	2022
Profit before corporate income tax expense	<b>1,037,116</b>	804,643
Current tax rate	<b>20%</b>	20%
<b>Theoretical corporate income tax amount</b>	<b>(207,423)</b>	<b>(160,929)</b>
<b>Tax effect of permanent differences:</b>		
Non-taxable income/ (non-deductible expenses)	<b>7,561</b>	(11,580)
<b>Total corporate income tax expense</b>	<b>(199,862)</b>	<b>(172,509)</b>

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**18. TAXATION (CONTINUED)**

Movements in deferred corporate income tax liabilities for the years ended 31 December 2023 and 2022 are as follows:

<i>In thousands of tenge</i>	1 January 2022	Changes, recognized in the statement of profit and loss	31 December 2022	Changes, recognized in the statement of profit and loss	31 December 2023
<b>Deferred income tax assets</b>					
Accrued expenses on unused vacations	9,691	1,950	11,641	2,325	13,966
Lease liabilities	16,985	832	17,817	9,061	26,878
Other liabilities	875	445	1,320	887	2,207
Amounts due to credit institutions	2,813	(2,813)	–	–	–
<b>Total deferred income tax assets</b>	<b>30,364</b>	<b>414</b>	<b>30,778</b>	<b>12,273</b>	<b>43,051</b>
<b>Deferred income tax liabilities</b>					
Property and equipment and intangible assets	(20,836)	(2,605)	(23,441)	(10,944)	(34,385)
Right-of-use assets	(15,125)	(478)	(15,603)	(9,669)	(25,272)
<b>Total deferred income tax liabilities</b>	<b>(35,961)</b>	<b>(3,083)</b>	<b>(39,044)</b>	<b>(20,613)</b>	<b>(59,657)</b>
<b>Total deferred income tax liabilities, net</b>	<b>(5,597)</b>	<b>(2,669)</b>	<b>(8,266)</b>	<b>(8,340)</b>	<b>(16,606)</b>

**19. NET INTEREST INCOME**

For the years ended 31 December 2023 and 2022, net interest income is presented as follows:

<i>In thousands of tenge</i>	Note	2023	2022
<b>Interest income comprises:</b>			
<i>Interest income on financial assets recorded at amortized cost:</i>			
Loans to customers		9,072,028	6,333,303
Interest income on financial instruments at fair value through profit or loss		60,617	99,936
Interest income from reverse repo		39,559	27,864
Interest income from short-term deposits		94,715	2,610
<b>Total interest income</b>		<b>9,266,919</b>	<b>6,463,713</b>
<b>Interest expense comprises:</b>			
<i>Interest on financial liabilities recorded at amortized cost:</i>			
Amounts due to credit institutions		(4,237,363)	(2,545,615)
Interest expense on repurchase agreements		(265,004)	(257,452)
Interest expense on lease	11	(27,315)	(17,895)
Subordinated debt		(12,384)	(4,490)
<b>Total interest expenses</b>		<b>(4,542,066)</b>	<b>(2,825,452)</b>
<b>Net interest income</b>		<b>4,724,853</b>	<b>3,638,261</b>

**20. EXPECTED CREDIT LOSSES (EXPENSE) / RECOVERY**

For the years ended 31 December 2023 and 2022, expected credit loss (expenses)/recovery are as follows:

<i>In thousands of tenge</i>	Notes	2023			
		Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(2,592)	–	–	(2,592)
Loans to customers	8	(251,787)	(50,451)	(377,358)	(679,596)
<b>Total recovery/ (expenses) on expected credit losses</b>		<b>(254,379)</b>	<b>(50,451)</b>	<b>(377,358)</b>	<b>(682,188)</b>

  

<i>In thousands of tenge</i>	Notes	2022			
		Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(3,275)	–	–	(3,275)
Loans to customers	8	(253,501)	6,838	(260,685)	(507,348)
<b>Total recovery/ (expenses) on expected credit losses</b>		<b>(256,776)</b>	<b>6,838</b>	<b>(260,685)</b>	<b>(510,623)</b>

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 21. NET GAIN/ (LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

For the years ended 31 December 2023 and 2022, net gain/ (loss) on financial instruments at fair value through profit or loss is presented as follows:

<i>In thousands of tenge</i>	2023	2022
Revaluation of financial instruments	(14,206)	(141,506)
Capital gains from the sale of financial instruments	26,430	34,840
<b>Total</b>	<b>12,224</b>	<b>(106,666)</b>

