



SOARING TO **NEW** HEIGHTS

ANNUAL REPORT | 2023



COMPANY PROFILE

"KMF" Microfinance Organisation" LLC (KMF, the Company) has been the undisputed leader of the Kazakhstani microfinance market for many years. The main focus of the Company is on financing micro and small businesses mainly in rural areas. Since its foundation, KMF has invested over KZT 1.8 trillion in the Kazakhstan economy, disbursing over 3.4 million loans mainly in rural areas.

KMF has an extensive branch network, including 17 branches and 109 outlets in the territory of the Republic of Kazakhstan. Branches are located in the cities of Almaty, Astana, Aktobe, Zhezkazgan (Ulytau), Karaganda, Kokshetau, Kostanay, Kyzylorda, Pavlodar, Petropavlovsk, Semey, Taldykorgan, Taraz, Turkestan, Ust-Kamenogorsk, Uralsk and Shymkent.

KMF was established in 1997 with the support of USAID and was originally called the "Kazakhstan Loan Fund". On January 5, 2015, "KazMicroFinance" MCO LLC underwent the re-registration procedure in the justice authorities and changed its name to "KMF" Microfinance Organisation LLC". On February 6, 2023, the General

Meeting of Participants of the Company decided to change its legal form from a limited liability company to a joint-stock company. The procedure of re-registration of the Company and its transformation into a joint-stock company was completed on May 30, 2024.

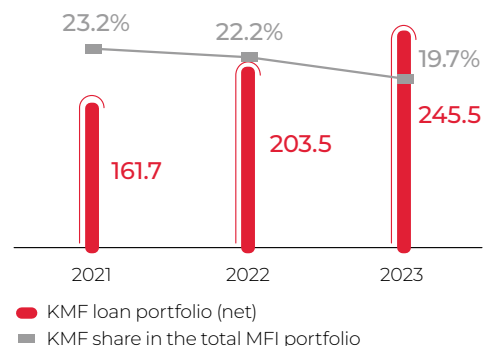
The Company has received international recognition as a socially oriented company, acting in accordance with the principles of client protection, which allowed it to establish fruitful cooperation with international development institutions. The Company's partners include IFC, EBRD, OeEB, SIFEM, Proparco, ADB, EIB. The Company closely cooperates with major international organizations engaged in microfinance: responsAbility, Triodos, Triple Jump, Incofin, DWM, BlueOrchard, Symbiotics, Frankfurt School.

A priceless contribution to the development of the Company was also made by Kazakhstani financial organizations, such as Altyn Bank, Halyk Bank, ForteBank, as well as DAMU Entrepreneurship Development Fund.

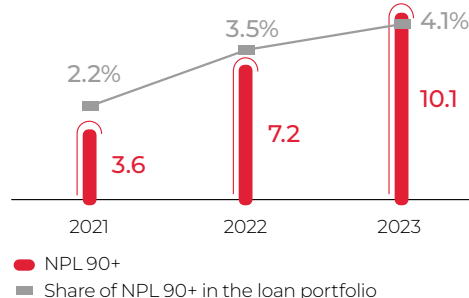


DYNAMICS OF KEY INDICATORS

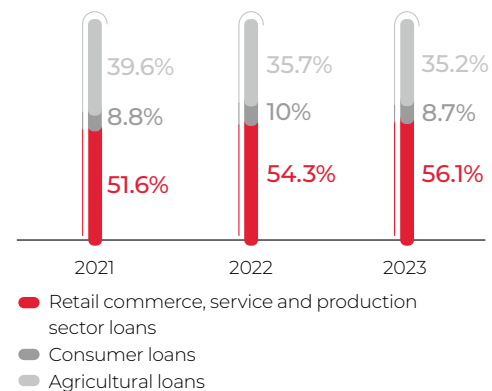
Loan portfolio and market share, billion tenge at period-end



