Microfinance organization Mogo Kazakhstan LLP

Financial statements

For the year ended 31 December 2021

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MICROFINANCE ORGANIZATION MOGO KAZAKHSTAN LLP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation and fair presentation of the financial statements, of Microfinance organization Mogo Kazakhstan LLP (hereinafter – the "Company") as at 31 December 2021 for the year ended 31 December 2021 in accordance with International Financial Reporting Standards (hereinafter - "IFRSs").

In preparing the financial statements management is responsible for:

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2021 were approved by the management of the Company on 28 April 2022.

General Director — Seitbekov A.M.

Chief accountant — Turebekova V.B.

28 April 2022

Almaty, the Republic of Kazakhstan

Grant Thornton

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INDEPENDENT AUDITORS' REPORT

To the Founders and Management of the Microfinance organization Mogo Kazakhstan LLP

Opinion

We have audited the financial statements of Microfinance organization Mogo Kazakhstan LLP (hereinafter – "the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for 2021 in accordance with International Financial Reporting Standards (hereinafter - "IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (hereinafter - "ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Grant Thornton LLP

Evgeny Zhemaletdinov

Auditor/Engagement partner

Certified Auditor of the Republic of Kazakhstan
Certificate No.MF-00000553 on 20 December 2003
The Republic of Kazakhstan

Yerzhan Dossymbekov

General Director
Grant Thornton LLP

State license for providing audit services on the territory of the Republic of Kazakhstan No.18015053, issued by the Internal State Audit Committee of the Ministry of Finance of the Republic of Kazakhstan dated 3 August 2018 (the date of primary issue – 27 July 2011).

28 April 2022
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION MOGO KAZAKHSTAN LLP

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

In thousands of tenge	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	6	129,009	189,244
Amounts due from financial institutions	7	–	597,584
Loans to customers	8	2,729,975	2,078,881
Trade and other receivables	9	274,230	166,481
Property and equipment	10	42,341	72,344
Intangible assets	11	90,666	94,603
Inventories	12	–	43,275
Deferred corporate income tax asset	13	196,768	320,833
Right-of-use assets	14	39,447	52,160
Other assets	15	28,482	32,383
TOTAL ASSETS		**3,530,918**	**3,647,788**
EQUITY AND LIABILITIES			
EQUITY			
Charter capital	16	2,047,670	2,047,670
Accumulated loss		(1,181,453)	(1,562,109)
TOTAL EQUITY		**866,217**	**485,561**
LIABILITIES			
Borrowings from related parties	17	390,000	1,793,561
Borrowings from third parties	17	2,074,091	1,241,373
Debt securities issued	18	30,446	–
Lease liabilities	14	24,599	54,441
Trade and other payables	19	122,045	65,527
Other liabilities	20	23,520	7,325
TOTAL LIABILITIES		**2,664,701**	**3,162,227**
TOTAL EQUITY AND LIABILITIES		**3,530,918**	**3,647,788**

Accompanying notes on pages 5 to 45 are an integral part of these financial statements.

General Director Seitbekov A.M.

Chief accountant Turebekova V.B.

28 April 2022
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION MOGO KAZKHSTAN LLP

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	**Notes**	**2021**	2020
Interest income	21	1,005,817	1,201,249
Interest expense	21	(265,065)	(354,963)
Net interest income before expected credit loss expense		**740,752**	**846,286**
Expected credit loss recovery/ (expense)	22	67,476	(349,573)
Net interest income		**808,228**	**496,713**
Administrative expenses	23	(571,359)	(560,671)
Other operating income	24	309,386	123,749
Other operating expenses	24	(176,072)	(457,040)
Net income/ (loss) from foreign exchange operations	25	134,538	(747,841)
Income/ (loss) before corporate income tax benefit		**504,721**	**(1,145,090)**
Corporate income tax (expense)/ benefit	13	(124,065)	211,608
Net income/ (loss)		**380,656**	**(933,482)**
Other comprehensive income		–	–
Total comprehensive income/ (loss) for the year		**380,656**	**(933,482)**

Accompanying notes on pages 5 to 45 are an integral part of these financial statements.

General Director — Seitbekov A. M.

Chief accountant — Turebekova V.B.

28 April 2022
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION MOGO KAZAKHSTAN LLP

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	Notes	Charter capital	Retained earnings	Total equity
As at 31 December 2019		**100**	**(628,627)**	**(628,527)**
Net loss for year		–	(933,482)	**(933,482)**
Other comprehensive income		–	–	–
Total comprehensive loss		–	**(933,482)**	**(933,482)**
Charter capital contributions	16	2,047,570	–	**2,047,570**
As at 31 December 2020		**2,047,670**	**(1,562,109)**	**485,561**
Net income for the year		–	380,656	**380,656**
Other comprehensive income		–	–	–
Total comprehensive income		–	**380,656**	**380,656**
As at 31 December 2021		**2,047,670**	**(1,181,453)**	**866,217**

Accompanying notes on pages 5 to 45 are an integral part of these financial statements.

General Director — Seitbekov A. M.

Chief Accountant — Turebekova V.B.

28 April 2022
Almaty, the Republic of Kazakhstan

MICROFINANCE ORGANIZATION MOGO KAZKHSTAN LLP

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

In thousands of tenge	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income/(loss) before corporate income tax expense		504,721	(1,145,090)
Adjustments for:			
Depreciation of property and equipment and amortization of intangible assets and right-of-use assets	10, 11, 14, 23	83,802	76,974
Provision (charge)/ recovery for expected credit losses	22	(67,476)	349,573
Unrealized foreign exchange (gain)/ loss		(127,858)	767,023
Accrued interest income		(1,005,817)	(1,201,249)
Accrued interest expense		265,065	354,963
Cash outflow from operating activities before changes in working capital		**(347,563)**	**(797,806)**
(Increase) / decrease in operating assets:			
Financial assets at fair value through profit or loss		–	205,716
Trade and other receivables		(107,749)	(107,339)
Inventory		43,275	62,077
Loans to customers		(495,546)	(101,149)
Other assets		3,901	20,410
Increase / (decrease) in operating liabilities:			
Trade and other payables		56,593	6,532
Repurchase agreements		–	(158,000)
Other liabilities		9,991	(1,766)
Cash used in operating activities		**(837,098)**	**(871,325)**
Interest received		917,658	992,384
Interest paid		(82,537)	(43,544)
Net cash (used in)/ from operating activities		**(1,977)**	**77,515**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	10	(5,643)	(5,638)
Purchase of intangible assets	11	(28,827)	(67,535)
Proceeds from sale of property and equipment		54	3,800
Net cash used in investing activities		**(34,416)**	**(69,373)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Receipt of borrowings from related parties	17	390,000	602,596
Receipt of borrowings from third parties	17	2,754,009	1,584,647
Repayment of borrowings from related parties	17	–	(3,093,825)
Repayment of borrowings from third parties	17	(3,754,639)	(395,733)
Repayment of lease liabilities	14	(32,575)	(30,194)
Issuance of debt securities	18	30,214	–
Additional paid in capital		–	2,047,570
Cash generated (used in)/ from financing activities		**(612,991)**	**715,061**
Net (decrease)/ increase in cash and cash equivalents		**(649,384)**	**723,203**
Cash and cash equivalents at the beginning of the year		**786,828**	**60,162**
Accrual of provisions for expected credit losses on cash and cash equivalents		**87**	(2,740)
Effect of exchange rate changes on cash and cash equivalents		**(8,522)**	**6,203**
Cash and cash equivalents at the end of the year	6	**129,009**	**786,828**

Accompanying notes on pages 5 to 45 are an integral part of these financial statements.

General Director — Seitbekov A. M.

Chief accountant — Turebekova V.B.

28 April 2022
Almaty, the Republic of Kazakhstan

1. GENERAL INFORMATION

Microfinance organization Mogo Kazakhstan LLP (hereinafter “the Company”) was established in September 2018 in accordance with the legislation of the Republic of Kazakhstan. According to the Law of the Republic of Kazakhstan on microfinance activities, the Company was registered as a microfinance organization on 6 May 2020 and received a license № 02.21.0056.M. on 31 March 2021 from the Agency of the Republic of Kazakhstan for the regulation and development of financial markets for the conduction of microfinance activities.

The main activity of the Company is the issuance of retail microcredits and car loans to individuals and legal entities in the Republic of Kazakhstan.

As at 31 December 2021 and 2020, the following participants held interests in the Company:

Name	Share, %	
	31 December 2021	31 December 2020
Seitbekova A.M.	**100.00%**	–
Mogo Balkans and Central Asia JSC	–	**100.00%**
	100.00%	**100.00%**

The address of the registered office of the Company: 83 Tole bi street, Almaly district, Almaty, A05H1Y6, the Republic of Kazakhstan.

