Solva Group

Combined and consolidated financial statement

For the year ended December 31, 2022 and 2021

with independent auditor's report

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
for the preparation and approval of the combined and consolidated financial statements
for the year ended December 31, 2022 and 2021

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

Management of the Group is responsible for the preparation of the combined and consolidated financial statements that present fairly the financial position of the Group as at December 31, 2022 and 2021, the results of its operations, cash flows and changes in equity of the Group for the year ended December 31, 2022 and 2021, in accordance with the International Financial Reporting Standards (the "IFRS").

In preparing the combined and consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

Signed and approved of issue on behalf of Management of the Group on August 31, 2023:

General Director _______________ Barabanov K.A.

Deputy Financial Director _______________ Stetsyk M.V.

050059, the Republic of Kazakhstan
Almaty, 19, Al-Farabi Ave.
BC Nurly Tau, Block 1B, off. 403
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INDEPENDENT AUDITOR'S REPORT

To the Participants and Management of PC Solva Group Ltd

Opinion

We have audited the combined and consolidated financial statements of PC Solva Group Ltd (the «Company») and its subsidiaries (hereinafter together the «Group»), which comprise the combined and consolidated statement of financial position as at December 31, 2022 and 2021, and the combined and consolidated statement of comprehensive income, combined and consolidated statement of changes in equity and combined and consolidated statement of cash flows for the year then ended, and notes to the combined and consolidated financial statements, including a summary of significant accounting policies (hereinafter « combined and consolidated financial statement»).

In our opinion, the accompanying combined and consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2022 and 2021, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

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

Responsibility of management and those charged with governance for the combined and consolidated financial statements

Management is responsible for the preparation and fair presentation of the combined and consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of combined and consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the combined and consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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

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Auditor's responsibility for the audit of the combined and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the combined and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined and consolidated 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 combined and consolidated 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 Group'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 Group'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 Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined and consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the Group or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

Yerlan Islambekov
Director
Baker Tilly Qazaqstan Audit LLP

State audit license for audit activities on the territory of the Republic of Kazakhstan №20013143, issued by the Ministry of Finance of the Republic of Kazakhstan on September 9, 2021

Yerlan Islambekov
Auditor

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

August 31, 2023

COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022 and 2021

(in thousands of tenge)

	Note	December 31, 2022	December 31, 2021	January 1, 2021
Assets				
Cash and cash equivalents	4	**2 283 168**	3 632 166	2 366 163
Amounts due from credit institutions	13	**505 613**	-	-
Loans to customers	5	**85 649 688**	71 235 942	38 287 470
Derivative financial assets		**-**	-	1 949 446
Receivables from the sale of portfolios		**193 535**	562 839	951 688
Property and equipment		**337 170**	251 166	20 844
Intangible assets	6	**3 533 124**	1 195 002	405 811
Right-of-use assets		**243 336**	145 280	80 438
Deferred tax assets	10	**280 057**	138 683	17 024
Current corporate income tax assets		**620 855**	112 210	72 307
Other assets	7	**1 499 622**	1 255 662	495 827
Total assets		**95 146 168**	78 528 950	44 647 018
Liabilities				
Amounts due to credit and other institutions	8	**35 411 277**	37 535 333	24 778 635
Debt securities issued	9	**31 123 436**	20 267 690	6 612 685
Derivative financial liabilities	13	**81 828**	287 970	-
Deferred corporate income tax liabilities	10	**359 303**	230 149	417 430
Current corporate income tax liabilities		**535 286**	595 932	13 041
Accounts payable	12	**3 778 053**	1 297 263	912 172
Lease liabilities		**257 777**	153 899	89 883
Other liabilities	7	**1 172 635**	579 837	273 743
Total liabilities		**72 719 595**	60 948 073	33 097 589
Equity				
Share capital	11	**1 457**	1 230 151	1 220 151
Subordinated loans	20	**14 239 553**	7 291 028	7 051 717
Retained earnings		**8 185 563**	9 059 698	3 277 561
Total equity		**22 426 573**	17 580 877	11 549 429
Total equity and liabilities		**95 146 168**	78 528 950	44 647 018

Signed and approved of issue on behalf of Management on August 31, 2023:

General Director _______________ Barabanov K.A.

Deputy Financial Director _______________ Stetsyk M.V.

COMBINED AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022 and 2021

(in thousands of tenge)

	Note	2022	2021
Interest revenue calculated using effective interest rate	14	41 230 879	27 961 966
Interest expense	14	(11 115 596)	(7 142 364)
Net interest income		30 115 283	20 819 602
Credit loss expense	15	(16 489 046)	(9 324 174)
Net interest income after credit loss expense		13 626 237	11 495 428
Fee and commission income	16	4 822 076	4 378 792
Net gains/(losses) from transactions with currency derivatives		164 852	(2 065 707)
Net (losses)/gains on transactions with foreign currencies:		(1 586 895)	1 378 472
- translation differences		(1 124 964)	*1 473 094*
- dealing		(461 931)	*(94 622)*
Other income	17	2 591 978	1 810 478
Non-interest income		5 992 011	5 502 035
Other operating expenses	18	(6 613 131)	(4 969 064)
General and administrative expenses	19	(5 366 203)	(3 088 039)
Other expenses		(43 006)	9 694
Non-interest expense		(12 022 340)	(8 047 409)
Profit before income tax expense		7 595 908	8 950 054
Income tax expense	10	(983 064)	(1 401 071)
Profit for the year		6 612 844	7 548 983
Other comprehensive income		–	–
Total comprehensive income		6 612 844	7 548 983

Signed and approved of issue on behalf of Management on August 31, 2023:

General Director ______________ Barsukov K.A.

Deputy Financial Director ______________ Stetsyk M.V.

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022 and 2021

(in thousands of tenge)

	Note	Share capital	Subordinated loans	Retained earnings	Total equity
Balance at January 1, 2021		1 220 151	7 051 717	3 277 561	11 549 429
Total comprehensive income for the period		-	-	7 548 983	7 548 983
Subordinated loans raised and repaid, net	20	-	69 282	-	69 282
Interest paid on subordinated loans	20	-	-	(1 596 817)	(1 596 817)
Currency revaluation of subordinated loans	20	-	170 029	(170 029)	-
Share capital contribution		10 000	-	-	10 000
Balance at December 31, 2021		**1 230 151**	**7 291 028**	**9 059 698**	**17 580 877**
Total comprehensive income for the period		-	-	**6 612 844**	**6 612 844**
Subordinated loans raised and repaid, net	20	-	**6 032 316**	-	**6 032 316**
Interest paid on subordinated loans	20	-	-	**(2 391 848)**	**(2 391 848)**
Dividends declared to shareholders		-	-	**(914 234)**	**(914 234)**
Increase in share capital at the expense of retained earnings		**20 000**	-	**(20 000)**	-
Result from the reorganization of the Group		**(1 248 694)**	-	**(3 244 688)**	**(4 493 382)**
Currency revaluation of subordinated loans	20	-	**916 209**	**(916 209)**	-
Balance at December 31, 2022		**1 457**	**14 239 553**	**8 185 563**	**22 426 573**

Signed and approved of issue on behalf of Management on August 31, 2023:

General Director — Baisbanov K.A.

Deputy Financial Director — Stetsyk M.V.

The accompanying notes on pages 5 to 46 are an integral part of these combined and consolidated financial statements.

COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022 and 2021

(in thousands of tenge)

	Note	2022	2021
Operating activities			
Profit before tax		**7 595 909**	8 950 054
Adjustments			
Interest income on securities and loans granted, except for loans to customers		**(7 514)**	-
Interest expense	14	**11 115 596**	7 142 364
Net expense from allowance for expected credit losses	14	**16 377 489**	9 827 414
Revaluation of impaired portfolios payable	15	**111 557**	(503 240)
Net (gains)/ losses from transactions with currency derivatives		**(164 852)**	2 065 707
Net losses/(gains) from transactions with foreign currencies		**1 586 895**	(1 378 472)
Other provisions		**59 462**	(52 964)
Depreciation and amortisation		**667 156**	286 914
Other payments to the budget		**(1 067 241)**	(865 022)
Corporate income tax paid		**(1 327 619)**	(1 249 853)
Cash flows from operating activities before changes in operating assets and liabilities		**34 946 838**	24 222 902
Net change in operating assets and liabilities			
Amounts due from credit institutions		**(505 613)**	-
Loans to customers*		**(31 275 110)**	(37 388 487)
Other assets		**(1 618 373)**	(2 448 743)
Accounts payable and other liabilities		**(1 588 119)**	(1 543 523)
Net cash from (used in) operating activities		**(40 377)**	(17 157 851)
Investing activities			
Loans issued		**(267 261)**	(15 521)
Repayment of loans issued to related parties		**222 625**	6 306
Interest received on loans granted		**6 399**	-
Purchase of subsidiaries		**(2 606 732)**	-
Purchase of property and equipment		**(249 408)**	(319 741)
Purchase of intangible assets		**(2 701 852)**	(990 979)
Net cash used in investing activities		**(5 596 229)**	(1 319 935)

**Changes in loans to customers include cash from sale of portfolios in the amount of KZT 4 893 531 thousand for 2022 (2021: KZT 4 936 740 thousand).*

The accompanying notes on pages 5 to 46 are an integral part of these combined and consolidated financial statements.