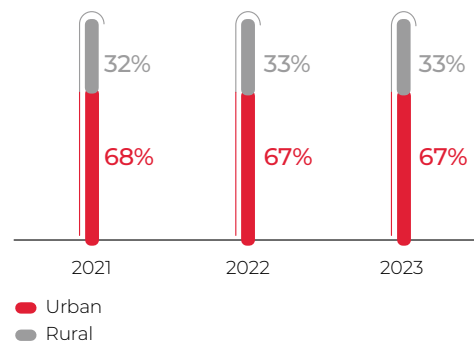
PaR90+, billion tenge at period-end



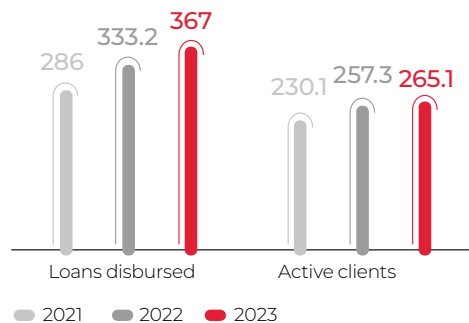
Structure of the loan portfolio, by lending types, at period-end



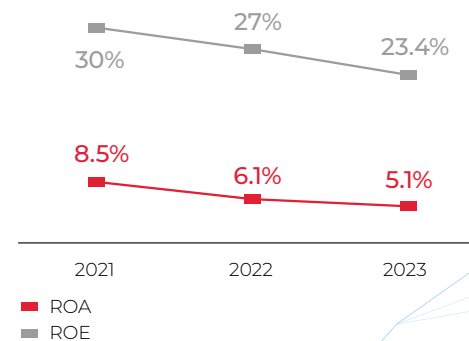
Structure of the client base, by place of residence / carrying out of activities, at period-end



Number of active clients and loans disbursed, in thousand at period-end



Dynamics of profitability indicators



LANDMARK EVENTS OF THE REPORTING YEAR

JANUARY

- ▶ Opening of Orda outlet in Kyzylorda

FEBRUARY

- ▶ Start of transition to IT solutions of Colvir Software Solutions as part of the plan to automate business processes and transform into a bank
- ▶ IFC provided KMF with a \$20 million loan to support entrepreneurs

MARCH

- ▶ Launch of KMF-Qurmet loyalty program
- ▶ Opening of "Auyl Bereke" sub-office in Taraz
- ▶ KMF was awarded "The Best Financial Partner for Financing Micro-Businesses and SMEs" by the European Bank for Reconstruction and Development
- ▶ Signing of a loan agreement with Proparco for \$30 million

APRIL

- ▶ Opening of Teriskey sub-office in Turkestan region
- ▶ Holding an agro-forum in Taraz together with KMF-Demeu Fund

MAY

- ▶ EBRD provided KMF with a \$35 million loan to finance women's entrepreneurship and support "green" initiatives
 - ▶ KMF became a sponsor of a large-scale exhibition of Kazakh producers "Ulttyq Onim 2023"
- Holding agro-forums in Saryagash and Shieli village

AUGUST

- ▶ Fitch Ratings affirmed KMF's Long-Term Issuer Default Rating (IDR) at 'B+' with a 'stable' outlook

OCTOBER

- ▶ Launch of a joint project of KMF and OLX to enable marketplace clients to obtain microloans online
- ▶ Holding the KMF Isker Hanymy 2023 award ceremony to support women's entrepreneurship

NOVEMBER

- ▶ US Fund Accion has awarded a \$100,000 grant to the KMF Product Lab to develop ecosystem products

MESSAGE FROM THE CEO

Dear Clients, Partners, Investors and Colleagues!

We present to your attention the Annual Report of KMF Microfinance Organisation for 2023. While following the principles of openness and transparency of business, the annual report reflects the results of our activities in the reporting year to the maximum extent possible.

I would like to note that this report summarizes the results of our activities as a microfinance organization. We have made one of the most important decisions for the development of the company – to transform into a second-tier bank. I believe that this transition will open up a wide range of new opportunities for us. We will be able to expand our product range and open a full package of financial services to our clients.

These changes will contribute to the realization of KMF strategy, which we adopted at the very beginning of the company's existence – support of micro, small and medium businesses, development of agro-industrial sector and support of women entrepreneurship in the Republic of Kazakhstan. For 27 years, we have stayed loyal to our strategy and believe that the transformation into a bank will help us to further develop our activities in this direction.