#### 22. OPERATING EXPENSES

For the years ended 31 December 2023 and 2022, operating expenses are presented as follows:

<i>In thousands of tenge</i>	2023	2022
Salaries, bonuses and related taxes	1,925,522	1,440,515
Depreciation and amortisation	204,240	139,307
Professional services	163,646	153,349
Transportation	143,489	105,887
Business trip and representative expenses	90,643	58,007
Bank fees	75,282	50,124
Office supplies	38,729	31,116
Repair and maintenance	37,314	15,096
Advertising and marketing	36,868	23,149
Taxes other than income tax	35,557	3,187
Current rent	35,537	16,479
Communication and information services	26,419	21,224
Training of personnel	14,481	2,329
Database maintenance services	9,235	1,426
Other	111,999	111,918
<b>Total</b>	<b>2,948,961</b>	<b>2,173,113</b>

#### 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.

The 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.

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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#### 23. COMMITMENTS AND CONTINGENCIES (CONTINUED)

##### Environmental matters

Management believes that the Company is in compliance with the environmental requirements of Kazakhstan legislation and has no significant liabilities in this regard. The Company did not recognise provisions for possible losses in the 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 2023, 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 2023. 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 2023, the Company had no capital commitments.

##### Investment related commitments

As at 31 December 2023, 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.

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

**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.

<i>In thousands of tenge</i>	31 December 2023			31 December 2022		
	Carrying amount	Fair value	Unrecognised gain/ (loss)	Carrying amount	Fair value	Unrecognised gain/ (loss)
<b>Financial assets</b>						
Cash and cash equivalents	1,187,053	1,187,053	–	4,803,025	4,803,025	–
Amounts due from credit institutions	4,330,305	4,330,305	–	1,802,779	1,802,779	–
Loans to customers	25,012,912	25,171,823	158,911	17,558,838	17,639,674	80,836
Other financial assets	36,116	36,116	–	1,824	1,824	–
<b>Financial liabilities</b>						
Amounts due to credit institutions	25,790,775	26,119,281	(328,506)	20,339,296	20,578,132	(238,836)
Subordinated debt	1,405,534	1,454,721	(49,187)	707,330	739,181	(31,851)
Lease liabilities	134,391	134,391	–	89,085	89,085	–
Repurchase agreements	1,153,482	1,130,007	23,475	1,956,510	1,959,609	(3,099)
Other financial liabilities	12,461	12,461	–	18,652	18,652	–

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 2023 and 2022:

<i>In thousands of tenge</i>	Date of measurement	Fair value measurement as at 31 December 2023				Total
		Level 1	Level 2	Level 3		
<b>Assets at fair value</b>						
Financial instruments at fair value through profit or loss	31.12.2023	1,450,768	–	–	1,450,768	
<b>Assets whose fair value is disclosed</b>						
Cash and cash equivalents	31.12.2023	1,187,053	–	–	1,187,053	
Amounts due from credit institutions	31.12.2023	–	4,330,305	–	4,330,305	
Loans to customers	31.12.2023	–	25,171,823	–	25,171,823	
Other financial assets	31.12.2023	–	–	36,116	36,116	
<b>Total fair value</b>		2,637,821	29,502,128	36,116	32,176,065	
<b>Liability whose fair value is disclosed</b>						
Amounts due to credit institutions	31.12.2023	–	26,119,281	–	26,119,281	
Subordinated debt	31.12.2023	–	1,454,721	–	1,454,721	
Lease liabilities	31.12.2023	–	–	134,391	134,391	
Repurchase agreements	31.12.2023	–	1,130,007	–	1,130,007	
Other financial liabilities	31.12.2023	–	–	12,461	12,461	
<b>Total fair value</b>		–	28,704,009	146,852	28,850,861	
<b>Fair value, net</b>		2,637,821	798,119	(110,736)	3,325,204	

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<i>In thousands of tenge</i>	Fair value measurement as at 31 December 2022				Total
	Date of measurement	Level 1	Level 2	Level 3	
<b>Assets at fair value</b>					
Financial instruments at fair value through profit or loss	31.12.2022	2,037,242	–	–	2,037,242
<b>Assets whose fair value is disclosed</b>					
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
<b>Total assets fair value</b>		<b>6,840,267</b>	<b>19,442,453</b>	<b>1,824</b>	<b>26,284,544</b>
<b>Liability whose fair value is disclosed</b>					
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
<b>Total liabilities fair value</b>		<b>–</b>	<b>23,276,922</b>	<b>107,737</b>	<b>23,384,659</b>
<b>Fair value, net</b>		<b>6,840,267</b>	<b>(3,834,469)</b>	<b>(105,913)</b>	<b>2,899,885</b>