As at 31 December 2021, the Company has 64 employees (31 December 2020: 56 employees).

2. BASIS OF PREPARATION

Statement of compliance

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

Going concern

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

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

Functional currency

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

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

2. BASIS OF PREPARATION (CONTINUED)

Functional currency (continued)

Exchange rates on Kazakhstan Stock Exchange (hereinafter – "KASE") for the foreign currencies, used by the Company during preparation of the financial statements as at 31 December 2021 and 2020, were as follows:

	31 December 2021	31 December 2020
Exchange rates at the end of the year		
Tenge/1 US dollar	431.80	420.71
Tenge/1 euro	489.10	516.13
Tenge/1 Russian rubble	5.76	5.62

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has applied for the first-time certain amendments to the standards that are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued, but not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("IBOR Reform – Phase 2")

The amendments provide ttemporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments provide for the following:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments did not have any impact on the Company's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment did not have any impact on the Company's financial statements.

The Company does not have any Covid-19 related lease concessions granted, but plans to apply practical expedients, if necessary, within a reasonable period. This amendment did not have any impact on the Company's financial statements.

No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Company.

Net interest income

Interest income and expense for all financial instruments except for those classified as held for trading or those measured or designated as at fair value through profit or loss (FVTPL) are recognized as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method. Interest on financial instruments measured as at FVTPL is included within the fair value movement during the period (see 'Net gain/(loss) from operations with financial assets at fair value through profit or loss').

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation includes all interest and other amounts paid or received between parties to the contract that are an integrated part of EIR and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non–credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit–impaired financial assets, the interest income is calculated by applying the EIR to the amortized cost of the credit–impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets purchased or originated credit impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. Income and expense is not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances on current accounts in banks and time deposit accounts with original maturities within 3 months, which are not subject to restrictions to its availability.

Repurchase agreements and reverse repurchase agreements

During its business, the Company enters sale and repurchase agreements (hereinafter referred to as the "repo agreements"), as well as agreements on the purchase and repurchase of financial assets (hereinafter referred to as the "reverse repo agreements"). Repo and reverse repo operations are used by the Company as one of the liquidity management tools.

Repurchase agreements are agreements to transfer a financial asset to another party in exchange for cash consideration with a concurrent commitment to repurchase financial assets in the future for an amount equivalent to the cash or other consideration received plus accrued interest. Repurchase agreements are accounted for as financing transactions. Financial assets sold under repurchase agreements continue to be recorded in the financial statements, and proceeds received under such agreements are recorded as a loan secured by assets.

The Company enters securities repurchase agreements and lending transactions for which it receives or transfers collateral in accordance with normal market practice. Under the standard terms for repurchase transactions in Kazakhstan, the recipient of the collateral has the right to sell or repledge the collateral, subject to the return of equivalent securities upon settlement of the transaction.

The transfer of securities to counterparties is reflected in the statement of financial position only when the risks and rewards of ownership are also transferred.

Recognition of expenses / (income) under repurchase agreements and reverse repurchase agreements

Gains/ losses on the sale of the above instruments are recognized as interest income or interest expense in the income statement based on the difference between the repurchase and sale prices accrued to date using the effective interest method and the selling prices of such instruments to third parties. When a reverse repurchase/ repurchase transaction is settled on the original terms, the effective yield/ interest rate as the difference between the sale and repurchase price agreed under the original contract is recognized using the effective interest method.

Financial instruments

Initial recognition

Date of recognition

Purchases or sales of financial assets and liabilities on regular way are recognized at the trade date, etc. the date Company commits to purchase the asset or liability. Purchases or sales are purchases or sales of financial assets and liabilities on regular way, under a contract that requires delivery of assets and liabilities within the time frame established by rules or conventions in the marketplace.

Initial assessment

The classification of financial instruments at initial recognition depends on the contractual terms and the business model used to manage the instruments. Financial instruments are initially measured at fair value, including transaction costs, unless financial assets and financial liabilities are measured at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Initial assessment (continued)

Categories of measurement of financial assets and liabilities.

The Company classifies all its financial assets based on the business model used to manage the assets and the contractual terms of the assets as measured by:

- amortized cost;
- FVTOCI;
- FVTPL.

The Company classifies and measures derivatives and trading instruments at fair value through profit or loss. An entity may, at its sole discretion, classify financial instruments as at fair value through profit or loss if such classification would eliminate or significantly reduce the inconsistency in the application of measurement or recognition principles.

Financial liabilities are measured at amortized cost or fair value through profit or loss if they are held for trading and derivatives, or, at the option of the entity, are classified as measured at fair value.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised in the statement of financial position if:

- the rights to receive cash flows from the asset have expired;
- The company has transferred the right to receive cash flows from the asset or assumed an obligation to transfer the received cash flows in full without significant delay to a third party under the terms of a "transit" agreement; as well as
- The company has either (a) transferred substantially all the risks and rewards of the asset, or (b) has not transferred, but does not retain all risks and rewards from the asset, but has transferred control over the asset.

If the Company has transferred its rights to receive cash flows from an asset, while neither transferring nor retaining substantially all the risks and rewards associated with it, as well as transferring control over the asset, such an asset is accounted for within the limits of continuing involvement of the Company in this asset. Continuing involvement in the asset, in the form of a guarantee for the transferred asset, is measured at the lower of the asset's original carrying amount and the maximum consideration that the Company can pay.

Financial liabilities

Deregistration of a financial obligation occurs in the event of fulfilment, cancellation or expiration of the validity period of the corresponding obligation.

When one existing financial liability replaces another liability to the same lender, on materially different terms, or when the terms of an existing liability are materially changed, the original liability is derecognised and the new liability is recognized, with the difference in the carrying amount of the liability recognized in profit or loss.

Expected credit losses

The Company recognizes an expected credit loss allowance on financial assets measured at amortized cost and fair value through other comprehensive income in an amount equal to lifetime expected credit losses if the credit loss has increased significantly since initial recognition. The Company does not reduce the carrying amount of the financial asset measured at fair value through other comprehensive income, but recognizes a provision in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expected credit losses (continued)

In determining whether there has been a significant increase in the credit risk of a financial asset since its initial recognition, the Company focuses on changes in the risk of a default occurring over the life of the credit instrument rather than changes in expected credit losses.

If the terms of the contractual cash flows of a financial asset have been renegotiated or modified and the financial asset has not been derecognised, the Company assesses whether the credit risk of a financial instrument has changed significantly by comparing:

- assessing the risk of a default occurring as of the reporting date (based on modified contractual terms);
- estimates of the risk of a default occurring at initial recognition (based on the original unmodified contractual terms).

If there is no significant increase in credit risk, the Company recognizes an allowance for losses on the financial asset in an amount equal to 12-month expected credit losses, except for:

1) acquired or created credit-impaired financial assets;
2) trade receivables; and
3) lease receivables.

For financial assets specified in paragraphs (1) - (3), the Company estimates the provision for losses in the amount of expected credit losses for the entire period.

If in the previous reporting period the Company estimated the estimated allowance for losses on a financial instrument in an amount equal to the expected credit losses for the entire period, but as of the current reporting date determines that there is no significant increase in credit risk, then at the current reporting date the Company should assess the estimated provision in an amount equal to 12-month expected credit losses.

The Company recognizes as an impairment gain or loss the amount necessary to adjust the loss allowance to the amount of expected credit losses at the reporting date.

For acquired or originated credit-impaired financial assets, the Company recognizes favourable changes in lifetime expected credit losses as a reversal of the impairment loss, even if the lifetime expected credit losses are less than the expected credit losses that were included in the estimated cash flows on initial recognition ...
Estimating expected credit losses the Company determines expected credit losses on a financial instrument in a manner that reflects:

1) an unbiased and probability-weighted amount determined by assessing the range of possible outcomes;
2) the time value of money;
3) reasonable and supported information about past events, current conditions, and projected future economic conditions available at the reporting date.

The maximum period considered in assessing expected credit losses is the maximum contractual period (including renewal options) during which the Company is exposed to credit risk.

Achieving the objective of recognizing lifetime expected credit losses arising from a significant increase in credit risk since initial recognition may require an assessment of a significant increase in credit risk on a group basis, for example, by analyzing information indicating a significant increase in credit risk for a group or subgroup of financial instruments. This ensures that the Company will meet its lifetime expected credit loss target in the event of a significant increase in credit risk, even if confirmation of such a significant increase in credit risk is not yet available at the individual instrument level.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowings

Borrowings and funds from financial institutions and third parties are classified as liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder. Borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income through the amortisation process as well as when the borrowings are derecognised.