In 2023, KMF disbursed 91% of loans for the purposes of commerce, services, manufacturing and agriculture. In general, speaking about our performance, I am proud to note that KMF has not slowed down its development. Our loan portfolio grew by 21% compared to 2022; we disbursed over 367,000 loans and kept our portfolio-at-risk at a low level of 4.11%.

The efforts of the entire company in building a diversified and short-term loan portfolio were justified by the assessment of KMF's default rating at 'B+' with a 'Stable' outlook by the international company Fitch Ratings. KMF's national rating was also affirmed at 'BBB (kaz)' with a 'Stable' outlook.

One of our advantages has always been access to domestic and international financing. In 2023, through our collaboration with major financial institutions, we continued to expand our capabilities. IFC, a member of the World Bank Group, and the European Bank for Reconstruction and Development (EBRD) together provided us with more than \$55 million, which was used to support rural entrepreneurs, women-owned businesses, and green economy projects. And as a result of our commitment to our strategy, KMF was awarded "The Best Financial Partner for Financing Micro-Businesses and SMEs" by the EBRD.

Growth and development of clients, employees and partners is the path KMF has been following for over 26 years. Despite the classical approach to microfinance, we pay great attention to the introduction of digital technologies. Digitalization at KMF means applying modern methods of team management, creating unique digital products so that every client, even in the most remote region, can receive a decent service that fully meets their needs.

Last year we launched the process of introducing the Agile approach among the top and middle management of the company. Using the example of the IT department,

Shalkar Zhussupov

CEO of
JSC "Microfinance Organization "KMF"

we saw that Agile helps employees to be closer to the client, to have more freedom and responsibility for their product.

Thanks to this approach, the company cultivates a flexible way of thinking, because in the current realities managing “as before” is no longer possible. Products become obsolete before they reach the market, and it is necessary to continuously generate and test hypotheses, not be afraid of mistakes, and quickly implement ideas. KMF has always been a proactive leader, which is why the Agile approach fits perfectly into our culture.

Summarizing the results of the past year, I would like to distinguish and thank the entire team of our company. All these achievements are the result of efforts of the KMF team. Employees, who put the interests of clients as their main goal, constantly work on improving services and conditions for them, are the main asset of our company. Thanks to the professionals working in KMF, every year we can set ambitious goals and be sure that we will be able to achieve them.

Best regards,
Shalkar Zhussupov
CEO of
JSC “Microfinance Organization “KMF”



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GENERAL INFORMATION

“Microfinance Organisation “KMF” LLC (from May 30, 2024 – JSC “Microfinance Organisation “KMF”) is the longest-standing MFO in Kazakhstan and the undisputed flagship of the Kazakhstani microfinance market for many years. The company is focused on financing micro and small businesses mainly in rural areas, as well as women entrepreneurship. Since its foundation, KMF has invested over KZT 1.8 trillion in Kazakhstan's economy, disbursing over 3.4 million loans mainly in rural areas.

KMF was established in 1997 with the support of USAID and was originally called the “Kazakhstan Loan Fund”. On January 5, 2015, “KazMicroFinance” MCO LLC underwent the re-registration procedure in the justice authorities and changed its name to “KMF Microfinance Organization LLC”. On February 6, 2023, the General Meeting of Participants of the Company decided to change its legal form from a limited liability company to a joint-stock company. The procedure of re-registration of the Company and its transformation into a joint-stock company was completed on May 30, 2024.

KMF has an extensive branch network, which as of the end of the reporting year included 17 branches and 109 outlets in the territory of the Republic of Kazakhstan. Branches are located in the cities of Almaty, Astana, Aktobe, Zhezkazgan (Ulytau), Karaganda, Kokshetau, Kostanay, Kyzylorda, Pavlodar, Petropavlovsk, Semey, Taldykorgan, Taraz, Turkestan, Ust-Kamenogorsk, Uralsk and Shymkent.

The Company has received international recognition as a socially oriented company, acting in accordance with the principles of client protection, which allowed it to establish fruitful cooperation with international development institutions. The Company's partners include IFC, EBRD, OeEB, SIFEM, Proparco, ADB, EIB.