COMBINED AND CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022 and 2021

(in thousands of tenge)

	Note	2022	2021
Financing activities			
Proceeds from loans and borrowings	26	**17 508 091**	22 115 054
Proceeds from debt securities issue	26	**18 213 783**	13 801 176
Repayment of loans and borrowings	26	**(17 316 585)**	(8 448 040)
Repayment of debt securities	26	**(7 383 059)**	-
Interest paid		**(9 239 198)**	(6 090 105)
Proceeds from subordinated loans	26	**6 938 327**	1 193 418
Repayment of subordinated loans	26	**(906 011)**	(1 596 817)
Interest paid on subordinated loans	20	**(2 391 848)**	(1 124 136)
Dividends paid to shareholders of the Group		**(914 232)**	-
Increase the share capital			9 999
Repayment of lease liability		**(17 531)**	(10 226)
Net cash from financing activities		**4 491 737**	19 850 323
Effect of changes in foreign exchange rates on cash and cash equivalents		**(204 129)**	(106 534)
Net (decrease) / increase in cash and cash equivalents		**(1 348 998)**	1 266 003
Cash and cash equivalents at the beginning of the period		**3 632 166**	2 366 163
Cash and cash equivalents at the end of the period	4	**2 283 168**	3 632 166

Signed and approved of issue on behalf of Management on August 31, 2023:

General Director ______________ Bardeanov K.A.

Deputy Financial Director ______________ Stetsyk M.V.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT

For the year ended December 31, 2022 and 2021

(in thousands of tenge, unless otherwise specified)

1. GENERAL

Solva Group Ltd (the "Company"), a privately held company, is the parent company of the Solva Group (the "Group"). The company was registered on June 29, 2022 by the Committee of the Astana International Financial Center on regulation of financial services. The Company carries out its activities in accordance with the special legal regime in the financial sector, established by the Constitutional Law of the Republic of Kazakhstan "On the Astana International Financial Center" (hereinafter referred to as the AIFC), and the AIFC legislation. The registered office of the Company is located at: Kazakhstan, Z05T3Db, Astana city, Esil district, Mangilik El Avenue, building 55/20.

Solva Group is a group of companies whose main activities are consumer lending, lending to small and medium-sized businesses, holding companies and pre-trial debt collection and settlement activities.

The Group includes the following subsidiaries as at December 31, 2022 and 2021:

Entity	Country of registration	Activity	Share of capital December 31, 2022	Share of capital December 31, 2021
IDF Eurasia (Kazakhstan) Limited PC	Kazakhstan	holding company	100%[1]	0 %
Microfinance Organization "OnlineKazFinance" JSC	Kazakhstan	Consumer lending, lending to small and medium businesses.	100%[2]	0 %
Microfinance Organization "FintechFinance" LLP	Kazakhstan	Customer credit	100%[3]	0 %
Collection agency ID Collect LLP	Kazakhstan	Pre-trial collection and debt settlement	99%[4]	0 %

[1] In July 2022, 100% of the shares in the authorized capital of HC IDF Eurasia (Kazakhstan) Limited were transferred from IDF Holding Limited (Cyprus) in favor of Solva Group Ldt. HC IDF Eurasia (Kazakhstan) Limited operates in accordance with the special legal regime in the financial sector, established by the Constitutional Law of the Republic of Kazakhstan "On the Astana International Financial Center" (hereinafter referred to as AIFC), and AIFC legislation, in favor of HC Solva Group Ltd.

[2] In March 2022, 99% of the shares in the authorized capital of Microfinance Organization OnlineKazFinance JSC were transferred from Online Microfinance LLC in favor of Microfinance Organization FintechFinance LLP. In July 2022, a 1% stake in the authorized capital of Microfinance Organization OnlineKazFinance JSC was transferred from IDF Holding Limited (Cyprus) in favor of Microfinance Organization FintechFinance LLP.

[3] In March 2022, a 99% stake in the authorized capital of FintechFinance Microfinance Organization LLP was transferred from IDF Holding Limited (Cyprus) to IDF Eurasia (Kazakhstan) Limited. In July 2022, a 1% stake in the authorized capital of FintechFinance Microfinance Organization LLP was transferred from IDF Holding Limited (Cyprus) to Solva Group Ldt.

[4] In March 2022, a 99% stake in the authorized capital of ID Collect (ID Collect) Collection Agency LLP was transferred from IDF Holding Limited (Cyprus) to IDF Eurasia (Kazakhstan) Limited.

The Company did not have a single ultimate beneficiary with a controlling interest.

Operating environment in the Republic of Kazakhstan

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

2. BASIS OF PREPARATION

Statement of compliance

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

Solva Group PC maintains its accounting records and prepares its combined and consolidated financial statements in accordance with statutory accounting and taxation principles and practices applicable in the Republic of Kazakhstan.

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

Group formation

Since the beginning of 2022, the Group has been in the process of restructuring and forming a target structure. The purpose of this restructuring is to separate the business localized in Kazakhstan into a separate group. As part of the restructuring, Solva Group Ltd was registered, which, according to the target structure, became the parent company of the Solva Group on July 12, 2022.

The formation of the Group has been accounted for retrospectively from the earliest period presented, as the registration of PE "Solva Group Ltd" and the subsequent combination of assets at its level are part of one transaction to form the target structure of the Group, extended over time. At the same time, the main ultimate shareholders of all Group companies did not change before and after the restructuring, which indicates that this transaction is a business combination under common control.

For the purposes of preparing these combined and consolidated financial statements of the Group for the period ended December 31, 2022, the assets and liabilities of the Group companies are added up line by line at each reporting date, starting from the earliest reported period. The income statement includes the financial results of all companies for the period or since the founding of the companies that make up the Group.

The difference between the net assets of the Group's subsidiaries and investments in them after the formation of the Group is included in retained earnings as of December 31, 2022.

The formation of the Group took place in stages. The deal to form the group was completed on December 31, 2022. For the purposes of understanding the details of the transaction, key events are described below:

March 11, 2022 – the purchase of a 99% stake in the company FintechFinance Microfinance Organization LLP by IDF Eurasia (Kazakhstan) Limited was registered.

March 24, 2022 - the purchase of a 99% stake in Microfinance Organization OnlineKazFinance JSC by Microfinance Organization FintechFinance LLP was registered.

March 30, 2022 – the purchase of a 99% stake in ID Collect Collection Agency (ID Collect) LLP by IDF Eurasia (Kazakhstan) Limited PC was registered.

July 12, 2022 - the purchase of IDF Eurasia (Kazakhstan) Limited PC together with previously acquired subsidiaries by Solva Group Ltd PC was registered.

July 13, 2022 - Microfinance Organization FintechFinance LLP bought out a 1% stake in Microfinance Organization OnlineKazFinance JSC.

July 14, 2022 –Solva Group Ltd PC, bought out a 1% stake in FintechFinance MFO LLP.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT
For the year ended December 31, 2022 and 2021
(in thousands of tenge, unless otherwise specified)

2. BASIS OF PREPARATION (CONTINUED)

Geopolitical situation

As a result of the conflict between the Russian Federation and Ukraine, many countries have imposed and will continue to impose new sanctions against certain Russian entities and Russian citizens. Sanctions have also been imposed on Belarus.

Volatility in equity and foreign exchange markets, import and export restrictions, and the availability of local resources, materials, and services will directly impact companies that do business with or have close relationships with the Russian Federation, the Republic of Belarus, or Ukraine. However, the consequences of the current situation may directly or indirectly affect not only companies that have a direct relationship with the countries involved in the conflict.

Inflation and current economic conditions

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies of the world. High and rising energy prices have negatively impacted the cost of other goods and services, leading to significant increases in consumer prices in many countries.

Prices for many goods, including food, remain high. Inflation in Kazakhstan was 20.3% in 2022.

Due to the growing geopolitical tensions in 2022, there has been a significant increase in volatility in the stock and currency markets, as well as a significant depreciation of Tenge against the US dollar and Euro.

On December 6, 2022, the Monetary Policy Committee of the NBRK made a decision to raise the base rate to 16.75% per annum with an interest rate collar of +/- 1%.

The Group continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

Current inflationary pressures, macroeconomic and geopolitical uncertainties, including the conflict in Ukraine and the residual impact of Covid-19, affect judgments related to the valuation of assets and liabilities.

(a) Basis of preparation

These combined and consolidated financial statements have been prepared under the historical cost convention except for assets and liabilities at fair value, as described below *(Note 26)*. Assets and liabilities are subsequently measured at amortized cost or fair value.

(b) Functional and presentation currency

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

(c) Adoption of new and amended standards and interpretations

The below amendments to the standards became effective from 1 January 2022 but had no significant effect on the Group.

Amendments to IAS 37 – Onerous Contracts - Costs of Fulfilling a Contract

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The amendments had no impact on the combined and consolidated financial statements of the Group.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments are intended to replace a reference to the IASB IFRS Conceptual Framework with a reference to the *Conceptual Framework* issued in March 2018 without significantly changing its requirements.

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

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

These amendments did not have any impact on the Group's combined and consolidated financial statements, as the Group did not have any contingent assets, liabilities or contingent liabilities that fall within the scope of such amendments during the reporting period.

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

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

Under the transitional provisions, the Group applies the amendments retrospectively only to those items of property, plant, and equipment that became available for use at (or after) the beginning of the earliest period presented in the combined and consolidated financial statements in which the entity first applies the amendments.

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the Parent, based on the Parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the Group's combined and consolidated financial statements, as the Group is not first-time adopter of international financial reporting standards.

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

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Similar amendments to IAS 39 *Financial Instruments: Recognition and Measurement* have not been proposed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. These amendments had no impact on the Group's Consolidated Financial Statements, as the Group had no modifications to financial instruments during the reporting period.

The amendment eliminates the requirement in paragraph 22 of IFRS (IAS) 41 that organizations do not include tax-related cash flows in the calculation when assessing the fair value of assets within the scope of IFRS (IAS) 41.

These amendments had no impact on the Group's combined and consolidated financial statements, since the Group had no assets covered by IAS 41 as at the reporting date.