Property and equipment

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

Depreciation on revalued buildings is recognised in profit or loss. Depreciation on these assets, as well as on other items of property and equipment, starts from the moment the assets are ready for the planned use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight–line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis at the following annual rates:

Categories of property and equipment	Useful life
Computers and other electronics	3-5 years
Buildings	3-5 years
Furniture	3-5 years
Vehicles	5-6 years
Others	3-6 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight–line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally generated intangible assets

Internally generated intangible assets mainly include the cost of developing a company's information management systems. These costs are capitalized only if they meet the criteria defined in IAS 38. Internal and external costs of developing management information systems that arise during the development phase are capitalized. Significant maintenance and improvement costs are added to the original asset value if they specifically meet the capitalization criteria.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Internally generated intangible assets (continued)

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. The cost of intangible assets increases due to the company's costs of information technology - wages and capitalization of social security contributions. All other expenses are recognized in profit or loss as incurred.

Intangible assets generated internally are amortized over their useful lives of 7 years. The main internally generated intangible assets are IT systems.

Other intangible assets

Other intangible assets are carried at cost and amortized over their estimated useful lives on a straight-line basis. The carrying amount of intangible assets is reviewed for impairment if events or changes in circumstances indicate that the carrying amount cannot be recovered. Impairment losses are recognized when the carrying amount of intangible non-current assets exceeds their recoverable amount.

Other intangible assets primarily consist of purchased computer software products.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Categories of intangible assets	Useful life
Software	7 years
Licenses	3 years
Other intangible assets	3 years

Leases

The Company as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases.

Rental income from operating leases is recognised on a straight–line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight–line basis over the lease term.

The Company as lessee

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

Right-of-use assets

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company as lessee (continued)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Significant judgement in determining the lease term of contracts with renewal options

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

Taxation

Corporate income tax expense represents the sum of the tax currently payable and deferred income tax.

Current corporate income tax

The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred corporate income tax

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred corporate income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment property that are measured using the fair value model, the carrying amounts of such property are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred corporate income tax for the year

Current and deferred corporate income tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred corporate income tax are also recognised in other comprehensive income or directly in equity, respectively. Where current or deferred corporate income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions through P2P platform

The Company has signed cooperation agreements with the operator of a peer-to-peer (P2P) investment internet platform (hereinafter - “the Platform”) in order to attract financing by the Company on the Platform. The Platform allows individual and corporate investors to receive fully proportional interest and principal cash flows from debt instruments, which include finance lease receivables or loans and advances to customers issued by the Company in exchange for an advance payment. These rights are established through assignment agreements between investors and the Platform, which acts as an agent on behalf of the Company. Commissions for the right to use the platform are expensed as incurred and commissions for the attraction of the financing are capitalized in the value of related liability.

Assignment agreements signed by the Company in addition to the cooperation agreements are of two types:

1) Agreements with the right of recourse, which require the Company to guarantee the full repayment of the invested funds to the investor in the event of default by the Company's client (buyback guarantee).

2) Non-recourse agreements that do not require the Company to guarantee the return of the invested funds by the investor in the event of a client's default.

Accounts receivable from operations on the Platform

The Platform acts as an agent in the transfer of cash flows between the Company and investors. Accounts receivable for attracted financing from investors through the Platform correspond to payments due from the Platform. Accounts receivable arise from assignments made through the Platform when the related investment has not yet been transferred to the Company. The Company pays commissions and fees for servicing financing raised through the Platform.

Funding raised through the Platform

Liabilities arising from assignments, with or without recourse, are initially recognized at the fair value of the consideration received from the investors, less the issuance costs associated with obtaining loans on the Platform within loans from third parties.

Retirement and other benefit obligations

The Company does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires current withholdings by the employer and employee calculated as a percentage from current gross payments. These expenses are reflected in the accounting period to which the corresponding salary relates. The Company has no other compensated benefits requiring accrual.

Charter capital

Contributions to charter capital are recognised at historical cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared 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 financial statements are authorised for issue.

Contingent assets and contingent liabilities

A contingent asset is not recognised in the statement of financial position but disclosed when an inflow of economic benefits is probable.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Company's accounting policies, the Company management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most significant use of judgments and estimates are as follows:

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12–month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward–looking information.

Quantity and relative weightings of forward–looking scenarios determination for each type of product/ market and allotment of the forward–looking information relevant for each scenario

For loans to customers, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage. When measuring ECL the Company uses reasonable and supportable forward–looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll–rates.

Loss given default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, not taking into account cash flows from collateral and integral credit enhancements The Company rarely encounters the sale of collateral; therefore, the Company does not use the expected cash flows from its sale in LGD model. Usually expressed as a percentage of EAD.

Exposure at default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Company uses EAD models that reflect the characteristics of the portfolios.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics.

Impairment of financial assets at amortised cost

The Company regularly reviews its loans and receivables to assess for impairment. The Company recognises a loss allowance for expected credit losses (ECL) on loans and receivables at initial recognition. ECL are measured through a loss allowance at an amount equal to 12–month ECL in profit or loss at initial recognition. ECL may result from those default events on the financial instruments that are possible within 12 months after the reporting date. For measurement the Company uses information that is available without undue cost or effort, such information includes past, actual and reasonable and supportable forecast economic information. In making this assessment, the Management considers information that is based on historical experience of losses on ‘credit–impaired’ financial assets with evidences of credit–impairment for portfolios of financial assets that share similar risk characteristics.

Credit risk is measured at a fixed rate of ECL that is based on historical data and the probability of default.

The Company considers accounting estimates related to allowance for impairment of loans a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Company’s estimated losses and actual losses would require the Company to record provisions which could have a material impact on its financial statements in future periods.

The Company uses management’s judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Company estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Company uses management’s judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Company is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Write–off of loans to customers

If it is impossible to collect loans issued to customers, including by way of foreclosure on collateral, they are written off against the allowance for expected credit loss. Loans and funds provided are written off after the management of the Company has taken all possible measures to collect the amounts due to the Company, as well as after the sale of the available collateral by the Company. Subsequent recoveries of amounts previously written off are reflected as the decrease of losses for impairment of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Valuation of financial instruments

The Company uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 27 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The Company’s management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Taxation

Kazakhstani tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2021, the Company's management believes that its interpretations of the relevant legislation is appropriate and that the Company's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Company's reported net income.

The useful lives of property and equipment

The Company considers the useful lives of property and equipment and intangible assets at the end of each annual reporting period. The assessment of the useful life of the asset is dependent on factors such as: the economic use, the program on repair and maintenance, technological improvements and other business conditions. Management's assessment of the useful lives of property and equipment reflects the relevant information at the date of these financial statements.

5. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	*"Insurance Contracts"*
Amendments to IAS 1	*"Classification of Liabilities as Current or Non-current"*
Amendments to IFRS 3	*"Reference to the Conceptual Framework""*
Amendments to IFRS 16	*"Property, Plant and Equipment: Proceeds before Intended Use"*
Amendments to IFRS 37	*"Onerous Contracts" – Costs of Fulfilling a Contract*
Amendments to IFRS 1	*"First-time Adoption of International Financial Reporting Standards" - Subsidiary as a first-time adopter*
Amendments to IFRS 9	*"Financial Instruments" – Fees in the "10 per cent" test for derecognition of financial liabilities*
Amendments to IFRS 41	*"Agriculture" - Taxation in fair value measurements*
Amendments to IAS 8	*"Definition of Accounting Estimates"*
Amendments to IAS 1 and IFRS Practice Statement 2	*"Disclosure of Accounting Policies"*
Amendments to IFRS 7, IFRS 9 and IAS 39, IFRS 7, IFRS 4 and IFRS 16	*"Interest Rate Benchmark Reform - Phase 2"*

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

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

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

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 or after that date. Earlier adoption permitted.

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

As a practical expedient, a change in the basis for determining contractual cash flows resulting from a base rate reform should be accounted for as a change in the floating interest rate, provided that, in the transition from IBOR to a risk-free rate, the new basis for determining contractual cash flows is economically equivalent to the previous one basis.

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

These amendments provide for certain exemptions and additional disclosures. The exemptions apply when the risk-free rate is applied instead of the IBOR rate on a financial instrument.

6. CASH AND CASH EQUIVALENTS

As at 31 December 2021 and 2020, cash and cash equivalents are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Cash on hand	110,973	33,221
Current accounts in Kazakhstani banks	18,073	115,347
Short-term deposits in Kazakhstani banks with original maturity less than 3 months	200	41,000
Total cash and cash equivalents	**129,246**	**189,568**
Less: allowance for expected credit losses	(237)	(324)
Total cash and cash equivalents	**129,009**	**189,244**

As at 31 December 2021 and 2020, all cash and cash equivalents were classified to the stage 1. During 2021 and 2020, there were no transfer within the stages.