The Company's partners also include the reputed foreign organizations engaged in microfinance: responsAbility, Triodos, Triple Jump, Incofin, DWM, BlueOrchard, Symbiotics, Frankfurt School. A priceless contribution to the development of the Company was also made by Kazakhstani financial organizations, such as Altyn Bank, Halyk Bank, ForteBank, as well as DAMU Entrepreneurship Fund.

HISTORY OF THE COMPANY

In 1996, the United States Agency for International Development (USAID) announced a competition for the allocation of funds for the implementation of microfinance development projects in Kazakhstan. The international non-governmental organization ACDI / VOCA, headquartered in Washington (USA), won the competition and received funding from USAID in the amount of \$14 million for the implementation of its project.

ACDI / VOCA became the founder of “Kazakhstan Community Loan Fund” non-for-profit corporate fund, which started operating on November 20, 1997. Initially, Kazakhstan Community Loan Fund disbursed unsecured short-term microloans in the amount of 7,500 tenge (approximately \$100 at the exchange rate as of the end of 1997), which were backed by group and several joint liabilities.

In March 2003, Kazakhstan adopted the Law “On Microcredit Organizations”¹, which became the basic legal act to regulate microfinance in Kazakhstan. In order to align its legal status with the new regulatory requirements, in 2004 Kazakhstan Community Loan Fund was re-registered as Kazakhstan Loan Fund microcredit

organization (KLF), which continued to be non-commercial in nature.

Further development of Kazakhstan Loan Fund, including in terms of expanding opportunities for attracting additional debt financing, required a transition to a commercial format. In November 2006, KLF founded a subsidiary commercial organization KazMicroFinance MCO LLC, and in 2007 KLF transferred all core microlending activities, loan portfolio, fixed assets and liabilities to KazMicroFinance MCO LLC. In 2008, by the decision of ACDI / VOCA, Kazakhstan Loan Fund changed its name to KMF-Demeu.

In connection with the enactment in November 2012 of the law “On Microfinance Organizations”², on January 5, 2015, KazMicroFinance MCO LLC was re-registered in the justice authorities and changed its name to LLC “Microfinance Organization “KMF”.

On 30 May 2024, the company was transformed into a joint stock company and changed its name to “Microfinance Organisation “KMF” JSC”.

¹ Law of the Republic of Kazakhstan dated March 6, 2003 No.392. Ceased to be in force by virtue of the Law of the Republic of Kazakhstan dated November 26, 2012 No. 56-V “On microfinance activities”.

² Law of the Republic of Kazakhstan No. 56-V of 26 November 2012 “On Microfinance Activities”.

Landmark events in the history of KMF

- 1997**
 - Registration of Kazakhstan Community Loan Fund on November 20, 1997 and opening of an outlet in Taldykorgan
 - Disbursement of the first loans to 21 residents of the city
- 1998**
 - Number of Kazakhstan Community Loan Fund's clients increased to 1,000 people
 - The first issue of "Isker" customer edition was published
- 1999**
 - Adoption of the first three-year strategy of the Company, which defined the mission and key strategic goals, as well as captured the decision to scale KLF's activities in Kazakhstan
- 2000**
 - Opening of a branch in Shymkent
- 2001**
 - Opening of a branch in Almaty
 - Adoption of the methodology of individual micro-lending
- 2002**
 - The Company celebrated its fifth anniversary. The number of clients reached 4,487 people, and the loan portfolio increased to 217.5 million tenge
 - Adoption of the methodology of micro-lending for consumer purposes
- 2003**
 - Opening of branches in Turkestan and Taraz, opening of the first office in a regional center
 - The Company received its first financial rating from M-Crill international rating agency (India) with the highest score
- 2004**
 - Kazakhstan Community Loan Fund was transformed into a non-for-profit microcredit organization Kazakhstan Loan Fund
 - M-Crill rating agency affirmed the Company's rating
- 2005**
 - Opening of a branch in Astana
 - Adoption of the methodology of micro-lending for agricultural producers
- 2006**
 - Kazakhstan Loan Fund established a subsidiary commercial organization KazMicroFinance MCO LLC. All clients and employees of KLF were transferred to a new organization
 - Opening of branches in Kostanay and Kyzylorda
 - World Bank's Mix Market informational platform gave KazMicroFinance MCO LLC the highest score – "Five Diamonds". The Company ranked third in Mix Market's rating in terms of loan portfolio quality among the top 100 MFOs in the world