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 replaces IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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

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

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

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g., a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. This decision is made at the portfolio level and is not subject to review.

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

The Group is in the process of assessing the impact of applying IFRS 17 and does not expect any significant impact on its combined and consolidated financial statements in 2023.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current classification practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 8 – Definition of Accounting Estimates

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

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

The Group expects these amendments to have no material impact on its combined and consolidated financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, which provide guidance and examples to help entities apply materiality judgments 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 should apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, there is no mandatory effective date for the amendments.

The Group is currently reviewing the disclosures in its accounting policies to ensure compliance with the amended requirements in the future.

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback Transaction

In September 2022, the IASB issued amendments to IFRS 16 *Lease Liability in a Sale and Leaseback Transaction*. The amendment to IFRS 16 defines the requirements for the subsequent measurement of assets and liabilities for sale and leaseback transactions, according to which the seller-lessee evaluates the leaseback liability in such a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains.

After the commencement date, the seller-lessee shall apply paragraphs 29-35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36-46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee should define "lease payments" or "revised lease payments" in such a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. Applying the requirements in this paragraph does not prevent the seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease as required by paragraph 46(a) of IFRS 16. The amendment does not contain specific measurement requirements for lease liabilities arising from a leaseback.

The initial measurement of a lease liability arising from a leaseback transaction may result in seller-lessee defining "lease payments" that differ from the general definition of lease payments in Appendix A to IFRS 16. The seller-lessee will need to develop and implement an accounting policy that allows it to obtain relevant and reliable information in accordance with IAS 8.

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT
For the year ended December 31, 2022 and 2021
(in thousands of tenge, unless otherwise specified)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback Transaction (continued)

Amendments to IAS 16 are effective for annual periods beginning on or after 1 January 2024. Early adoption is permitted. The seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions after the date of initial application (e.g., the amendment does not apply to sale and leaseback transactions entered into prior to the date of application). The date of initial application is the beginning of the annual reporting period in which the entity first applies IFRS 16.

The Group expects these amendments to have no material impact on its combined and consolidated financial statements.

(e) Significant assumptions and sources of estimation uncertainty

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

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

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

Impairment losses on financial assets

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment 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 Group's calculations of expected credit losses (ECL) are outputs of 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 Group'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 lifetime expected credit loss (hereinafter, the "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 various formulae and the choice of inputs;

More details are provided in *Notes 6 and 22*.

Classification of subordinated loans from related parties

In December 2019, the Group entered into additional agreements on provision of loans from related parties for the total amount of KZT 2,987,615 thousand, according to which these loans are considered subordinated with respect to all of the Group's current and future liabilities. The Group is entitled, at its sole discretion, to suspend payments of the principal amount and interest at any time and for any period. In addition, the Group is entitled to unilaterally extend these agreements. During 2020, the Group raised new subordinated loans of KZT 3,519,555 thousand, less settlements made in 2020, on similar terms. During 2021, the Group raised additional subordinated loans of KZT 924,788 thousand. During 2022, the Group raised additional subordinated loans of KZT 8,869,027 thousand.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Considering the parameters of the subordinated loans, management of the Group concluded that these instruments meet the definition of an equity instrument in accordance with IAS 32 and recognize all operations and balances with these loans within equity.

(f) Income from credit and financial activities

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

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

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

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

Penalties are recognized into statement of profit or loss when received.

(g) Income tax

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

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

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

(h) Cash and cash equivalents

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

(i) Capitalized expenses related to the loan issue

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

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

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

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

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

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

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

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

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

(k) Financial liabilities

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

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

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

Financial liabilities measured at amortised cost

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

(in thousands of tenge, unless otherwise specified)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Derivative financial instruments

In the normal course of business, the Group enters into derivative financial instruments (forwards) in the foreign exchange and capital markets. Such financial guarantees are initially recognized at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in other finance expenses in the statement of profit or loss.

(m) Impairment of financial assets

Impairment losses on loans issued are calculated based on the expected credit losses (ECL) model. The allowance for ECL is based on credit losses expected to be incurred over the life of the underlying asset (LTECL), if there has been a significant increase in credit risk since the date of initial recognition. Otherwise, the allowance for ECL will be equal to 12-month expected credit losses (12mECL). 12mECL are part of lifetime ECL and represent ECL arising from defaults on a financial instrument expected to occur within 12 months after the reporting date.

Both the LTECL and the 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group has established a policy to perform an assessment, at the end of each reporting period, of whether there has been a significant increase in a financial instrument's credit risk since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group classifies loans issued as follows:

Stage 1.	Loss allowance based on 12mECL. In this Stage, the Group includes agreements for which the following conditions are met: (1) The agreement is not credit-impaired; (2) there is no significant increase in the credit risk. The Stage includes loans not overdue and loans overdue from 1 to 30 days inclusive.
Stage 2.	Loss allowance based on LTECL. In this Stage, the Group includes agreements, for which the credit risk has increased significantly from the date of initial recognition, but which are not credit-impaired. The criteria of significant increase of the credit risk is the increase of the overdue period. This Stage includes loans overdue from 31 to 90 days inclusive.
Stage 3.	Loss allowance on financial assets that are credit-impaired at initial recognition. Significant increase in the overdue period for a loan (i.e., default) serves as the criteria for the loan to be considered credit-impaired. This Stage includes loans overdue for more than 90 days.

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Group evaluates whether the revision of cash flows on a financial asset leads to the derecognition of a financial asset and the recognition of a new financial asset, or not.

The Group 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.

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

- Change in currency of the loan;
- Combining several loans into one loan, if the currency of the loan was revised under at least one agreement;
- 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 changes in cash flows discounted at the original EIR, the Group records a modification gain or loss, presented within interest revenue calculated using EIR in the statement of profit or loss, to the extent that an impairment loss has not already been recorded.

(o) Property and equipment

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

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

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

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

Computers and information processing equipment	5-10 years
Other property and equipment	4-10 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Leases

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

For contracts (or certain components of contracts) under which the Group conveys the right to control the use of an identified asset (as defined in IFRS 16 *Leases*) for a period of time in exchange for consideration, the Group recognizes a right-of-use asset and the respective liability at the commencement date of the lease.In accordance with IFRS 16 *Leases*, the Group does not apply this standard to leases with a lease term of 12 months or less, including economically feasible extensions, and leases of assets with a low initial value.The Group determines the lease term as the non-cancellable term of the lease together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

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

(q) Intangible assets

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

The cost of an intangible asset developed by the Group is equal to total costs incurred since the date the intangible asset first qualified for recognition, namely:

- It is probable that expected future economic benefits associated with the asset will flow to the entity;
- The cost of the asset can be reliably measured.

The Group must assess the probability that it will receive the expected future economic benefits using reasonable and supportable assumptions that represent management's best estimate of combined economic conditions that will be present during the useful life of the asset. The Group uses its professional judgment to assess the degree of certainty with regard to the flow of future economic benefits associated with the use of assets based on the data available as at the date of initial recognition with more focus on the data from external sources.

The cost of an inhouse-developed intangible asset includes all direct expenses required to develop, produce and prepare the asset for use as per management's intentions. Direct expenses include, for example:

- Materials and services used or consumed in developing an intangible asset;
- Employee benefits related to developing an intangible asset;
- Payments required to register a legal right;
- Amortization of patents and licenses used to develop an intangible asset.

(in thousands of tenge, unless otherwise specified)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Share capital and dividends

Common shares are classified as equity. Share capital is measured at the fair value of consideration received. External costs directly attributable to the issue of new shares are shown as deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the combined and consolidated financial statements are authorised.

(s) Contingencies

Contingent assets are not recorded in the statement of financial position but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote.

(t) Foreign currencies

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

	December 31, 2022	December 31, 2021	January 1, 2021
KZT to EUR	**492,86**	487,79	516,13
KZT to USD	**462,65**	431,67	420,71

4. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021	January 1, 2021
Cash on settlement and transit accounts	**1 706 687**	3 204 580	2 012 628
Cash in transit	**516 414**	408 765	184 891
Accounts receivable under reverse repurchase agreements with contractual maturity of 90 days or less	**60 067**	-	-
Deposits with a maturity of less than 90 days	-	-	168 644
Cahs on hand	-	18 821	-
Total cash and cash equivalents	**2 283 168**	3 632 166	2 366 163

As at December 31, 2022 and 2021, and 2020, balances of cash and cash equivalents are not restricted.

As at December 31, 2022 and 2021, and 2020, all balances of cash and cash equivalents are included in Stage 1 for the purpose of ECL measurement.

As at December 31, 2022, the Group entered into reverse repurchase agreements (auto-repo) at the Kazakhstan Stock Exchange. The subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan with the general fair value of 60,067 thousand tenge as at December 31, 2022.