The movement of allowance for expected credit losses for the years ended 31 December 2021 and 2020 is presented as follows:

In thousands of tenge	**2021**	2020
Provision at the beginning of the year	**(324)**	–
Recovery/ (accrual) of provision	87	(324)
Provision at the end of the year	**(237)**	**(324)**

6. CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2021 and 2020, cash and cash equivalents are presented in the following currencies:

In thousands of tenge	**31 December 2021**	31 December 2020
Tenge	129,009	131,627
US dollar	–	57,603
Euro	–	14
	129,009	**189,244**

7. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

As at 31 December 2021 and 2020, amounts due from financial institutions are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Funds on an account in a Kazakhstani bank, restricted in use	–	600,000
Total amounts due from financial institutions	–	**600,000**
Less allowance for expected credit losses	–	(2,416)
Total amounts due from financial institutions	–	**597,584**

As at 31 December 2020, cash on the bank accounts in the amount of 600,000 thousand tenge were provided by the Company as collateral for certain loans from third parties received by the Company. As at 31 December 2021, the Company repaid the loan from third party, so the cash on bank accounts was removed from the collateral.

The movement of allowance for expected credit losses for the years ended 31 December 2021 and 2020 is presented as follows:

In thousands of tenge	**2021**	2020
Provision at the beginning of the year	(2,416)	–
Recovery/ (accrual) of provision	2,416	(2,416)
Provision at the end of the year	–	**(2,416)**

As at 31 December 2021 and 2020, amounts due from financial institutions are presented in tenge.

8. LOANS TO CUSTOMERS

As at 31 December 2021 and 2020, loans to customers are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Loans to customers	3,333,344	2,808,778
Less: allowance for expected credit losses	(603,369)	(729,897)
Total loans to customers	**2,729,975**	**2,078,881**

As at 31 December 2021 and 2020, accrued interest on loans to customers amounted to 236,829 thousand tenge and 264,358 thousand tenge, respectively.

The analysis of loans by products is presented below:

In thousands of tenge	**31 December 2021**	31 December 2020
Car loans	2,397,533	2,396,480
Consumer loans	935,811	412,298
Total loans to customers	**3,333,344**	**2,808,778**

8. LOANS TO CUSTOMERS (CONTINUED)

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

In thousands of tenge	31 December 2021	31 December 2020
Loans, secured with movable property	3,003,048	2,535,146
Unsecured loans	330,296	273,632
Total loans to customers	**3,333,344**	**2,808,778**

To reduce its credit risk the Company actively uses collateral, represented by vehicles as at 31 December 2021 and 2020 in the total amount of 5,722,351 thousand tenge and 4,277,448 thousand tenge, respectively.

The tables below provide an analysis of information about the significant changes in the gross carrying amount of loans to customers during the period that contributed to changes in the allowance for expected credit losses during 2021 (Note 22):

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**1,734,679**	**354,920**	**719,179**	**2,808,778**
Transfer to stage 1	180,941	(131,988)	(48,953)	–
Transfer to stage 2	(754,220)	758,956	(4,736)	–
Transfer to stage 3	(352,618)	(72,124)	424,742	–
Acquisition of new loans	2,113,101	–	–	**2,113,101**
Repaid loans	(598,425)	(574,436)	(269,682)	**(1,442,543)**
Writing-off of the loans	–	–	(61,555)	**(61,555)**
Sales to debt collection companies	–	–	(84,437)	**(84,437)**
Gross carrying amount as at 31 December 2021	**2,323,458**	**335,328**	**674,558**	**3,333,344**

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at 1 January 2021	**(154,350)**	**(75,701)**	**(499,846)**	**(729,897)**
Transfer to stage 1	(53,283)	27,925	25,358	–
Transfer to stage 2	73,591	(75,316)	1,725	–
Transfer to stage 3	73,128	15,652	(88,780)	–
Acquisition of new loans	(141,726)	–	–	**(141,726)**
Repaid loans	62,822	27,925	25,358	**116,105**
Writing-off of the loans	–	–	61,555	**61,555**
Sales to debt collection companies	–	–	24,989	**24,989**
Revaluation of ECL	42,327	21,647	1,631	**65,605**
As at 31 December 2021	**(97,491)**	**(57,868)**	**(448,010)**	**(603,369)**

The tables below provide an analysis of information about the significant changes in the gross carrying amount of loans to customers during the period that contributed to changes in the allowance for expected credit losses during 2020 (Note 22):

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**1,978,001**	–	**519,270**	**2,497,271**
Transfer to stage 1	9,665	–	(9,665)	–
Transfer to stage 2	(355,590)	366,597	(11,007)	–
Transfer to stage 3	(511,133)	–	511,133	–
Acquisition of new loans	1,298,930	–	–	**1,298,930**
Repaid loans	(685,194)	(11,677)	(186,213)	**(883,084)**
Writing-off of the loans	–	–	(7,380)	**(7,380)**
Sales to debt collection companies	–	–	(96,959)	**(96,959)**
Gross carrying amount as at 31 December 2020	**1,734,679**	**354,920**	**719,179**	**2,808,778**

8. LOANS TO CUSTOMERS (CONTINUED)

In thousands of tenge	Stage 1	Stage 2	Stage 3	Total
Allowance for ECL as at 1 January 2020	**(54,389)**	–	**(328,675)**	**(383,064)**
Transfer to stage 1	(3,360)	–	3,360	–
Transfer to stage 2	8,271	(12,098)	3,827	–
Transfer to stage 3	14,234	–	(14,234)	–
Acquisition of new loans	(89,254)	–	–	**(89,254)**
Repaid loans	13,307	–	4,267	**17,574**
Writing-off of the loans	–	–	7,380	**7,380**
Sales to collection companies	–	–	96,959	**96,959**
Revaluation of ECL	(43,159)	(63,603)	(272,730)	**(379,492)**
As at 31 December 2020	**(154,350)**	**(75,701)**	**(499,846)**	**(729,897)**

Deferral of payments due to pandemic and concessional financing

Support for individuals in connection with the introduction of a state of emergency in 2020

In accordance with the Procedure for providing support measures to small and medium-sized businesses, approved by the Order of the Chairman of the Agency of the Republic of Kazakhstan for regulation and development of the financial market dated 15 June 2020 No. 251, in order to provide additional support to small and medium-sized businesses in connection with the tightening of quarantine measures in the country, SMEs, whose financial condition has deteriorated, payment under bank loan agreements have been suspended by providing a deferral of payment of the principal debt and remuneration.

Deferred and unpaid principal and interest payments during the grace period from 16 March to 15 June 2020 were distributed until the end of the loan term by extending the loan term in order to reduce the loan burden. For individual borrowers, unpaid principal and interest payments during the grace period were transferred to subsequent months by extending the loan term without changing the monthly payments according to the repayment schedule.

Commissions and other payments for consideration of an application for the suspension of payments and a corresponding change in pledge agreements and other related agreements are not provided.

Deferral of payments was provided on the basis of the borrower's application to the Company in the period from 16 March to 15 June 2020.

Deferral of payments was provided by establishing a new payment schedule in the form of distributing previously deferred payments until the end of the loan term or extending the loan term for the grace period, unless a different payment schedule was provided for by the microcredit agreement or was not specified in the application of a small and medium-sized business entity.

The table below shows the number of client accounts eligible for government programs as at 31 December 2021:

	Consumer loans	Car loans	Total
Deferral of payments			
Number of approved applications	41	358	**399**

8. LOANS TO CUSTOMERS (CONTINUED)

Deferral of payments due to pandemic and concessional financing (continued)

The table below presents the gross carrying amount and associated ECLs by Stage for loans to customers that are subject to deferral payments under government programs:

In thousands of tenge	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Deferral of payments				
Car loans	154	66	138	**358**
Gross carrying amount	212,460	91,329	147,356	**451,145**
ECL	(9,731)	(15,325)	(88,986)	**(114,042)**
Consumer loans	24	10	7	**41**
Gross carrying amount	19,540	10,785	11,655	**41,980**
ECL	(658)	(2,005)	(10,113)	**(12,776)**

9. TRADE AND OTHER RECEIVABLES

As at 31 December 2021 and 2020, the trade and other receivables are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Advances paid for goods and services provided to third parties	220,455	8,552
Trade receivables from third parties	53,775	24,025
Trade receivables from related parties	–	133,904
Total	**274,230**	**166,481**

10. PROPERTY AND EQUIPMENT

Property and equipment are presented as follows:

In thousands of tenge	Computers and other electronics	Buildings	Furniture	Vehicles	Other	Total
Historical cost:						
1 January 2020	**56,685**	**34,572**	**19,548**	**14,000**	**1,092**	**125,897**
Additions	2,655	2,218	765	–	–	**5,638**
Disposals	–	–	–	(3,800)	–	**(3,800)**
31 December 2020	**59,340**	**36,790**	**20,313**	**10,200**	**1,092**	**127,735**
Additions	4,900	480	263	–	–	**5,643**
Disposals	–	–	–	–	(54)	**(54)**
31 December 2021	**64,240**	**37,270**	**20,576**	**10,200**	**1,038**	**133,324**
Accumulated depreciation:						
1 January 2020	**12,405**	**4,917**	**2,298**	**1,523**	**202**	**21,345**
Charge	19,041	8,974	4,100	2,104	270	**34,489**
Disposals	–	–	–	(443)	–	**(443)**
31 December 2020	**31,446**	**13,891**	**6,398**	**3,184**	**472**	**55,391**
Charge	19,606	9,452	4,223	2,040	271	**35,592**
Disposals	–	–	–	–	–	**–**
31 December 2021	**51,052**	**23,343**	**10,621**	**5,223**	**743**	**90,982**
Net book value:						
31 December 2020	**27,894**	**22,899**	**13,915**	**7,016**	**620**	**72,344**
31 December 2021	**13,188**	**13,927**	**9,955**	**4,976**	**294**	**42,341**

As at 31 December 2021 and 2020, property and equipment were not pledged as collateral under the obligations of the Company.

11. INTANGIBLE ASSETS

Intangible assets are presented as follows:

In thousands of tenge	**Software**	**Licenses**	**Other**	**Total**
Historical cost:				
1 January 2020	**44,588**	**1,642**	–	**46,230**
Additions	37,535	–	30,000	**67,535**
31 December 2020	**82,123**	**1,642**	**30,000**	**113,765**
Additions	28,827	–	–	**28,827**
31 December 2021	**110,950**	**1,642**	**30,000**	**142,592**
Accumulated depreciation:				
1 January 2020	**3,342**	**502**	–	**3,844**
Charge	12,271	547	2,500	**15,318**
31 December 2020	**15,613**	**1,049**	**2,500**	**19,162**
Charge	22,218	547	9,999	**32,764**
31 December 2021	**37,831**	**1,596**	**12,499**	**51,926**
Net book value:				
31 December 2020	**66,510**	**593**	**27,500**	**94,603**
31 December 2021	**73,119**	**46**	**17,501**	**90,666**

12. INVENTORIES

As at 31 December 2021 and 2020, inventories are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Vehicles for resale	–	43,275
Total	–	**43,275**

As at 31 December 2021, the Company sold all vehicles included in inventories.

13. DEFERRED CORPORATE INCOME TAX ASSET

A reconciliation of the theoretical corporate income tax expense (CIT) applicable to profit before tax at the effective CIT rate with the actual corporate income tax expense for the years ended 31 December 2021 and 2020 are presented as follows:

In thousands of tenge	**2021**	2020
Income/ (loss) before tax	504,721	(1,145,090)
Current tax rate	20%	20%
Theoretical corporate income tax amount	(100,944)	229,018
Tax effect of permanent differences:		
Other expenses nondeductible	(23,121)	(17,410)
Total corporate income tax (expense)/ benefit	**(124,065)**	**211,608**

Corporate income tax (expense)/ benefit for the years 2021 and 2020 are presented as follows:

In thousands of tenge	**2021**	2020
Current corporate income tax expense	–	–
Deferred corporate income tax (expense)/ benefit	(124,065)	211,608
Total income tax (expense)/ benefit	**(124,065)**	**211,608**

13. DEFERRED CORPORATE INCOME TAX ASSET (CONTINUED)

Movements in deferred corporate income tax assets for the years ended 31 December 2021 and 2020 are as follows:

In thousands of tenge	**1 January 2020**	**Changes, recognized in the statement of profit and loss and other comprehensive income**	**31 December 2020**	**Changes, recognized in the statement of profit and loss and other comprehensive income**	**31 December 2021**
Deferred income tax assets:					
Tax losses carried forward	32,070	142,113	174,183	(98,883)	75,300
Provision expected credit losses	76,613	69,915	146,528	(25,854)	120,674
Accrued expenses for unused vacations	542	(420)	122	672	794
Total deferred income tax assets	**109,225**	**211,608**	**320,833**	**(124,065)**	**196,768**

14. LEASE

The Company has lease agreements for office premises that are used while operating activities.

The carrying amounts of recognized right-of-use assets and their movements during the period are presented below:

In thousands of tenge	
As at 1 January 2021	**52,160**
Modification	2,733
Depreciation of right-of-use assets	(15,446)
As at 31 December 2021	**39,447**

In thousands of tenge	
As at 1 January 2020	**133,220**
Disposal	(53,893)
Depreciation of right-of-use assets	(27,167)
As at 31 December 2020	**52,160**

The carrying amount of lease liabilities and their changes during the period are presented below:

In thousands of tenge	
As at 1 January 2021	**(54,441)**
Modification	(2,733)
Interest expenses	(1,631)
Repayment of principal and interest on lease liabilities	34,206
As at 31 December 2021	**(24,599)**
Including:	
Long-term lease liabilities	**(12,281)**
Short-term lease liabilities	**(12,318)**

In thousands of tenge	
As at 1 January 2020	**(134,779)**
Disposals	53,893
Interest expenses	(3,749)
Repayment of principal and interest on lease liabilities	30,194
As at 31 December 2020	**(54,441)**
Including:	
Long-term lease liabilities	**(35,236)**
Short-term lease liabilities	**(19,205)**

15. OTHER ASSETS

As at 31 December 2021 and 2020, other assets are presented as follows:

In thousands of tenge	**31 December 2021**	**31 December 2020**
Deferred expenses	24,738	28,674
Prepayments	3,744	3,709
Total	**28,482**	**32,383**

Other assets include deferred depreciation charges for installed GPS devices and dealer commissions.

16. CHARTER CAPITAL

As at 31 December 2021 and 2020, the shareholders of the Company were:

In thousands of tenge	**31 December 2021**	**Share, %**	**31 December 2020**	**Share, %**
Seitbekova A.M	2,047,670	100%	–	0%
Mogo Balkans and Central Asia JSC	–	0%	2,047,670	100%
Total	**2,047,670**	**100%**	**2,047,670**	**100%**

On 7 April 2020 and 19 October 2020, Mogo Balkans and Central Asia JSC converted its claims on loans in the amount of 1,846,398 thousand tenge and 201,172 thousand tenge into the charter capital, respectively.

On 30 April 2021, Seitbekova A.M acquired 100% shares of the Company from Mogo Balkans and Central Asia JSC. As at 31 December 2021, Seitbekova A.M is the sole participant of the Company. During 2021 and 2020, no dividends were declared or paid.

17. BORROWINGS FROM RELATED AND THIRD PARTIES

As at 31 December 2021 and 2020, the borrowings from related and third parties are presented as follows:

In thousands of tenge	**Currency**	**Issuance date**	**Maturity date**	**Interest rate**	**31.12.2021**	31.12.2020
Borrowings from related parties						
Borrowings from individuals	Tenge	30.09.2021	31.12.2022	0.00%	390,000	–
Mogo Finance S.A.*	Euro	21.09.2018	17.03.2022	12.00%	–	1,793,561
Borrowings from third parties						
Mintos Finance SIA	Euro	03.08.2021	03.08.2026	13.25%	1,507,737	563,138
Mogo Finance S.A*	Euro	21.09.2018	17.03.2022	12.00%	551,966	–
Mintos Finance SIA	Tenge	03.08.2021	03.08.2026	17.50%	14,388	115,653
Alfa Bank JSC	Euro	22.12.2020	22.06.2021	2.50%	–	562,582
Total					**2,464,091**	**3,034,934**

* Due to change of owner of the Company, the borrowing from related parties was reclassified to the borrowing from third parties.

As at 31 December 2021 and 2020, agreements with Mintos Finance SIA are classified as non-recourse agreements.