- 2007**
 - The US financial and economic magazine Forbes included KazMicroFinance MCO LLC in Top 50 MFOs in the world, where the Company ranked 37th
- 2008**
 - By decision of the founder – ACDI/VOCA non-for-profit corporation – KLF was transformed into KMF-Demeu Corporate Fund
- 2009**
 - USAID recognized KazMicroFinance MCO LLC the best organization in Kazakhstan in the field of economics and presented the Company an award "For effective management and leadership in financial inclusion for micro-entrepreneurs"
 - KazMicroFinance MCO LLC changed its corporate style: the short "KMF" logo began to be used both in external and internal design
- 2010**
 - Branches were opened in Ust-Kamenogorsk, Kokshetau, Pavlodar, Semey
 - The international non-for-profit organization Center for Financial Inclusion recognized the Company as the best MFO as part of the Smart Campaign initiative and awarded it "For success in protecting the client rights"
- 2011**
 - A branch was opened in Aktobe
 - By the decision of the General Meeting of the Founders of the Company in 2011, the Supervisory Board was formed at KazMicroFinance MCO LLC, which included qualified and experienced professionals
- 2012**
 - The Company celebrated its fifteenth anniversary: by November 2012, KMF's loan portfolio reached 12 billion tenge
- 2013**
 - A branch was opened in Uralsk
 - The Company, together with KMF-Demeu corporate fund, launched a project to improve the financial literacy of the population of Kazakhstan. The initiative involves distribution of free brochures with lessons and a presentation at the company's offices for borrowers. Lessons were also available in Kazakh and Russian on the website of KMF-Demeu Fund
- 2014**
 - A branch was opened in Petropavlovsk
 - The Company raised international capital investments in the amount of \$13.6 million. The largest international funds responsAbility Management Company S.A., responsAbility SICAV (Lux), Triodos Custody B.V., TRIODOS SICAV II became the Company's participants



- 2015**
- The Company became the first in Kazakhstan and the 31st in the world to receive the Smart Campaign certificate, which confirms the compliance of the Company's business processes and policies with the principles of social protection of clients
- 2016**
- In accordance with changes in the legislation, the Company was re-registered as an MFO and began to bear the name "KMF Microfinance Organization LLC"
 - The Company began cooperation with the EBRD under the "Women in Business" project to provide microloans to women-entrepreneurs
 - The Company began cooperation with Damu Entrepreneurship Development Fund in three areas of lending to microentrepreneurs: direct financing, providing funds under a guarantee and providing funds as an operator of state programs
- 2017**
- KMF celebrated its twentieth anniversary: the Company's loan portfolio exceeded 80 billion tenge, and the number of borrowers surpassed 200 thousand people. Over 20 years of its operation, the Company has disbursed a total of 1.7 million microloans in the amount of over 560 billion tenge
 - KMF organized the first international conference in Kazakhstan on financial literacy of the population
- 2018**
- The Company received the largest syndicated loan in the history of the MFO market in the amount of \$44 million from the International Finance Corporation (IFC), which is a member of the World Bank Group
- 2019**
- KMF received the first syndicated loan from the EBRD in Kazakhstan in the amount of \$50 million to finance micro, small and medium-sized enterprises
 - KMF became a finalist of the prestigious European Microfinance Award 2019, entering the top three MFOs in the world with the "Mobile Expert" project
- 2020**
- KMF received a \$40 million loan from the EBRD in tenge equivalent to support Kazakh entrepreneurs during the COVID-19 pandemic
 - A mobile application for customers was launched, the number of users of which by the year-end exceeded 150 thousand
 - A borrower support program that covered dozens of thousands of clients was developed and successfully implemented
 - KMF received an award from the EBRD for success in the adoption and implementation of sustainable development projects in the field of gender and economic integration
 - KMF, having received a \$5 million credit facility in tenge equivalent, became the first Kazakhstani partner of the EBRD under the "Green Finance" program