As at 31 December 2023, 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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 25. RISK MANAGEMENT (CONTINUED)

#### *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 BBB to B-.

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

<i>In thousands of tenge</i>	<b>BBB</b>	<b>BBB-</b>	<b>BB+</b>	<b>B+</b>	<b>Credit rating is not assigned</b>	<b>31 December 2023</b>
Cash and cash equivalents	–	618,166	466,732	4,826	96,598	1,186,322
Amounts due from credit institutions	–	–	4,330,305	–	–	4,330,305
Loans to customers	–	–	–	–	25,012,912	25,012,912
Financial instruments at fair value through profit or loss	1,450,768	–	–	–	–	1,450,768
Other financial assets	–	–	–	–	36,116	36,116
<b>Total</b>	<b>1,450,768</b>	<b>618,166</b>	<b>4,797,037</b>	<b>4,826</b>	<b>25,145,626</b>	<b>32,016,423</b>

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 25. RISK MANAGEMENT (CONTINUED)

#### Credit risk (continued)

<i>In thousands of tenge</i>	BBB	BBB-	BB+	B+	Credit rating is not assigned	31 December 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
<b>Total</b>	<b>2,115,259</b>	<b>1,601,796</b>	<b>4,676,589</b>	<b>1,315</b>	<b>17,808,584</b>	<b>26,203,543</b>

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)	<i>The Probability of Default</i> 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)	<i>The Exposure at Default</i> 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)	<i>The Loss Given Default</i> 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.



**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**25. RISK MANAGEMENT (CONTINUED)**

**Credit risk (continued)**

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.
- POCI: 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.

<i>In thousands of tenge</i>	Unimpaired financial assets		Impaired financial assets		31 December 2023 Total
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	
Cash and cash equivalents	1,187,988	(935)	–	–	1,187,053
Amounts due from credit institutions	4,335,999	(5,694)	–	–	4,330,305
Loans to customers	25,157,812	(494,165)	1,181,503	(832,238)	25,012,912
Financial instruments at fair value through profit or loss	1,450,768	–	–	–	1,450,768
Other financial assets	36,116	–	–	–	36,116

<i>In thousands of tenge</i>	Unimpaired financial assets		Impaired financial assets		31 December 2022 Total
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	
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

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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#### 25. RISK MANAGEMENT (CONTINUED)

##### Credit risk (continued)

###### *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 unlikelihood 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.

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

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#### 25. RISK MANAGEMENT (CONTINUED)

##### Credit risk (continued)

###### *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.

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 25. RISK MANAGEMENT (CONTINUED)

*Forward-looking information and multiple economic scenarios (continued)*

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.

#### 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:

<i>In thousands of tenge</i>	<b>Kazakhstan</b>	<b>OECD countries*</b>	<b>Total as at 31 December 2023</b>
<b>Financial assets</b>			
Cash and cash equivalents	1,187,053	–	1,187,053
Amounts due from credit institutions	4,330,305	–	4,330,305
Loans to customers	25,012,912	–	25,012,912
Financial instruments at fair value through profit or loss	1,450,768	–	1,450,768
Other financial assets	36,116	–	36,116
<b>Total financial assets</b>	<b>32,017,154</b>	<b>–</b>	<b>32,017,154</b>
<b>Financial liabilities</b>			
Amounts due to credit institutions	3,891,000	21,899,775	25,790,775
Subordinated debt	–	1,405,534	1,405,534
Lease liabilities	134,391	–	134,391
Repurchase agreements	1,153,482	–	1,153,482
Other financial liabilities	12,461	–	12,461
<b>Total financial liabilities</b>	<b>5,191,334</b>	<b>23,305,309</b>	<b>28,496,643</b>

<i>In thousands of tenge</i>	<b>Kazakhstan</b>	<b>OECD countries*</b>	<b>Total as at 31 December 2022</b>
<b>Financial assets</b>			
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
<b>Total financial assets</b>	<b>26,203,708</b>	<b>–</b>	<b>26,203,708</b>
<b>Financial liabilities</b>			
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
<b>Total financial liabilities</b>	<b>3,666,781</b>	<b>19,444,092</b>	<b>23,110,873</b>

\*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.