17. BORROWINGS FROM RELATED AND THIRD PARTIES (CONTINUED)

Reconciliation of liabilities arising from financing activities

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

In thousands of tenge	1 January 2021	Receipt of loans	Repayment of principal	Non-cash movement: Transfer of loan (i)	Non-cash movement: Effect of exchange rate	Non-cash movement: Change in interest accruals	31 December 2021
Borrowings from related parties	1,793,561	390,000	–	(1,793,561)	–	–	**390,000**
Borrowings from third parties	1,241,373	2,754,009	(3,754,639)	1,793,561	(136,380)	176,167	**2,074,091**
Total	**3,034,934**	**3,144,009**	**(3,754,639)**	–	**(136,380)**	**176,167**	**2,464,091**

(i) The carryover of a loan from loans from related parties to loans from third parties occurred in April 2021 as a result of a change in ownership of the Company

In thousands of tenge	1 January 2020	Receipt of loans	Repayment of principal	Non-cash movement: Effect of exchange rate	Non-cash movement: Change in interest accruals	31 December 2020
Borrowings from related parties	3,251,352	602,596	(3,093,825)	724,687	308,751	**1,793,561**
Borrowings from third parties	–	1,584,647	(395,733)	48,539	3,920	**1,241,373**
Total	**3,251,352**	**2,187,243**	**(3,489,558)**	**773,226**	**312,671**	**3,034,934**

18. DEBT SECURITIES ISSUED

The information about issuance of debt securities in US dollar in tenge equivalents listed on KASE as at 31 December 2021 and 2020, is presented below:

In thousands of tenge	Issuance date	Maturity date	Coupon rate	Carrying amount **31 December 2021**	31 December 2020
First issue debt securities in US dollar	15.10.2021	20.08.2024	7.5%	30,446	–
				30,446	–

On 15 October 2021, the Company issued debt securities on KASE in the total amount of 2,000,000 US dollar or 861,640 thousand tenge at a rate of 7.5% which were placed in amount of 30,084 thousand tenge. The Company registered debt securities on KASE in total amount of 1,400,000 thousand tenge. As at 31 December 2021, these debt securities were not placed.

19. TRADE AND OTHER ACCOUNTS PAYABLE

As at 31 December 2021 and 2020, trade accounts payable are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Trade accounts payable to third parties	115,886	5,071
Trade accounts payable to related parties	–	57,449
Other	6,159	3,007
Total	**122,045**	**65,527**

20. OTHER LIABILITIES

As at 31 December 2021 and 2020, other liabilities of the Company are presented as follows:

In thousands of tenge	**31 December 2021**	31 December 2020
Value added tax payable	6,994	–
Personal income tax	5,025	1,616
Withholding tax	4,206	2,825
Social tax	3,614	1,832
Obligatory pension contributions	3,284	919
Other	397	133
Total	**23,520**	**7,325**

21. NET INTEREST INCOME

For the years ended 31 December 2021 and 2020, net interest income is presented as follows:

In thousands of tenge	2021	2020
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
Loans to customers	1,004,020	1,188,155
Interest income from amounts due from financial institutions	1,797	10,718
Other interest income	–	2,376
Total interest income	**1,005,817**	**1,201,249**
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost:		
Borrowings from third parties	(263,202)	(27,549)
Lease liabilities (Note 14)	(1,631)	(3,749)
Borrowings from related parties	–	(308,751)
Payables under repurchase agreements	–	(8,878)
Other interest expenses	(232)	(6,036)
Total interest expenses	**(265,065)**	**(354,963)**
Net interest income	**740,752**	**846,286**

22. EXPECTED CREDIT LOSSES RECOVERY/ (EXPENSE)

The table below summarizes the recovery/ (expense) on ECL for financial assets reflected in the statement of profit or loss for the years ended 31 December 2021 and 2020:

In thousands of tenge	Notes	2021			
		Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	87	–	–	**87**
Amounts due from financial institutions	7	2,416	–	–	**2,416**
Loans to customers	8	(36,577)	49,572	51,978	**64,973**
Total recovery/ (expenses) on expected credit losses		**(34,074)**	**49,572**	**51,978**	**67,476**

In thousands of tenge	Notes	2020			
		Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	6	(324)	–	–	**(324)**
Amounts due from financial institutions	7	(2,416)	–	–	**(2,416)**
Loans to customers	8	(119,106)	(63,603)	(164,124)	**(346,833)**
Total expenses on expected credit losses		**(121,846)**	**(63,603)**	**(164,124)**	**(349,573)**

23. ADMINISTRATIVE EXPENSES

For the years ended 31 December 2021 and 2020, administrative expenses are presented as follows:

In thousands of tenge	**2021**	**2020**
Salaries and other payments	**380,028**	325,886
Depreciation of property and equipment and intangible assets (Note 10, 11)	**68,356**	49,807
Social security contributions	**35,866**	32,296
Office maintenance	**15,984**	14,873
Depreciation of right-of-use assets (Note 14)	**15,446**	27,167
Information services	**12,264**	18,160
Communication expenses	**10,548**	15,634
Professional services	**8,780**	10,033
IT expenses	**8,629**	13,548
Commission of the bank	**5,358**	6,255
Vehicle tracking expenses	**4,616**	28,950
Lease expenses	**1,433**	8,402
Write-off of inventory	**1,197**	1,378
Business trip expenses	**909**	3,605
Other	**1,945**	4,677
Total administrative expenses	**571,359**	**560,671**

24. OTHER OPERATING EXPENSES AND INCOME

For the years ended 31 December 2021 and 2020, other operating expenses are presented as follows:

In thousands of tenge	**2021**	**2020**
Debt collection expenses	54,901	31,289
Advertisement expenses	41,063	32,000
Car sales dealership commission	29,779	30,343
Losses from the sale of loans	18,811	112,221
Marketing expenses	11,356	3,592
Management fees	10,016	217,290
Vehicle registration services	3,279	20,050
Other	6,867	10,255
Total	**176,072**	**457,040**

For the years ended 31 December 2021 and 2020, other operating income is presented as follows:

In thousands of tenge	**2021**	**2020**
Income from consulting services	256,725	–
Income from loans sold	17,485	14,470
Income from IT services from related companies	16,300	58,023
Early repayment fee	16,245	22,690
Registration fee income	–	19,768
Other	2,631	8,798
Total	**309,386**	**123,749**

25. NET INCOME/ (LOSS) FROM OPERATIONS WITH FOREIGN CURRENCY

For the years ended 31 December 2021 and 2020, net income/(loss) from foreign exchange transactions is as follows:

In thousands of tenge	**2021**	**2020**
Exchange rate differences, net	145,459	(765,620)
Buying and selling foreign currency	(10,921)	17,779
Total	**134,538**	**(747,841)**

26. COMMITMENTS AND CONTINGENCIES

Operating Environment

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

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

Effect of covid-19 pandemic

Due to the rapid spread of covid-19 pandemic in 2020 many governments, including the Government of the Republic of Kazakhstan, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Governments of the Republic of Kazakhstan and NBRK for regulation and development of financial market to counter the economic downturn caused by the covid-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the covid-19 containment measures.

The Company continues to assess the effect of the pandemic and changed economic conditions on its activities, financial position and financial results.

Claims and litigations

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

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

Taxation

The Company believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable. As at 31 December 2021, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and custom positions including questions on transfer pricing, will be sustained.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2021. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

26. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital commitments

As at 31 December 2021, the Company had no capital commitments.

Investment related commitments

As at 31 December 2021, the Company had no investment contracts.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

The table below provides an analysis of financial instruments presented in the financial statements at fair value, by levels of the fair value hierarchy as at 31 December 2021 and 2020:

	Fair value measurement as at 31 December 2021				
In thousands of tenge	Date of measurement	Level 1	Level 2	Level 3	**Total**
Assets whose fair value is disclosed					
Cash and cash equivalents	31.12.2021	129,009	–	–	**129,009**
Trade and other receivables	31.12.2021	–	274,230	–	**274,230**
Loans to customers	31.12.2021	–	3,910,485	–	**3,910,485**
Total fair value		**129,009**	**4,184,715**	–	**4,313,724**
Liability whose fair value is disclosed					
Borrowings from related parties	31.12.2021	–	(390,000)	–	**(390,000)**
Borrowings from third parties	31.12.2021	–	(2,520,055)	–	**(2,520,055)**
Debt securities issued	31.12.2021	(30,234)	–	–	**(30,234)**
Total fair value		**(30,234)**	**(2,910,055)**	–	**(2,940,289)**
Fair value, net		**98,775**	**1,274,660**	–	**1,373,435**

	Fair value measurement as at 31 December 2020				
In thousands of tenge	Date of measurement	Level 1	Level 2	Level 3	**Total**
Assets whose fair value is disclosed					
Cash and cash equivalents	31.12.2020	189,244	–	–	**189,244**
Amounts due from financial institutions	31.12.2020	–	597,584	–	**597,584**
Trade and other receivables	31.12.2020		166,481		**166,481**
Loans to customers	31.12.2020	–	4,623,196	–	**4,623,196**
Total fair value		**189,244**	**5,387,261**	–	**5,576,505**
Liability whose fair value is disclosed					
Borrowings from related parties	31.12.2020		(1,806,893)		**(1,806,893)**
Borrowings from third parties	31.12.2020	–	(1,217,271)	–	**(1,217,271)**
Total fair value		–	**(3,024,164)**	–	**(3,024,164)**
Fair value, net		**189,244**	**2,363,097**	–	**2,552,341**

As at 31 December 2021, there were no movement between levels in the fair value hierarchy.