- 2021**
- The company raised 10 billion tenge on the securities market by placing two bond issues on KASE with a coupon rate of 13% and a two-year maturity
 - The company launched a car loan program through a partner network of dealership centers
 - An automated scoring of all applications from loan officers was launched
 - The international agency Fitch Ratings assigned the Company a long-term issuer default rating of 'B+' with a 'Stable' outlook
- 2022**
- Launch of the updated mobile application "KMF MFO"
 - KMF and KMF-Demeu corporate fund made \$2 million capital investment to MOST Venture Fund
 - Opening of branches in Aralsk (Kyzylorda region) and Urzhar (East Kazakhstan region), as well as in Zhetyssay district of Turkestan region
 - Fitch Ratings affirmed KMF's long-term issuer default rating at 'B+' / outlook 'Stable'
 - KMF signed a \$15 million loan agreement with the Asian Development Bank to expand financial inclusion for micro, small and medium-sized enterprises in Kazakhstan
 - KMF signed a \$25 million loan agreement with the EBRD for lending to SMEs led by women
 - Holding an agricultural forum dedicated to the 25th anniversary of KMF in the village of Zhanakorgan, Kyzylorda region, with the support of KMF Demeu Corporate Fund
 - Opening of a smart office in Almaty
 - Release of the book "25 Customer Stories" in honor of the 25th anniversary of the Company
- 2023**
- Orda outlet was opened in Kyzylorda
 - The Company started transition to IT-solutions of Colvir Software Solutions as part of the plan to automate business processes and transform into a bank
 - Launch of loyalty program "KMF-Qurmet"
 - KMF was awarded "The Best Financial Partner for Financing Micro-Businesses and SMEs" by the European Bank for Reconstruction and Development
 - KMF became a sponsor of a large-scale exhibition of Kazakh producers "Ulttyq Onim 2023"
 - Holding agro-forums in Taraz, Saryagash and Shieli village
 - Holding the KMF Isker Hanymy 2023 award ceremony to support women's entrepreneurship. Launch of a joint project of KMF and OLX to enable marketplace clients to obtain microloans online



PRODUCTS OF THE COMPANY

KMF-Isker line – lending for entrepreneurial activities




PRODUCTS OF THE COMPANY

KMF-Niyet line – consumer lending

KMF-Insurance lineup

The Company's clients have an opportunity to receive a range of insurance services via KMF mobile application. The insurer is JSC “Basel Insurance Company”.




KMF-NIYET

Loan amount: from 50 thousand to 3 million tenge

Maturity: from 3 to 60 months

- Consumer microcredit for any purpose and for any task, including repairs, travel, buying a car, paying for education, major purchases




KMF-ONLINE

Loan amount: from 50 thousand to 3 million tenge

Maturity: from 3 to 36 months

- Microcredits are processed in 15 minutes on the KMF app with funds transferred to a bank card




KMF-AUTO

Loan amount: from 300 thousand to 20 million tenge

Maturity: from 3 to 84 months


- Microcredits for the purchase of cars through the Partner's network



MANDATORY INSURANCE OF CIVIL LIABILITY OF MOTOR VEHICLE OWNERS (MIGLMVO)

Policy term: 12 months


- By purchasing the service through the KMF mobile application, you can track your policy online, reissue it and submit documents for payment without having to visit the insurance company's office



MINI KASKO

Policy term: 12 months

- Voluntary motor insurance covering damage to a motor vehicle caused by road traffic and other accidents



VOLUNTARY INSURANCE FOR TRAVELLERS ABROAD

Policy term: from 1 day up to 1 year

Sum insured: from \$10 to \$100,000

- Voluntary insurance against sudden illness, accident or loss of luggage when travelling abroad

PRODUCTS OF THE COMPANY

Additional non-financial services

The Company's clients have the opportunity to access additional services, including medical advice and access to the electronic trading platform, via a mobile application.