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**25. RISK MANAGEMENT (CONTINUED)**

**Liquidity risk and funding management (continued)**

<i>In thousands of tenge</i>	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 December 2023
<b>Interest-bearing financial assets</b>							
Short-term bank deposits up to 90 days	1.00%	–	507,139	–	–	–	507,139
Amounts due from credit institutions	0.25%	–	–	–	4,335,999	–	4,335,999
Loans to customers	42.40%	437,377	269,976	5,466,092	18,811,507	27,960	25,012,912
Financial instruments at fair value through profit or loss	5.81%	28,284	–	–	1,103,574	318,910	1,450,768
<b>Total interest-bearing financial assets</b>		<b>465,661</b>	<b>777,115</b>	<b>5,466,092</b>	<b>24,251,080</b>	<b>346,870</b>	<b>31,306,818</b>
<b>Non-interest bearing financial assets</b>							
Cash and cash equivalents, except for short-term deposits up to 90 days		680,849	–	–	–	–	680,849
Other financial assets		36,116	–	–	–	–	36,116
<b>Total non-interest bearing financial assets</b>		<b>716,965</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>716,965</b>
<b>Total financial assets</b>		<b>1,182,626</b>	<b>777,115</b>	<b>5,466,092</b>	<b>24,251,080</b>	<b>346,870</b>	<b>32,023,783</b>
<b>Interest-bearing financial liabilities</b>							
Amounts due to credit institutions	17.03%	–	–	102,759	25,688,016	–	25,790,775
Subordinated debt	23.00%	–	–	–	–	1,405,534	1,405,534
Lease liabilities	15.00%	–	–	119,874	14,517	–	134,391
Repurchase agreements	14.95%	1,153,482	–	–	–	–	1,153,482
<b>Total interest-bearing financial liabilities</b>		<b>1,153,482</b>	<b>–</b>	<b>222,633</b>	<b>25,702,533</b>	<b>1,405,534</b>	<b>28,484,182</b>
<b>Non-interest bearing financial liabilities</b>							
Other financial liabilities		–	12,461	–	–	–	12,461
<b>Total non-interest bearing financial liabilities</b>		<b>–</b>	<b>12,461</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,461</b>
<b>Total financial liabilities</b>		<b>1,153,482</b>	<b>12,461</b>	<b>222,633</b>	<b>25,702,533</b>	<b>1,405,534</b>	<b>28,496,643</b>
Difference between financial assets and financial liabilities		29,144	764,654	5,243,459	(1,451,453)	(1,058,664)	3,527,140
Difference between interest bearing financial assets and interest-bearing financial liabilities		(687,821)	777,115	5,243,459	(1,451,453)	(1,058,664)	2,822,636

**MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

**25. RISK MANAGEMENT (CONTINUED)**

**Liquidity risk and funding management (continued)**

	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 December 2022
<i>In thousands of tenge</i>							
<b>Interest-bearing financial assets</b>							
Short-term bank deposits up to 90 days	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
<b>Total interest-bearing financial assets</b>		<b>866,834</b>	<b>251,562</b>	<b>5,032,855</b>	<b>15,805,893</b>	<b>17,506</b>	<b>21,974,650</b>
<b>Non-interest bearing financial assets</b>							
Cash and cash equivalents		4,231,271	–	–	–	–	4,231,271
Other financial assets		1,824	–	–	–	–	1,824
<b>Total non-interest bearing financial assets</b>		<b>4,233,095</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,233,095</b>
<b>Total financial assets</b>		<b>5,099,929</b>	<b>251,562</b>	<b>5,032,855</b>	<b>15,805,893</b>	<b>17,506</b>	<b>26,207,745</b>
<b>Interest-bearing financial liabilities</b>							
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
<b>Total interest-bearing financial liabilities</b>		<b>1,961,116</b>	<b>631,705</b>	<b>3,117,454</b>	<b>16,674,616</b>	<b>707,330</b>	<b>23,092,221</b>
<b>Non-interest bearing financial liabilities</b>							
Other financial liabilities		452	18,200	–	–	–	18,652
<b>Total non-interest bearing financial liabilities</b>		<b>452</b>	<b>18,200</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>18,652</b>
<b>Total financial liabilities</b>		<b>1,961,568</b>	<b>649,905</b>	<b>3,117,454</b>	<b>16,674,616</b>	<b>707,330</b>	<b>23,110,873</b>
Difference between financial assets and financial liabilities		<b>3,138,361</b>	<b>(398,343)</b>	<b>1,915,401</b>	<b>(868,723)</b>	<b>(689,824)</b>	<b>3,096,872</b>
Difference between interest bearing financial assets and interest-bearing financial liabilities		<b>(1,094,282)</b>	<b>(380,143)</b>	<b>1,915,401</b>	<b>(868,723)</b>	<b>(689,824)</b>	<b>(1,117,571)</b>

# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 25. RISK MANAGEMENT (CONTINUED)

#### Liquidity risk and funding management (continued)

The table below shows the financial liabilities of the Company as at 31 December 2023 and 2022, by maturity based on contractual undiscounted repayment obligations.