28. RISK MANAGEMENT

Introduction

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

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

28. RISK MANAGEMENT (CONTINUED)

Introduction (continued)

Risk assessment and reporting systems

The Company's risks are measured using a method, which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Company also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks are primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept, with additional emphasis on selected segments. In addition, the Company monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyse, control and early identify risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Company.

Credit risk

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

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

Credit quality by types of financial assets

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

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

In thousands of tenge	**BBB-**	**B**	**Credit rating is not assigned**	**31 December 2021**
Cash and cash equivalents	13,394	4,642	–	**18,036**
Loans to customers	–	–	2,729,975	**2,729,975**
Total	**13,394**	**4,642**	**2,729,975**	**2,748,011**

In thousands of tenge	**BBB-**	**BB-**	**Credit rating is not assigned**	**31 December 2020**
Cash and cash equivalents	76,393	79,630	–	**156,023**
Amounts due from financial institutions	–	597,584	–	**597,584**
Loans to customers	–	–	2,078,881	**2,078,881**
Total	**76,393**	**677,214**	**2,078,881**	**2,832,488**

28. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

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

Analysis by credit quality of loans to customers outstanding that are collectively assessed for impairment as at 31 December 2021 is as follows:

As at 31 December 2021	Gross loans	Allowance for expected credit losses	Net loans
Retail loans to customers			
Not past due	774,313	(22,848)	751,465
Overdue:			
up to 30 days	93,906	(14,731)	79,175
31 to 60 days	27,744	(8,925)	18,819
61 to 90 days	2,480	(897)	1,583
91 to 180 days	7,385	(2,670)	4,715
over 180 days	29,984	(25,770)	4,214
Total collectively assessed loans	**935,812**	**(75,841)**	**859,971**
Car loans to customers			
Not past due	1,375,687	(48,972)	1,326,715
Overdue:			
up to 30 days	379,408	(55,506)	323,902
31 to 60 days	114,998	(32,072)	82,926
61 to 90 days	35,874	(12,975)	22,899
91 to 180 days	59,773	(21,610)	38,163
over 180 days	431,792	(356,393)	75,399
Total collectively assessed loans	**2,397,532**	**(527,528)**	**1,870,004**
Total loans to customers	**3,333,344**	**(603,369)**	**2,729,975**

28. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

Analysis by credit quality of loans to customers outstanding that are collectively assessed for impairment as at 31 December 2020 is as follows:

As at 31 December 2020	Gross loans	Allowance for expected credit losses	Net loans
Retail loans to customers			
Not past due	250,448	(20,951)	229,497
Overdue:			
up to 30 days	79,625	(14,493)	65,132
31 to 60 days	37,571	(10,431)	27,140
61 to 90 days	5,727	(2,944)	2,783
91 to 180 days	24,225	(14,848)	9,377
over 180 days	14,702	(11,591)	3,111
Total collectively assessed loans, retail	**412,298**	**(75,258)**	**337,040**
Car loans to customers			
Not past due	1,262,405	(104,331)	1,158,074
Overdue:			
up to 30 days	453,147	(83,353)	369,794
31 to 60 days	92,138	(30,604)	61,534
61 to 90 days	57,404	(21,473)	35,931
91 to 180 days	128,413	(78,711)	49,702
over 180 days	402,973	(336,167)	66,806
Total collectively assessed loans	**2,396,480**	**(654,639)**	**1,741,841**
Total loans to customers	**2,808,778**	**(729,897)**	**2,078,881**

Collateral

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

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

Impairment assessment

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis.

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

28. RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

In thousands of tenge	Unimpaired financial assets		Impaired financial assets		
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2021 Total
Cash and cash equivalents	129,246	(237)	–	–	**129,009**
Trade and other receivables	274,230	–	–	–	**274,230**
Loans to customers	2,323,458	(97,491)	1,009,886	(505,878)	**2,729,975**

In thousands of tenge	Unimpaired financial assets		Impaired financial assets		
	Gross carrying amount of assets	Amount of allowance for expected credit losses	Gross carrying amount of assets	Amount of allowance for expected credit losses	31 December 2020 Total
Cash and cash equivalents	189,568	(324)	–	–	**189,244**
Amounts due from financial institutions	600,000	(2,416)	–	–	**597,584**
Trade and other receivables	166,481	–	–	–	**166,481**
Loans to customers	1,712,514	(152,572)	1,096,264	(577,325)	**2,078,881**

Liquidity risk and funding management

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

28. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

In thousands of tenge	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 December 2021 Total
Interest-bearing financial assets							
Cash and cash equivalents	6.50%	–	–	200	–	–	**200**
Loans to customers	44.60%	24,640	56,650	441,466	1,714,622	492,597	**2,729,975**
Total interest-bearing financial assets		**24,640**	**56,650**	**441,666**	**1,714,622**	**492,597**	**2,730,175**
Non–interest bearing financial assets							
Cash and cash equivalents		128,809	–	–	–	–	**128,809**
Trade and other receivables		47,088	226,292	850	–	–	**274,230**
Total non–interest bearing financial assets		**175,897**	**226,292**	**850**	–	–	**403,039**
Total financial assets		**200,537**	**282,942**	**442,516**	**1,714,622**	**492,597**	**3,133,214**
Interest-bearing financial liabilities							
Borrowings from related parties	10.70%	–	551,966	–	1,522,125	–	**2,074,091**
Debt securities issued	7.50%	–	–	–	30,446	–	**30,446**
Lease liabilities	5.20%	–	–	4,651	19,948	–	**24,599**
Total interest-bearing financial liabilities		–	**551,966**	**4,651**	**1,572,519**	–	**2,129,136**
Non–interest bearing financial liabilities							
Borrowings from related parties		–	–	390,000	–	–	**390,000**
Trade and other accounts payable		418	19,725	–	101,902	–	**122,045**
Total non–interest bearing financial liabilities		**418**	**19,725**	**390,000**	**101,902**	–	**512,045**
Total financial liabilities		**418**	**571,691**	**394,651**	**1,674,421**	–	**2,641,181**
Difference between financial assets and financial liabilities		**200,119**	**(288,749)**	**47,865**	**40,201**	**492,597**	**492,033**
Difference between interest bearing financial assets and interest-bearing financial liabilities		**24,640**	**(495,316)**	**437,015**	**142,103**	**492,597**	**601,039**

28. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

In thousands of tenge	Average % rate	Less than 1 month/ on demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	31 December 2020 Total
Interest-bearing financial assets							
Financial assets at fair value through profit or loss	6.50%	–	–	40,941	–	–	**40,941**
Loans to customers	57.80%	18,216	14,256	155,193	1,622,961	268,255	**2,078,881**
Total interest-bearing financial assets		**18,216**	**14,256**	**196,134**	**1,622,961**	**268,255**	**2,119,822**
Non–interest bearing financial liabilities							
Cash and cash equivalents		148,303	–	–	–	–	**148,303**
Amounts due from financial institutions		–	–	597,584	–	–	**597,584**
Trade and other receivables		–	166,481	–	–	–	**166,481**
Total non–interest bearing financial assets		**148,303**	**166,481**	597,584	**–**	**–**	**912,368**
Total financial assets		**166,519**	**180,737**	**793,718**	**1,622,961**	**268,255**	**3,032,190**
Interest-bearing financial liabilities							
Borrowings from related parties	11.08%	–	–	–	1,241,373	–	**1,241,373**
Borrowings from related parties	12.00%	–	–	1,793,561	–	–	**1,793,561**
Lease liabilities	5.33%	–	4,708	14,497	35,236	–	**54,441**
Total interest-bearing financial liabilities		**–**	**4,708**	**1,808,058**	**1,276,609**	**–**	**3,089,375**
Trade and other payables		–	–	65,527	–	–	**65,527**
Total non–interest bearing financial liabilities			**–**	**65,527**	**–**	**–**	**65,527**
Total financial liabilities		**–**	**4,708**	**1,873,585**	**1,276,609**	**–**	**3,154,902**
Difference between financial assets and financial liabilities		**166,519**	**176,029**	**(1,079,867)**	**346,352**	**268,255**	**(122,712)**
Difference between interest bearing financial assets and interest-bearing financial liabilities		**18,216**	**9,548**	**(1,611,924)**	**346,352**	**268,255**	**(969,553)**

28. RISK MANAGEMENT (CONTINUED)

Liquidity risk and funding management (continued)

The table below shows the financial liabilities of the Company as at 31 December 2021 and 2020, by maturity based on contractual undiscounted repayment obligations.