(in thousands of tenge, unless otherwise specified)

5. LOANS TO CUSTOMERS

	December 31, 2022	December 31, 2021	January 1, 2021
Loans to individuals	**50 573 794**	57 194 567	41 344 675
Loans with periodic payments	***40 325 112***	*47 900 079*	*38 066 544*
Payday loans	***10 248 682***	*9 294 488*	*3 278 131*
SME loans	**33 799 249**	16 411 764	-
Impaired portfolios payable	**10 638 714**	4 043 938	828 683
Loans to clients	**95 011 757**	77 650 269	42 173 358
Provision for ECL on loans to individuals	**(7 644 010)**	(5 897 879)	(3 885 888)
Allowance for expected losses on loans with periodic payments	***(3 109 581)***	*(2 558 102)*	(3 348 155)
Allowance for expected losses on payday loans	***(4 534 429)***	*(3 339 777)*	(537 733)
ECL allowance for SME loans	**(1 718 059)**	(516 449)	-
Less: allowance for expected credit losses	**(9 362 069)**	(6 414 328)	(3 885 888)
Loans to individuals	**42 929 784**	51 296 689	37 458 787
Loans with periodic payments	***37 215 531***	*45 341 978*	*34 718 389*
Payday loans	***5 714 253***	*5 954 711*	*2 740 398*
SME loans	**32 081 190**	15 895 315	-
Impaired portfolios payable	**10 638 714**	4 043 938	828 683
Total loans to customers net of allowance for expected losses	**85 649 688**	71 235 942	38 287 470

The table below provides a breakdown of the accrued and used allowance for credit losses for the reporting period:

	2022	*2021*
As at January 1	**(6 414 328)**	(3 885 888)
Accrual	**(16 374 876)**	(9 681 047)
Change due to the sale of the portfolio	**12 635 670**	6 948 968
Other	**791 465**	203 639
As at December 31	**(9 362 069)**	(6 414 328)

Movements in the gross carrying amount and relevant ECL for the year ended December 31, 2022 are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Impaired portfolios payable*	*Total*
Gross carrying amount at January 1, 2022	64 148 897	4 171 052	5 286 382	4 043 938	77 650 269
New assets originated or purchased	116 030 465	-	-	8 286 353	124 316 818
Accrued interest income	37 158 559	3 391 795	167 624	-	40 717 978
Assets repaid	(115 157 019)	(5 500 992)	(3 374 005)	(1 192 246)	(125 224 262)
Assets sold	-	-	(21 235 052)	(387 774)	(21 622 826)
Transfers to Stage 1	120 310	(120 310)	-	-	-
Transfers to Stage 2	(33 621 179)	33 663 683	(42 504)	-	-
Transfers to Stage 3	-	(27 533 485)	27 533 485	-	-
Unwinding of discount	-	-	1 218 701	-	1 218 701
Write-off	(12 606)	(320 285)	(1 600 474)	-	(1 933 365)
Other	-	-	-	(111 556)	(111 556)
Gross carrying amount at December 31, 2022	68 667 427	7 751 458	7 954 157	10 638 715	95 011 757

(in thousands of tenge, unless otherwise specified)

5. LOANS TO CUSTOMERS (CONTINUED)

	Stage 1	*Stage 2*	*Stage 3*	*Impaired portfolios payable*	*Total*
ECL at January 1, 2022	(1 387 816)	(1 923 632)	(3 102 878)	-	(6 414 326)
New assets originated or purchased	(6 646 586)	-	-	-	(6 646 586)
Assets repaid	5 698 153	1 991 456	1 833 508	-	9 523 117
Assets sold	-	-	12 635 670	-	12 635 670
Transfers to Stage 1	(35 378)	35 378	-	-	-
Transfers to Stage 2	1 711 782	(1 735 289)	23 507	-	-
Transfers to Stage 3	-	12 834 127	(12 834 127)	-	-
Changes to models and inputs used for ECL calculations	(1 480 862)	(13 761 706)	(4 008 841)	-	(19 251 409)
Unwinding of the discount	-	-	(1 218 701)	-	(1 218 701)
Write-off	106 537	246 047	1 657 582	-	2 010 166
ECL at December 31,2022	(2 034 170)	(2 313 619)	(5 014 280)	-	(9 362 069)

Movements in the gross carrying amount and relevant ECL the year ended December 31, 2021 are as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Impaired portfolios payable*	*Total*
Gross carrying amount at January 1, 2021	36 445 313	1 924 148	2 975 214	828 683	42 173 358
New assets originated or purchased	106 352 307	-	-	3 385 614	109 737 921
Accrued interest income	22 945 956	2 200 762	398 304	-	25 545 022
Assets repaid	(86 032 687)	(1 469 503)	(1 328 410)	(1 599 954)	(90 430 554)
Assets sold	-	-	(10 601 434)	-	(10 601 434)
Transfers to Stage 1	79 248	(56 660)	(22 588)	-	-
Transfers to Stage 2	(9 500 988)	9 506 630	(5 642)	-	-
Transfers to Stage 3	(6 140 252)	(7 934 325)	14 074 577	-	-
Unwinding of discount	-	-	481 875	-	481 875
Write-off	-	-	(685 514)	-	(685 514)
Other	-	-	-	1 429 595	1 429 595
Gross carrying amount at December 31, 2021	64 148 897	4 171 052	5 286 382	4 043 938	77 650 269

	Stage 1	*Stage 2*	*Stage 3*	*Impaired portfolios payable*	*Total*
ECL at January 1, 2021	(1 369 523)	(809 863)	(1 706 701)	-	(3 885 887)
New assets originated or purchased	(6 820 697)	-	-	-	(6 820 697)
Assets repaid	3 940 787	947 295	507 024	-	5 395 086
Assets sold	-	-	6 948 968	-	6 948 968
Transfers to Stage 1	(32 466)	20 300	12 166	-	-
Transfers to Stage 2	651 018	(852 426)	201 408	-	-
Transfers to Stage 3	162 029	4 382 190	(4 544 219)	-	-
Changes to models and inputs used for ECL calculations	2 081 058	(5 611 330)	(4 725 165)	-	(8 255 437)
Unwinding of the discount	-	-	(481 875)	-	(481 875)
Write-off	-	-	685 514	-	685 514
ECL at December 31, 2021	(1 387 814)	(1 923 634)	(3 102 880)	-	(6 414 328)

(in thousands of tenge, unless otherwise specified)

6. INTANGIBLE ASSETS

Movements in intangible assets are as follows:

	Licences	Software	Trademark	*Total*
Cost				
At January 1, 2021	**2 233**	**427 523**	**-**	**429 756**
Additions	1 392	1 000 243	-	**1 001 635**
At December 31, 2021	**3 625**	**1 427 766**	**-**	**1 431 391**
Additions	1 034 177	1 830 147	2 867	**2 867 191**
At December 31, 2022	**1 037 802**	**3 257 913**	**2 867**	**4 298 582**
Accumulated amortisation				
At January 1, 2021	**(508)**	**(23 437)**	**-**	**(23 945)**
Amortisation charge	(645)	(211 799)	-	**(212 444)**
At December 31, 2021	**(1 153)**	**(235 236)**	**-**	**(236 389)**
Amortisation charge	(96 059)	(433 010)	-	**(529 069)**
At December 31, 2022	**(97 212)**	**(668 246)**	**-**	**(765 458)**
Net carrying amount				
At January 1, 2021	**1 725**	**404 086**	**-**	**405 811**
At December 31, 2021	**2 472**	**1 192 530**	**-**	**1 195 002**
At December 31, 2022	**940 590**	**2 589 667**	**2 867**	**3 533 124**

In 2022, inflows of intangible assets are represented by the costs incurred for the development of program modules as part of the introduction of new lending products. The management of the Group believes that the costs incurred met the criteria for recognition as intangible assets.

As at December 31, 2022, the cost and related accumulated amortization of fully depreciated intangible assets amounted to 7,296 thousand tenge (December 31, 2021: 2,495 thousand tenge).

7. OTHER ASSETS AND LIABILITIES

Other assets are presented as follows::

Other assets	December 31, 2022	December 31, 2021	January 1, 2021
Other financial assets			
Accounts receivable of an insurance company	**296 316**	129 489	142 164
Settlements on regulated investment platforms	**122 243**	687 594	100 367
Loans to related parties (Note 20)	**48 063**	-	-
Other accounts receivable	**247 319**	47 559	88 239
Total other financial assets	**713 941**	864 642	330 770

Other assets	December 31, 2022	December 31, 2021	January 1, 2021
Other non financial assets			
Advances issued	**437 159**	199 685	164 704
VAT recoverable	**269 464**	187 035	-
Other assets	**79 058**	4 300	353
Total other non-financial assets	**785 681**	391 020	165 057
Total other assets	**1 499 622**	1 255 662	495 827

(in thousands of tenge, unless otherwise specified)

7. OTHER ASSETS AND LIABILITIES (CONTINUED)

Other liabilities	**December 31, 2022**	December 31, 2021	January 1, 2021
Other financial liabilities			
Accounts payable to an insurance company	**286 713**	60 995	-
Payroll debt	**238 152**	114 706	37 890
Other reserves	**108 223**	-	-
Other financial liabilities	**156 325**	1 042	-
Total other financial liabilities	**789 413**	176 743	37 890
Other non-financial liabilities			
Taxes and contributions other than corporate income tax	**357 685**	188 157	219 318
Other current liabilities	**25 537**	214 937	16 535
Total other non-financial liabilities	**383 222**	403 094	235 853
Total other liabilities	**1 172 635**	579 837	273 743

8. AMOUNTS DUE TO CREDIT AND OTHER INSTITUTIONS

Amounts due to credit and other institutions are presented as follows:

	Interest rate	**December 31, 2022**	December 31, 2021	January 1, 2021
Loans raised on regulated investment sites	8% - 22%	**28 337 902**	34 552 778	20 613 063
Loans from international funds	21% - 26,5%	**3 620 419**	1 260 349	-
Bank loans	18% - 22%	**3 188 758**	-	1 159 737
Loans from related parties (*Note 20*)	10% - 23%	**264 198**	1 722 206	3 005 835
Amounts due to credit and other institutions		**35 411 277**	37 535 333	24 778 635

As part of the loan agreements, the Group is required to comply with certain financial covenants. As at December 31, 2022 and December 31, 2021, and January 1,2021, the Group was in compliance with all covenants set out in loan agreements.

9. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity Date	*Coupon Rate*	**December 31, 2022**	December 31, 2021	January 1, 2021
Bonds issued (KZT)	2023-2024	18% - 20%	**17 627 606**	17 323 370	3 835 159
Bonds issued (USD)	2023-2024	8,3% - 10%	**13 495 830**	2 944 320	2 777 526
Total debt securities issued			**31 123 436**	20 267 690	6 612 685

As at December 31, 2022 and 2021, and January 1, 2021, the Company was in compliance with all bond covenants.

(in thousands of tenge, unless otherwise specified)

10. INCOME TAX

Corporate income tax expenses comprise the following:

	2022	*2021*
Current corporate income tax expense	(995 284)	(1 710 011)
Deferred corporate income tax (expenses)/ benefit - origination and reversal of temporary differences	12 220	308 940
Corporate income tax expense	(983 064)	(1 401 071)

The statutory corporate income tax rate in 2022 and 2021 was 20%.

Income tax estimated based on applicable income tax rates and profit before tax differs from the income tax recognized within profit or loss.

The reconciliation of corporate income tax estimated based on at the statutory rate against actual expenses is presented below

	2022	*2021*
Profit before tax	7 595 908	8 950 054
Theoretical corporate income tax at the statutory tax rate	(1 519 182)	(1 790 011)
Income tax related to interest expense on subordinated loans recorded in equity	808 203	296 773
Other differences	(272 085)	92 167
	(983 064)	(1 401 071)

Deferred tax assets and liabilities as at December31, as well as their movements for the respective years comprise the following:

	December 31, 2022	*Recognized in the statement of comprehensive income*	*December 31, 2021*
Deferred tax assets			
Tax losses carry forward	114 526	111 953	2 573
Lease liabilities	39 793	27 549	12 244
Accounts payable	3 699	3 172	527
Derivative financial liabilities	22 976	(45 850)	68 826
Other liabilities	99 063	44 550	54 513
Total	280 057	141 374	138 683
Deferred tax liabilities			
Loans to clients	(22 619)	19 817	(42 436)
Derivative financial liabilities	-	-	-
Fixed assets and intangible assets	(245 343)	(179 336)	(66 007)
Borrowed funds	(52 773)	35 537	(88 310)
Right-of-Use Assets	(38 568)	(30 182)	(8 386)
Other assets	-	25 010	(25 010)
Total	(359 303)	(129 154)	(230 149)
Deferred tax liabilities, net	(79 246)	12 220	(91 466)

(in thousands of tenge, unless otherwise specified)

10. INCOME TAX (CONTINUED)

	December 31, 2021	*Recognized in the statement of comprehensive income*	*January1, 2021*
Deferred tax assets			
Tax losses carry forward	2 573	-	2 573
Right-of-Use Assets	12 244	9 025	3 219
Accounts payable	527	527	-
Derivative financial liabilities	68 826	57 594	11 232
Other liabilities	54 513	54 513	-
Total	138 683	121 659	17 024
Deferred tax liabilities			
Loans to clients	(42 436)	(35 179)	(7 257)
Derivative financial liabilities	-	389 889	(389 889)
Fixed assets and intangible assets	(66 007)	(54 055)	(11 952)
Borrowed funds	(88 310)	(82 687)	(5 623)
Right-of-Use Assets	(8 386)	(5 677)	(2 709)
Other assets	(25 010)	(25 010)	-
Total	(230 149)	187 281	(417 430)
Deferred tax liabilities, net	(91 466)	308 940	(400 406)

11. SHARE CAPITAL

As at December 31, 2021, the Group's combined paid-in share capital was 1 230 151 thousand tenge. (As of January 1, 2021: 1 220 151 thousand tenge.). During 2022, the combined share capital of the Group was increased by 20 000 thousand tenge from retained earnings (none during 2021). During 2022, as part of the reorganization of the Group, the amount of repurchased nominal shares in the authorized capital amounted to 1 248 694 thousand tenge for fees in the total amount of 4 493 382 thousand tenge. As at December 31, 2022, the Group's consolidated paid-in authorized capital was 1 457 thousand tenge.

12. ACCOUNTS PAYABLE

Accounts payable are presented as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Share repurchase debt	**1 837 287**	-	-
Debt to regulated investment platforms	**519 610**	-	-
Assignment settlements	**381 593**	482 475	-
Consulting services	**254 809**	85 343	154 277
Software maintenance	**228 057**	109 052	39 549
Bond issue underwriting services	**84 572**	76 005	41 911
Verification and scoring services	**82 763**	31 459	41 802
Marketing services	**72 835**	187 929	278 439
Collection services	**68 138**	28 185	12 559
Processing services	**10 068**	-	14 614
Customer Support Services	**17 291**	4 721	-
Accounts payable on derivative financial instruments to related parties (Note 20)	-	21 814	211 546
Other accounts payable	**221 030**	270 280	117 475
Total accounts payable	**3 778 053**	1 297 263	912 172

(in thousands of tenge, unless otherwise specified)

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

The table below presents the fair values of derivative financial instruments as at December 31, 2022:

Recognized as liability	*Currency*	*Nominal value in currency, thousand*	*Excha nge rate*	*Maturity*	*December 31, 2022*
Forward to sell KZT, to purchase USD	USD	**2 500**	**477,90**	January 2023	**(33 076)**
Forward to sell KZT, to purchase USD	USD	**3 500**	**477,00**	January 2023	**(39 713)**
Forward to sell KZT, to purchase EUR	EUR	**1 000**	**506,50**	January 2023	**(9 039)**
Total derivative financial instruments					**(81 828)**

The table below presents the fair values of derivative financial instruments as at December 31, 2021:

Recognized as liability	*Currency*	*Nominal value in currency, thousand*	*Excha nge rate*	*Maturity*	*December 31, 2021*
Forward to sell KZT, to purchase EUR	EUR	10 000	517,58	May 2022	(49 465)
Forward to sell KZT, to purchase EUR	EUR	10 000	522,59	June 2022	(45 113)
Forward to sell KZT, to purchase EUR	EUR	10 000	527,52	August 2022	(41 841)
Forward to sell KZT, to purchase EUR	EUR	10 000	532,96	August 2022	(43 240)
Forward to sell KZT, to purchase EUR	EUR	12 000	538,07	September 2022	(51 346)
Forward to sell KZT, to purchase USD	USD	6 500	470,85	September 2022	(20 091)
Forward to sell KZT, to purchase EUR	EUR	7 500	538,07	September 2022	(36 874)
Total derivative financial instruments					(287 970)

The table below presents the fair values of derivative financial instruments as at January 1, 2021:

Recognized as liability	*Currency*	*Nominal value in currency, thousand*	*Excha nge rate*	*Maturity*	*January 1, 2021*
Forward to sell RUB, to purchase EUR	EUR	20 000	75,81	February 2021	1 746 044
Forward to sell KZT, to purchase EUR	EUR	15 000	533,82	October 2021	214 543
Forward to sell KZT, to purchase USD	USD	7 000	437,90	June 2021	(11 141)
Total derivative financial instruments					1 949 446

As at December 31 2022, amounts in credit institutions are represented by a deposit in a bank in the amount of 505,613 thousand tenge which is considered as collateral for operations on forward foreign exchange transactions.

(in thousands of tenge, unless otherwise specified)

14. NET INTEREST INCOME

	2022	*2021*
Interest revenue calculated using effective interest rate		
Loans to individuals	**29 571 586**	23 026 344
- payday loans	***14 808 020***	*10 873 881*
- loans with periodic payments	***14 763 566***	*12 152 463*
SME loans	**9 088 571**	3 763 770
Impaired portfolios payable	**2 461 307**	1 108 423
Due from credit institutions and cash equivalents	**101 901**	63 429
Loans to related parties	**7 514**	-
Total interest income calculated from using the effective interest rate	**41 230 879**	27 961 966
Interest expenses		
Due to credit and other organizations	**6 302 345**	4 891 481
Issued debt securities	**4 784 636**	2 218 878
Lease liabilities	**28 615**	32 005
Total interest expense	**11 115 596**	7 142 364
Net interest income	**30 115 283**	20 819 602

15. CREDIT LOSS EXPENSE

Credit loss expenses for 2022 and 2021 are presented as follows::

	2022			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to customers	**(2 429 295)**	**(11 770 250)**	**(2 175 331)**	**(16 374 876)**
Provision for impairment and write-off of acquired receivables	-	-	**(111 557)**	**(111 557)**
Other assets	-	-	**(2 613)**	**(2 613)**
	(2 429 295)	**(11 770 250)**	**(2 289 501)**	**(16 489 046)**

	2021			
	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans to customers	(798 872)	(4 664 035)	(4 218 140)	(9 681 047)
Provision for impairment and write-off of acquired receivables	-	-	503 240	503 240
Other assets	-	-	(146 367)	(146 367)
	(798 872)	(4 664 035)	(3 861 267)	(9 324 174)

(in thousands of tenge, unless otherwise specified)

16. FEE AND COMISSION INCOME AND AGENT REVENUE

	2022	*2021*
Loans to individuals		
Sale of insurance services	3 266 842	3 725 447
Loan Extension Fee	20 036	22 060
Total loans to individuals	3 286 878	3 747 507
SME loans		
Sale of insurance services	1 503 491	621 441
Loan Extension Fee	4 896	2 805
Total SME loans	1 508 387	624 246
Other	26 811	7 039
Total commission and agency contracts	4 822 076	4 378 792

The Group's activities related to commission and agency income are concentrated in one geographical region - the Republic of Kazakhstan.

As at December 31, 2022 and 2021, in the combined statement of financial position, the Group recognized receivables related to contracts with customers in the amount of 296,316 thousand tenge and 129,489 thousand tenge, respectively, as other assets *(Note 7)*.

As at December 31, 2022, liabilities under agency agreements amounted to 286,713 thousand tenge (December 31, 2021: 60,995 thousand tenge) *(Note 7)*.