<i>In thousands of tenge</i>	Less than 3 months	3 to 12 months	1 to 5 years	31 December 2023
Amounts due to credit institutions	1,308,802	4,893,339	24,860,251	31,062,392
Subordinated debt	80,318	241,831	2,865,182	3,187,331
Lease liabilities	25,775	56,252	69,471	151,498
Repurchase agreements	1,157,236	–	–	1,157,236
Other financial liabilities	–	12,461	–	12,461
<b>Total</b>	<b>2,572,131</b>	<b>5,203,883</b>	<b>27,794,904</b>	<b>35,570,918</b>

<i>In thousands of tenge</i>	Less than 3 months	3 to 12 months	1 to 5 years	31 December 2022
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
<b>Total</b>	<b>4,482,230</b>	<b>7,157,690</b>	<b>16,659,341</b>	<b>28,299,261</b>

#### 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 2023 and 2022, 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 2023:

<i>In thousands of tenge</i>	Tenge	US dollar	Euro	Total
<b>Financial assets</b>				
Cash and cash equivalents	1,090,828	96,037	188	1,187,053
Amounts due from credit institutions	–	1,287,970	3,042,335	4,330,305
Loans to customers	25,012,912	–	–	25,012,912
Financial instruments at fair value through profit or loss	–	1,450,768	–	1,450,768
Other financial assets	36,116	–	–	36,116
<b>Total financial assets</b>	<b>26,139,856</b>	<b>2,834,775</b>	<b>3,042,523</b>	<b>32,017,154</b>
<b>Financial liabilities</b>				
Amounts due to credit institutions	20,438,029	2,676,553	2,676,193	25,790,775
Subordinated debt	1,405,534	–	–	1,405,534
Lease liabilities	134,391	–	–	134,391
Repurchase agreements	1,153,482	–	–	1,153,482
Other financial liabilities	12,461	–	–	12,461
<b>Total financial liabilities</b>	<b>23,143,897</b>	<b>2,676,553</b>	<b>2,676,193</b>	<b>28,496,643</b>
<b>Open position</b>	<b>2,995,959</b>	<b>158,222</b>	<b>366,330</b>	<b>3,520,511</b>

## MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

#### 25. RISK MANAGEMENT (CONTINUED)

##### Currency risk (continued)

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

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

##### *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.

<i>In thousands of tenge</i>	2023		2022	
	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%	31,644	20%	87,412
US dollar	-20%	(31,644)	-20%	(87,412)
Euro	20%	73,266	20%	(15,561)
Euro	-20%	(73,266)	-20%	15,561

##### 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.



# MICROFINANCE ORGANIZATION ASIAN CREDIT FUND LLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

### 25. RISK MANAGEMENT (CONTINUED)

#### 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 2023 and 2022 and a simplified scenario of a 1% decrease or increase in prices of all securities) can be presented as follows:

<i>In thousands of tenge</i>	<b>31 December 2023</b>	31 December 2022
	<b>Profit or loss</b>	Profit or loss
1% increase in securities price	<b>14,508</b>	<b>20,372</b>
1% decrease in securities price	<b>(14,508)</b>	<b>(20,372)</b>

### 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 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 2023, the capital adequacy ratio exceeds the statutory minimum: k1 – 0.169; k2 – 0.007; and k3 – 5.466.

### 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.

As at 31 December 2023, the Company had no transactions with related parties.

#### Compensation to key management personnel

As at 31 December 2023, the key management personnel consists of the Chairman of the Board, Financial Director, Business Development Director, Operations Director, Human Resources Director and members of the Supervisory Board, total of 9 persons.

Total compensation to key management personnel included in Personnel expenses in the statement of profit or loss and other comprehensive income is 143,029 thousand tenge for the year ended 31 December 2023 (2022: 115,121 thousand tenge). The remuneration of key management personnel includes salaries and other short-term payments in accordance with the internal regulations of the Company.