In thousands of tenge	Less than 3 months	3 to 12 months	1 to 5 years	31 December 2021 Total
Lease liabilities	3,714	9,558	12,790	**26,062**
Borrowings from third parties	681,249	393,969	1,677,172	**2,752,390**
Borrowings from related parties	–	390,000	–	**390,000**
Total	**684,963**	**793,527**	**1,689,962**	**3,168,452**

In thousands of tenge	Less than 3 months	3 to 12 months	1 to 5 years	31 December 2020 Total
Lease liabilities	5,400	16,200	37,560	**59,160**
Borrowings from third parties	58,432	719,168	752,389	**1,529,989**
Borrowings from related parties	64,578	889,738	1,650,321	**2,604,637**
Total	**128,410**	**1,625,106**	**2,440,270**	**4,193,786**

Market risk

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

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

Currency risk

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

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2021 and 2020, on its non–trading monetary assets and liabilities and its forecasted cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the tenge, with all other variables held constant on the statement of profit or loss and other comprehensive income (due to the fair value of currency sensitive non–trading monetary assets and liabilities). All other variables are held constant.

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

In thousands of tenge	Tenge	US dollar	Euro	Russian ruble	Total
Financial assets					
Cash and cash equivalents	129,009	–	–	–	**129,009**
Trade and other receivables	259,988	–	1,548	12,694	**274,230**
Loans to customers	2,729,975	–	–	–	**2,729,975**
Total financial assets	**3,118,972**	–	**1,548**	**12,694**	**3,133,214**
Financial liabilities					
Borrowings from third parties	14,388	–	2,059,703	–	**2,074,091**
Borrowings from related parties	390,000	–	–	–	**390,000**
Trade and other payables	16,625		105,420	–	**122,045**
Debt securities issued	–	30,446	–	–	**30,446**
Total financial liabilities	**421,013**	**30,446**	**2,165,123**	–	**2,616,582**
Open position	**2,697,959**	**(30,446)**	**(2,163,575)**	**12,694**	**516,632**

28. RISK MANAGEMENT (CONTINUED)

Currency risk (continued)

Financial assets and liabilities of the Company in terms of currency as at 31 December 2020:

In thousands of tenge	Tenge	US Dollar	Euro	Russian ruble	Total
Financial assets					
Cash and cash equivalents	131,627	57,603	14	–	**189,244**
Amounts due from financial institutions	597,584	–	–	–	**597,584**
Trade and other receivables	12,053	–	154,428	–	**166,481**
Loans to customers	2,078,881	–	–	–	**2,078,881**
Total financial assets	**2,820,145**	**57,603**	**154,442**	–	**3,032,190**
Financial liabilities				–	
Borrowings from third parties	115,653	–	1,125,720	–	**1,241,373**
Borrowings from related parties	–	–	1,793,561	–	**1,793,561**
Trade and other payables	6,651		58,876	–	**65,527**
Total financial liabilities	**122,304**	**–**	**2,978,157**	–	**3,100,461**
Open position	**2,697,841**	**57,603**	**(2,823,715)**	–	**(68,271)**

Analysis of sensitivity to the foreign exchange market

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

In thousands of tenge	**2021**		2020	
Currency	**Change in exchange rate in%**	**Effect on profit before corporate income tax expense**	Change in exchange rate in%	Effect on profit before corporate income tax expense
US dollar	**20%**	**(6,089)**	20%	11,521
US dollar	**-20%**	**6,089**	-20%	(11,521)
Euro	**20%**	**(432,715)**	20%	(564,743)
Euro	**-20%**	**432,715**	-20%	564,743
Russian ruble	**20%**	**2,539**	20%	–
Russian ruble	**-20%**	**(2,539)**	-20%	–

Prepayment risk

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

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

28. RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Control system should include effective segregation of duties, access, authorisation and reconciliation procedures, staff trainings and assessment processes, including the use of internal audit. Operational Risks Manager and Compliance Officer under Legal Department together with the Management Board are responsible for managing of operational risks inherent to the Company's products, activities, procedures and systems. Within scope of intervention, Compliance Officer monitors the consistency and effectiveness of the control of the Risk of non–compliance in the Company.

Price risk

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

29. CAPITAL MANAGEMENT

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

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

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

In 2021, in accordance with the changes in the legislation on microfinance organizations, the Company was registered as a microfinance organization. In accordance with the effective capital requirements, set by the NBRK, the Company must maintain capital adequacy ratio (k1) not lower than 0.1, maximum risk per borrower (k2) not greater than 0.25 and leverage ratio (k3) not greater than 10. As at 31 December 2021, the capital adequacy ratio exceeds the statutory minimum: k1 – 0.251; k2 – 0.023; and k3 – 2.99.

30. TRANSACTIONS WITH RELATED PARTIES

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

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

Principal transactions with related parties as at 31 December 2021 and 2020 are presented as follows:

In thousands of tenge	Notes	31 December 2021		31 December 2020	
		Balances by related parties	**Total for the category**	**Balances by related parties**	**Total for the category**
Trade and other receivables	9	–	274,230	133,904	166,481
Trade and other payables	19	–	(122,045)	(57,479)	(65,527)
Borrowings from related and third parties	17	(390,000)	(390,000)	(1,793,561)	(1,793,561)

30. TRANSACTIONS WITH RELATED PARTIES

Principal transactions with related parties for 2021 and 2020 are presented as follows:

In thousands of tenge	Notes	2021		2020	
		Transactions with related parties	**Total for the category**	**Transactions with related parties**	**Total for the category**
Income and expenses during the year					
Interest income		(57,894)	(265,065)	(317,629)	(354,963)
Administrative expenses		(15,347)	(571,359)	(41,964)	(560,671)
Other operating income		21,684	309,386	56,751	123,749

31. EVENTS AFTER THE REPORTING DATE

Borrowings from third parties

In March 2022, the Company repaid its debt to Mogo Finance S.A. in the total amount of 551,966 thousand tenge.

State of emergency due to protests in Kazakhstan

On 2 January 2022, rallies were held in the Mangistau region against a sharp increase in the price of liquefied gas, which later turned into mass protests across the country with economic and political demands. On 4 and 5 January 2022, protesters clashed with law enforcement officers in Almaty, which resulted in damage to public and private property, looting and other crimes.

To ensure order and normalize the situation in the country, the President of the Republic of Kazakhstan introduced a State of Emergency for the period from 5 January to 19 January 2022, throughout the territory of Kazakhstan, and also received assistance from countries that are members of the Collective Security Treaty Organization. The measures taken by the President included the imposition of a curfew, strengthening measures to protect especially important state and strategic facilities, as well as facilities that ensure the vital activity of the population and the functioning of transport, the imposition of restrictions on movement, holding meetings and rallies, and other measures aimed at ensuring the safety of the population.

The management assessed the impact of these events on the Company's operations and financial results and concluded that the state of emergency due to the protests in Kazakhstan had no impact on the Company's financial statements.

The situation in Ukraine and sanctions against the Russian Federation

On 24 February 2022, the Russian Federation began hostilities on the territory of Ukraine. During the hostilities of the units of the Russian armed forces, attacks were carried out on the military infrastructure of Ukraine, aviation, air defense facilities and military airfields, and some settlements and cities of Ukraine were blocked. In Ukraine, a state of emergency was introduced, the evacuation of the civilian population of Ukraine began in the direction of countries near and far abroad. The actions of the Russian Federation were strongly condemned by most countries of the world community, international organizations and led to new sanctions against the Russian Federation. On 26 February 2022, the leaders of France, Germany, Italy, Great Britain, Canada and the United States issued a joint statement on further restrictive economic measures against Russia. In particular, these measures include the exclusion of certain Russian banks from the SWIFT messaging system (worldwide interbank financial communication channel), the introduction of restrictive measures against the Central Bank of Russia, certain commercial banks and Russian officials, the imposition of a ban on the export of certain goods and technologies, and as well as a ban on the provision of related insurance services. Against the backdrop of the situation around Ukraine and increased geopolitical risks, volatility in the financial markets has risen sharply, and energy prices have risen.

31. EVENTS AFTER THE REPORTING DATE (CONTINUED)

The situation in Ukraine and sanctions against the Russian Federation (continued)

Due to the fact that the imposition of sanctions against the Russian Federation has an indirect impact on the economy of the Republic of Kazakhstan, this was reflected in the change in the exchange rate of the tenge. In order to ease the pressure on the tenge, the National Bank of Kazakhstan conducts foreign exchange interventions to “reduce the unreasonable impact of excessive fluctuations of the ruble on the tenge” As at the date of signing of these financial statements, the exchange rate of the tenge against the US dollar and Euro is 449.55 and 477.11 tenge respectively.

As at the date of issue of the financial statements, management assessed the impact of these events on the Company's operations and financial results and concluded that the situation in Ukraine and sanctions against the Russian Federation had no impact on the Company's financial statements.