The Group collects commission and agency fee on the date of completion of the transaction, for all contracts the performance obligation is satisfied at a certain point in time.

17. OTHER INCOME

	2022	*2021*
Penalties accrued on loans	2 547 664	1 810 476
Other	44 314	2
Total other income	2 591 978	1 810 478

Penalties accrued are fines specified by the loan agreement for violation of the established payment deadline.

18. OTHER OPERATING EXPENSES

	2022	*2021*
Marketing	3 060 291	2 415 411
Processing	1 174 860	1 092 159
Collector services	1 473 495	786 085
Scoring and verification	594 673	439 101
Customer support	309 812	236 308
Total other operating expenses	6 613 131	4 969 064

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT
For the year ended December 31, 2022 and 2021
(in thousands of tenge, unless otherwise specified)

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2022	*2021*
Expenditures on payroll and bonuses	**1 768 398**	905 516
Payroll related taxes and charges	**203 809**	111 916
Office expenses	**1 329 425**	353 266
Depreciation and amortization	**667 156**	286 914
Taxes other than corporate income tax	**439 619**	356 582
Software maintenance	**358 959**	314 692
Consulting and professional services	**334 982**	482 570
Other	**263 855**	276 583
Total general and administrative expenses	**5 366 203**	3 088 039

20. RELATED PARTY TRANSACTIONS

Transactions with Parent company and other related parties

During 2022, the Company entered into the following transactions with the Parent company and other related parties:

Recognized in comprehensive income	*Entities under common control*	*Other*	*Total*
Interest revenue calculated using the effective interest rate	**(7 514)**	-	**(7 514)**
Interest expenses	**343 643**	-	**343 643**
Other operating expenses	**818 332**	-	**818 332**
General and administrative expenses	**1 739 040**	-	**1 739 040**
Net losses on operations with currency derivatives	**(253 580)**	-	**(253 580)**
Financial activities			
Due to credit and other organizations			
Receipt of credits and loans	**1 038 630**	-	**1 038 630**
Repayment of loans and borrowings, including interest	**(1 644 688)**	-	**(1 644 688)**
Subordinated loans			
Raising subordinated loans	**6 938 327**	-	**6 938 327**
Repayment of subordinated loans	**(3 297 859)**	-	**(3 297 859)**

Assets	*Entities under common control*	*Other*	*Total*
Loans issued	**48 063**	-	**48 063**
Liabilities			
Loans from related parties	**(264 198)**	-	**(264 198)**
Other liabilities	**(2 381 394)**	-	**(2 381 394)**
Share Capital			
Subordinated loans	**(14 239 553)**	-	**(14 239 553)**

(in thousands of tenge, unless otherwise specified)

20. RELATED PARTY TRANSACTION (CONTINUED)

Transactions with Parent company and other related parties (continued)

During 2021, the Company entered into the following transactions with the Parent company and other related parties:

Recognized in comprehensive income	*Entities under common control*	*Other*	*Total*
Interest expenses	400 608	-	400 608
Other operating expenses	966 826	-	966 826
General and administrative expenses	1 018 001	206 392	1 224 393
Net losses on operations with currency derivatives	2 102 581	-	2 102 581
Financial activities			
Due to credit and other organizations			
Receipt of credits and loans	2 593 029	-	2 593 029
Repayment of loans and borrowings, including interest	(4 061 181)	-	(4 061 181)
Subordinated loans			
Raising subordinated loans	1 193 418	-	1 193 418
Repayment of subordinated loans	(2 720 953)	-	(2 720 953)

Liabilities	*Entities under common control*	*Other*	*Total*
Loans from related parties	(1 722 206)	-	(1 722 206)
Derivative financial liabilities	(287 970)	-	(287 970)
Other liabilities	(451 070)	-	(451 070)
Share Capital			
Subordinated loans	(7 291 028)	-	(7 291 028)

During 2020, the Company entered into the following transactions with the Parent company and other related parties:

Assets	*Entities under common control*	*Other*	*Total*
Derivative financial assets	1 949 446	-	1 949 446
Liabilities			
Loans from related parties	(3 005 835)	-	(3 005 835)
Other liabilities	(638 370)	-	(638 370)
Share Capital			
Subordinated loans	(7 051 717)	-	(7 051 717)

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.

20. RELATED PARTY TRANSACTION (CONTINUED)

Compensation to key management personnel

Accrued remuneration to members of the key management personnel ("KMP") of the Group, including salaries, bonuses and termination benefits, taking into account personal income tax and social tax, amounted to 325,033 thousand tenge for 2022 (for 2021, 144,160 thousand tenge). tenge).

During 2022, the Company attracted additional subordinated loans in the amount of 6,938,327 thousand tenge (during 2021: 1,193,418 thousand tenge), made interest payments on subordinated loans in the amount of 2,391,848 thousand tenge (during 2021 : 1,596,817 thousand tenge), foreign exchange revaluation of subordinated loans for 2022 amounted to 916,206 thousand tenge (during 2021: 170,029 thousand tenge).

Accounts payable to related parties include debt for the acquisition of a share in the authorized capital of a subsidiary in the amount of 1,842,779 thousand tenge, consulting services in the amount of 232,020 thousand tenge and software maintenance services in the amount of 111,057 thousand tenge.

21. RISK MANAGEMENT

Introduction

Risk is inherent in the Group activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

Risk management structure

The General Director is responsible for overall risk management. However, there are also separate independent bodies that are responsible for managing and controlling risks. In particular, the General Director's competence includes:

1) approval of key risk management principles and assessment of the Group's organizational structure for compliance with these principles;

2) control of the Group's risk management units, identification of weaknesses in the risk management system and taking appropriate measures.

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

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

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk Management

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

21. RISK MANAGEMENT (CONTINUED)

(a) Credit risk

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

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

Credit risk management objectives are as follows:

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

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. The Company considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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

Internal rating of the borrower indicating default or near-default;

- The borrower requesting emergency funding from the Company;
- The borrower is deceased;
- The debtor (or any legal entity within the debtor's group) filing for bankruptcy.

Definition of default and cure (continued)

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the borrower shows a significant improvement in the quality of debt service, makes payments for at least two consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on subsequent signs of a significant improvement in the quality of debt service.

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.

(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The Company determines EADs by modelling the range of possible exposure outcomes at various points in time, corresponding the multiple scenarios. The IFRS 9 PDs are then assigned to each economic scenario based on the outcome of Company's models.

	December 31, 2022	December 31, 2021
Loans to customers	**85 649 688**	71 235 942
Accounts receivable from the sale of portfolios	**193 535**	562 839
Cash and cash equivalents	**2 283 168**	3 632 166
Funds in credit institutions	**505 613**	-
Other financial assets	**713 941**	864 642
Total financial assets	**89 345 945**	76 295 589

Cash and deposit

Under its credit risk and liquidity risk management, the Group regularly analyzes the financial stability of financial and banking institutions where it places cash and cash equivalents. As at December 31, 2022 and 2021, cash and cash equivalents were placed with major banks in Kazakhstan rated from B to BB+.

Loan portfolio

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

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

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

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

(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Loan portfolio (continued)

As at December 31, 2022, loans to individuals and SME were as follows:

(1) Loans to individuals	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	35 890 977	(1 128 876)	34 762 101
Overdue by 1-30 days	3 754 369	(456 258)	3 298 111
Overdue by 31-90 days	3 779 681	(1 672 382)	2 107 299
Overdue for more than 90 days	6 247 502	(4 260 230)	1 987 272
Total Principal Debt	49 672 529	(7 517 746)	42 154 783
Interest and other accruals	1 173 365	(219 806)	953 559
Impaired portfolios payable	10 638 714	-	10 638 714
Total principal, interest and other accruals	61 484 608	(7 737 552)	53 747 056

(2) SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	28 909 498	(515 569)	28 393 929
Overdue by 1-30 days	1 886 294	(265 655)	1 620 639
Overdue by 31-90 days	980 225	(247 601)	732 624
Overdue for more than 90 days	889 638	(479 166)	410 472
Total Principal Debt	32 665 655	(1 507 991)	31 157 664
Interest and other accruals	861 494	(116 526)	744 968
Impaired portfolios payable	-	-	-
Total principal, interest and other accruals	33 527 149	(1 624 517)	31 902 632

As at December 31, 2021, loans to individuals and SME were as follows:

(1) Loans to individuals	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	45 364 547	(552 184)	44 812 363
Overdue by 1-30 days	2 578 106	(683 008)	1 895 098
Overdue by 31-90 days	3 614 261	(1 757 951)	1 856 310
Overdue for more than 90 days	4 517 188	(2 713 756)	1 803 432
Total Principal Debt	56 074 102	(5 706 899)	50 367 203
Interest and other accruals	1 120 466	(190 980)	929 486
Impaired portfolios payable	4 043 938	-	4 043 938
Total principal, interest and other accruals	61 238 506	(5 897 879)	55 340 627

(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Loan portfolio (continued)

SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	14 967 248	(106 166)	14 861 082
Overdue by 1-30 days	267 025	(30 293)	236 732
Overdue by 31-90 days	397 571	(111 393)	286 178
Overdue for more than 90 days	466 850	(231 946)	234 904
Total Principal Debt	16 098 694	(479 798)	15 618 896
Interest and other accruals	313 069	(36 650)	276 419
Impaired portfolios payable	-	-	-
Total principal, interest and other accruals	16 411 763	(516 448)	15 895 315

As at January 1, 2021, loans to individuals and SME were as follows:

(2) SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	29 539 844	(786 573)	28 753 271
Overdue by 1-30 days	1 606 801	(398 004)	1 208 797
Overdue by 31-90 days	1 680 082	(709 048)	971 034
Overdue for more than 90 days	2 576 338	(1 493 997)	1 082 341
Total Principal Debt	35 403 065	(3 387 622)	32 015 443
Interest and other accruals	793 792	(117 530)	676 262
Impaired portfolios payable	828 683	-	828 683
Total principal, interest and other accruals	37 025 540	(3 505 152)	33 520 388

(2) SME loans	*Loans to customers*	*Allowance for credit losses*	*Loans to customers, less allowance*
Not overdue	4 501 150	(118 878)	4 382 272
Overdue by 1-30 days	161 429	(44 067)	117 362
Overdue by 31-90 days	145 482	(60 883)	84 599
Overdue for more than 90 days	229 519	(137 822)	91 697
Total Principal Debt	5 037 580	(361 650)	4 675 930
Interest and other accruals	110 238	(19 086)	91 152
Impaired portfolios payable	-	-	-
Total principal, interest and other accruals	5 147 818	(380 736)	4 767 082

Loans to customers were issued in the Republic of Kazakhstan.

(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

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

Liquidity is assessed:

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

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

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

Liquidity risk is managed through control over cash resource surplus/deficit, their distribution and redistribution among instruments depending on maturities, liquidity and return. Liquidity management requires analysis of the level of liquid assets which is necessary to settle liabilities when due; access to diversified finance sources; action plans in case of fund-raising problems and control over compliance of balance sheet liquidity ratios with the requirements of the National Bank of the Republic of Kazakhstan. As at December 31, 2022 and 2021, the relevant ratios exceeded thresholds.

Analysis of financial liabilities by maturity

The tables below summarise the maturity profile of the Group's financial liabilities at December 31, based on contractual undiscounted repayment obligations.

At December 31, 2022 Financial liabilities	Within 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Due to credit and other organizations	3 221 252	5 781 754	5 148 629	23 872 743	2 422 622	40 447 000
Issued debt securities	107 503	13 498 765	6 436 338	17 329 405	-	37 372 011
Derivative financial liabilities	81 828	-	-	-	-	81 828
Accounts payable	1 980 328	422 611	86 814	1 836 787	-	4 326 540
Current tax liabilities	-	535 286	-	-	-	535 286
Lease liabilities	7 546	45 789	54 946	219 787	18 315	346 383
Other financial liabilities	-	998 747	122 960	-	-	1 121 707
Total financial liabilities	5 398 457	21 282 952	11 849 687	43 258 722	2 440 937	84 230 755

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT
As at December 31, 2022 and 2021
(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk(continued)

At December 31, 2021 **Financial liabilities**	Within 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Due to credit and other organizations	5 002 009	3 417 497	7 609 756	26 047 104	802 030	42 878 396
Issued debt securities	107 917	1 588 756	8 526 439	17 674 249	-	27 897 361
Derivative financial liabilities	-	94 579	156 517	-	-	251 096
Accounts payable	701 289	556 391	106 933	-	-	1 364 613
Current tax liabilities	-	598 416	-	-	-	598 416
Lease liabilities	4 490	22 451	26 942	107 769	62 866	224 518
Other financial liabilities	-	587 648	30 532	-	-	618 180
Total financial liabilities	5 815 705	6 865 738	16 457 119	43 829 122	864 896	73 832 580

As at January 1, 2021

Financial liabilities	Within 1 month	1 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Total
Due to credit and other organizations	294 322	1 584 819	5 295 035	17 793 228	46 264	25 013 668
Issued debt securities	-	141 189	-	6 471 497	-	6 612 685
Derivative financial liabilities	151 355	706 039	54 779	-	-	912 172
Accounts payable	-	13 041	-	-	-	13 041
Current tax liabilities	2 997	14 985	17 982	71 928	14 985	122 877
Lease liabilities	37 890	-	-	-	-	37 890
Other financial liabilities						
	486 564	2 460 073	5 367 796	24 336 653	61 249	32 712 334

(in thousands of tenge, unless otherwise specified)

21. RISK MANAGEMENT (CONTINUED)

(c) Market risk

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

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

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

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

	December 31, 2022		December 31, 2021		January 1, 2021	
	Change in exchange rate, in %	**Effect on the Company's profit before tax**	Change in exchange rate, in %	Effect on the Company's profit before tax	Change in exchange rate, in %	Effect on the Company's profit before tax
Increase in KZT exchange rate:						
USD	**10,0%**	**(1 244 974)**	13,0%	(50 751)	10,0%	(8 832)
EUR	**10,0%**	**(2 425 945)**	13,0%	(117 784)	10,0%	272 480
Decrease in KZT exchange rate:						
USD	**10,00%**	**1 244 974**	13,0%	50 751	10,0%	8 832
EUR	**10,00%**	**2 425 945**	13,0%	117 784	10,0%	(272 480)

(d) Operational risk

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

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT

As at December 31, 2022 and 2021

(in thousands of tenge, unless otherwise specified)

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

December 31, 2022	*Within 12 months*	*Over 12 months*	*Total*
Assets			
Cash and cash equivalents	2 283 168	-	2 283 168
Amounts due from credit institutions	505 613	-	505 613
Loans to customers	40 081 919	45 567 769	85 649 688
Receivables from the sale of portfolios	193 535	-	193 535
Property and equipment		337 170	337 170
Intangible assets		3 533 124	3 533 124
Right-of-use assets	77 559	165 777	243 336
Deferred tax assets	-	280 057	280 057
Current corporate income tax assets	620 855	-	620 855
Other assets	1 240 253	259 369	1 499 622
Total assets	45 002 902	50 143 266	95 146 168
Liabilities			
Amounts due to credit and other institutions	15 896 592	19 514 685	35 411 277
Debt securities issued	16 052 316	15 071 120	31 123 436
Derivative financial liabilities	81 828	-	81 828
Deferred corporate income tax liabilities	-	359 303	359 303
Current corporate income tax liabilities	535 286	-	535 286
Accounts payable	1 941 266	1 836 787	3 778 053
Lease liabilities	76 692	181 085	257 777
Other liabilities	1 172 635	-	1 172 635
Total liabilities	35 756 615	36 962 980	72 719 595
Net position	9 246 287	13 180 286	22 426 573

December 31, 2021	*Within 12 months*	*Over 12 months*	*Total*
Assets			
Cash and cash equivalents	3 632 166	-	3 632 166
Amounts due from credit institutions		-	-
Loans to customers	31 000 417	40 235 525	71 235 942
Receivables from the sale of portfolios	481 820	81 019	562 839
Property and equipment		251 166	251 166
Intangible assets		1 195 002	1 195 002
Right-of-use assets	30 902	114 378	145 280
Deferred tax assets	-	138 683	138 683
Current corporate income tax assets	112 210	-	112 210
Other assets	1 255 662	-	1 255 662
Total assets	36 513 177	42 015 773	78 528 950
Liabilities			
Amounts due to credit and other institutions	12 661 113	24 874 220	37 535 333
Debt securities issued	7 193 389	13 074 301	20 267 690
Derivative financial liabilities	287 970	-	287 970
Deferred corporate income tax liabilities	-	230 149	230 149
Current corporate income tax liabilities	595 932	-	595 932
Accounts payable	1 297 263		1 297 263
Lease liabilities	33 571	120 328	153 899
Other liabilities	518 650	61 187	579 837
Total liabilities	22 587 888	38 360 185	60 948 073
Net position	13 925 289	3 655 588	17 580 877

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENT
As at December 31, 2022 and 2021
(in thousands of tenge, unless otherwise specified)

22. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (CONTINUED)

January 1, 2021	*Within 12 months*	*Over 12 months*	*Total*
Assets			
Cash and cash equivalents	2 366 163	-	2 366 163
Amounts due from credit institutions	1 949 446	-	1 949 446
Loans to customers	18 881 665	19 405 805	38 287 470
Receivables from the sale of portfolios	951 688	-	951 688
Property and equipment		20 844	20 844
Intangible assets		405 811	405 811
Right-of-use assets	17 629	62 809	80 438
Deferred tax assets	-	17 024	17 024
Current corporate income tax assets	72 307	-	72 307
Other assets	495 827	-	495 827
Total assets	24 734 725	19 912 293	44 647 018
Liabilities			
Amounts due to credit and other institutions	7 037 729	17 740 906	24 778 635
Debt securities issued	141 189	6 471 496	6 612 685
Derivative financial liabilities	-	-	-
Deferred corporate income tax liabilities	-	417 430	417 430
Current corporate income tax liabilities	13 041	-	13 041
Accounts payable	912 172	-	912 172
Lease liabilities	20 621	69 262	89 883
Other liabilities	212 556	61 187	273 743
Total liabilities	8 337 308	24 760 281	33 097 589
Net position	16 397 417	(4 847 988)	11 549 429

(in thousands of tenge, unless otherwise specified)

23. CAPITAL MANAGEMENT

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

In accordance with the requirements of the National Bank of the Republic of Kazakhstan, the equity adequacy ratio should be maintained at the level of at least 10%. As at December 31, 2022 and 2021, the Groupcomplied with statutory capital adequacy requirements.

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

	December 31, 2022	December 31, 2021	January 1, 2021
Total debt	**66 534 713**	57 803 023	31 391 320
Cash and cash equivalents	**(2 283 168)**	(3 632 166)	(2 366 163)
Net debt	**64 251 545**	54 170 857	29 025 157
Equity	**22 426 573**	17 580 877	11 549 429
Equity to net debt ratio	**0,35**	0,32	0,40

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

	December 31, 2022	December 31, 2021	January 1, 2021
Total debt	**85 649 688**	71 235 942	38 287 470
Cash and cash equivalents	**22 426 573**	17 580 877	11 549 429
Net debt	**0,26**	0,25	0,30

24. CONTINGENCIES

(a) Litigation

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

(b) Taxation

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

The interpretation of this legislation, including transfer pricing norms, by the management of the Company in relation to the operations and activities of the Company may be challenged by the relevant regional or federal authorities. In practice, the tax authorities may take a more assertive position when interpreting and applying certain provisions of this legislation and conducting tax audits. As a result, at any time in the future, the tax authorities may file claims for those transactions and operations of the Company that have not been challenged in the past. As a result, significant additional taxes, penalties and interest may be accrued by the relevant authorities.

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

(in thousands of tenge, unless otherwise specified)

25. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

(a) Accounting classifications and fair value

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

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

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

(b) Fair value hierarchy

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

- Level 1: quoted (unadjusted) prices in active markets for identical financial instruments;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Company's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
December 31, 2022	*Level 1 inputs*	*Level 2 inputs*	*Level 3 inputs*	*Total*
Assets and liabilities measured at fair value				
Derivative financial liabilities	-	-	81 828	81 828
Assets whose fair value is disclosed				
Cash and cash equivalents	-	2 283 168	-	2 283 168
Funds in credit institutions		505 613		505 613
Loans to clients	-	-	85 649 688	85 649 688
Accounts receivable from the sale of portfolios	-	-	193 535	193 535
Other financial assets	-	-	713 941	713 941
Liabilities for which the fair value is disclosed				
Due to credit and other organizations	-	35 411 277	-	35 411 277
Issued debt securities	-	31 123 436	-	31 123 436
Lease liabilities			3 778 053	3 778 053
Accounts payable			257 777	257 777
Other financial liabilities	-	-	789 413	789 413

(in thousands of tenge, unless otherwise specified)

25. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

(b) Fair value hierarchy

	Fair value measurement using			
December 31, 2021	*Level 1 inputs*	*Level 2 inputs*	*Level 3 inputs*	*Total*
Assets and liabilities measured at fair value				
Derivative financial liabilities	-	-	287 970	287 970
Assets whose fair value is disclosed				
Cash and cash equivalents	-	3 632 166	-	3 632 166
Loans to clients	-	-	71 235 942	71 235 942
Accounts receivable from the sale of portfolios	-	-	562 839	562 839
Liabilities for which the fair value is disclosed				
Due to credit and other organizations	-	37 535 333	-	37 535 333
Issued debt securities		20 267 690	-	20 267 690
Lease liabilities			1 297 263	1 297 263
Accounts payable			153 899	153 899
Other financial liabilities	-	-	176 743	176 743

	Fair value measurement using			
January 1, 2021	*Level 1 inputs*	*Level 2 inputs*	*Level 3 inputs*	*Total*
Assets and liabilities measured at fair value				
Derivative financial liabilities	-	-	1 949 446	1 949 446
Assets whose fair value is disclosed				
Cash and cash equivalents	-	2 366 163	-	2 366 163
Loans to clients	-	-	38 287 470	38 287 470
Accounts receivable from the sale of portfolios	-	-	951 688	951 688
Liabilities for which the fair value is disclosed				
Due to credit and other organizations	-	24 778 635	-	24 778 635
Issued debt securities		6 612 685	-	6 612 685
Lease liabilities			912 172	912 172
Accounts payable			89 883	89 883
Other financial liabilities	-	-	37 890	37 890

(in thousands of tenge, unless otherwise specified)

25. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

(b) Fair value hierarchy (continued)

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

	December 31, 2022			*December 31, 2021*			*January 1, 2021*		
	Carrying amount	*Fair value*	*Unrecog-nised gain/(loss)*	*Carrying amount*	*Fair value*	*Unrecog-nised gain/(loss)*	*Carrying amount*	*Fair value*	*Unrecog-nised gain/(loss)*
Financial assets									
Cash and cash equivalents	**2 283 168**	**2 283 168**	**-**	3 632 166	3 632 166	-	2 366 163	2 366 163	-
Funds in credit institutions	**505 613**	**505 613**	**-**	-	-	-	-	-	-
Loans to clients	**85 649 688**	**86 191 338**	**541 650**	71 235 942	71 139 787	(96 155)	38 287 470	37 707 596	(579 874)
Accounts receivable from the sale of portfolios	**193 535**	**193 535**	**-**	562 839	562 839	-	951 688	951 688	-
Other financial assets	**713 941**	**713 941**	**-**	864 642	864 642	-	330 770	330 770	-
Financial Liabilities									
Due to credit and other organizations	**35 411 277**	**35 293 539**	**117 738**	37 535 333	37 711 980	(176 647)	24 778 635	24 519 097	259 538
Issued debt securities	**31 123 436**	**30 686 836**	**436 600**	20 267 690	21 933 716	(1 666 026)	6 612 685	6 943 869	(331 184)
Accounts payable	**3 778 053**	**3 778 053**	**-**	1 297 263	1 297 263	-	912 172	912 172	-
Lease liabilities	**257 777**	**257 777**	**-**	153 899	153 899	-	89 883	89 883	-
Other financial liabilities	**789 413**	**789 413**	**-**	176 743	176 743	-	37 890	37 890	-
Total unrecognized change in fair value			**1 095 988**			(1 938 828)			(651 520)

Valuation models and assumptions

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

Assets for which fair value approximates their carrying amount

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

(in thousands of tenge, unless otherwise specified)

25. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

Valuation models and assumptions (continued)

Derivatives

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

Financial assets and financial liabilities at amortised cost

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

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

	December 31, 2021	*Total gains/(losses) recognized in profit or loss*	*Repayment*	*December 31, 2022*
Derivative financial instruments	**(287 970)**	**68 378**	**137 764**	**(81 828)**

	January 1, 2021	*Total gains/(losses) recognized in profit or loss*	*Repayment*	*December 31, 2021*
Derivative financial instruments	1 949 446	(1 288 972)	(948 444)	(287 970)

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

December 31, 2022	*Carrying amount*	*Valuation techniques*	*Unobservable inputs*	*Range (weighted average value)*
Derivative financial instruments				
Currency forwards	(81 828)	Discounted cash flows	Forward exchange rates EUR/KZT USD/KZT	497,9 465,26-466,13

December 31, 2021	*Carrying amount*	*Valuation techniques*	*Unobservable inputs*	*Range (weighted average value)*
Derivative financial instruments				
Currency forwards	(287 970)	Discounted cash flows	Forward exchange rates EUR/KZT USD/KZT	507,28-521,33 461,16

(in thousands of tenge, unless otherwise specified)

25. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS (CONTINUED)

Valuation models and assumptions (continued)

January 1, 2021	*Carrying amount*	*Valuation techniques*	*Unobservable inputs*	*Range (weighted average value)*
Derivative financial instruments				
Currency forwards	1 949 446	Discounted cash flows	Forward exchange rates EUR/KZT USD/KZT RUB/EUR	 533,8 437,9 75,81

The following table summarizes the impact of reasonably possible alternative assumptions on the fair value estimates of Level 3 instruments:

	December 31, 2022			
	Carrying amount	*Type of unobserved data*	*Effect of reasonably possible alternative assumptions*	*Effect of reasonably possible alternative assumptions*
Financial liabilities				
Derivative financial instruments	(81 828)	Forward exchange rates	(85 024)	(78 585)

	December 31, 2021			
Financial liabilities	*Carrying amount*	*Type of unobserved data*	*Carrying amount*	*Type of unobserved data*
Derivative financial instruments	(287 970)	Forward exchange rates	(626 833)	113 007

In order to determine reasonably possible alternative assumptions, the Group adjusted the above key unobservable inputs for the models by adjusting the assumptions related to forward exchange rates with respect to forward contracts. The adjustment was made to increase and decrease the assumptions within the range of bid and ask forward exchange rates depending on the individual characteristics of the derivative.

26. EVENTS AFTER REPORTING PERIOD

Bond issue

In March 2023, the Group redeemed two bond issues with a nominal value of 3,000,000 thousand tenge and 5,000,000 US dollars, respectively.

In March 2023, the Group placed two issues of bonds with a nominal amount of USD 20,000,000 each, with a maturity of 1 year and a coupon of 10% per annum, paid quarterly.

In April 2023, the Group placed an issue of bonds with a nominal amount of 3,000,000 thousand tenge, a maturity of 1 year and a coupon of 21% per annum, paid monthly.

In May 2023, the Group placed a bond issue with a nominal amount of USD 3,200,000, a maturity of 2 years and a coupon of 14.5% per annum, paid monthly.

In June 2023, the Group redeemed a bond issue with a par value of USD 14,999,000.

26. EVENTS AFTER REPORTING PERIOD (CONTINUED)

Bond issue (continued)

In June 2023, the Group placed an issue of bonds with a nominal amount of 10,722,070 thousand tenge, a maturity of 2 years and a coupon of 21% per annum, paid monthly.

In June 2023, the Group placed two issues of bonds with a nominal amount of 572,447 thousand tenge, a maturity of 1 year and a coupon of 21% per annum, paid monthly.

In July, the Group placed an issue of bonds with a nominal volume of USD 7,000,000, a maturity of 2 years and a coupon of 13.5% per annum, paid monthly.

Sale of a share in the authorized capital of a Participant

On January 12, 2023, an agreement was concluded for the sale and purchase of a participation interest in the authorized capital of ID Collect Collection Agency (ID Collect) LLP, under the terms of which IDF Holding Limited (Cyprus) sells in favor of the Group a participation interest in the amount of 1% for the total amount 500 thousand tenge. As a result of this transaction, the Group will own a 100% interest in the authorized capital of ID Collect Collection Agency LLP in the amount of 50,000 thousand tenge.