MEDICINE ONLINE

The service is purchased for a 12 month period

'Individual' package – unlimited access to consultations with a therapist and specialist doctors

Family' package – up to 5 family members can receive the service

- ▶ Remote doctor consultations with our telemedicine service provider "Dariger Online"



KMF-BAZAR

Wholesale of livestock, meat, dairy products and plant products

- ▶ Online platform for selling agricultural products and services

GEOGRAPHIC FOOTPRINT

KMF services are available in all regions of Kazakhstan. The company has an extensive branch network, including 17 branches and 109 sales offices throughout the country.



 **17**
branches

 **120**
outlets

 **4,000**
remote settlements

 **700**
personal manager

 **more than 2,000**
employees





CORPORATE STRATEGY

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MISSION AND VISION OF THE COMPANY'S POSITION IN THE INDUSTRY



OUR MISSION:

The best microfinancing for your prosperity



OUR VISION:

Global leader in microfinance

To achieve our mission, we strive:

- » to achieve coverage of all target groups of clients, including representatives of small, micro and agribusiness;
- » to apply the best microfinance practices in our activities;
- » to develop a culture of providing microfinance services;
- » to expand access to microfinance services in rural areas;
- » to contribute to the prosperity of customers.

CORPORATE VALUES OF KMF



Knowledge

- Uniqueness
- Responsibility
- Quality

For twenty years of **responsible** and **high-quality** work, we have accumulated **unique** experience and knowledge. This helped us become a leader in the microfinance market. But we rely not only on the successes of the past. The unquenchable thirst for new knowledge is an important driving force of KMF.

UNIQUENESS

Knowledge of our business, combined with the fact that we **understand**, appreciate and develop the individuality of everyone in the team, allows us to create a unique and sought-after offer on the market.

RESPONSIBILITY

We **know** how much depends on us, and we **realize** that responsibility is the foundation of long-term success. We **understand** that we are responsible to:

- our clients and partners;
- our team;
- our city, region, country.

QUALITY

We **apply the best international** microfinance **practices**. We **understand** the criteria for high quality and strive to meet them as much as possible in every action.



Motivation

- Innovation
- Development
- Flexibility

We motivate clients, because our service is aimed at their **development**. Our **innovative** products make workflows more **flexible**, convenient and efficient. And the success of our clients motivates our entire team.

INNOVATION

We are **inspired** by new. We are constantly looking for fresh, bold, more productive solutions, tools, technologies.

DEVELOPMENT

We are **focused** on continuous development of business, our products, our customers. We do not stand still. We sincerely believe that continuous development is the key to our success. We are **energetic** and productive because our development affects the well-being of our customers and our employees.

FLEXIBILITY

We are open to change. We **do not give up** in the face of unpredictability. We are always ready to be flexible, **try again and again**, look at the problem from a different perspective, see new opportunities, change and achieve success.



Freedom

- Accountability
- Care
- Confidence

We help our clients and employees find the freedom to achieve their goals. Financial freedom is built on the principles of **transparency** and mutual **trust**. And truly strong trust is based not only on a montilado manner of work, but also on a **caring** attitude.

ACCOUNTABILITY

Everything we do is honest, open and transparent. We have nothing to hide. It gives us confidence, freedom from negative emotions.

CARE

Sincerely caring about our customers and staff, we help them feel comfortable and **free**. Customer care necessarily includes an individual approach to each, faith in their success.

CONFIDENCE

We trust people. We believe in those whom other financial institutions do not believe in. Because we are **free** from stereotypes. We are sure that everyone has one more chance, everyone can become better.

DIGITAL TRANSFORMATION OF BUSINESS

KMF is aware that maintaining a leading position in the market and further full-fledged business development is impossible without the introduction of advanced digital technologies. The company is constantly working to automate all business processes, including reviewing customer applications and making decisions on microloans disbursement and developing digital communication channels with customers.

THE FIELD OF DIGITALIZATION	EXPECTED EFFECT
Creation of an automated decision-making center (ADMC)	<ul style="list-style-type: none"> • Significant reduction in the average time for consideration of customer applications; • Reducing the number of changes to the automated system associated with changes in lending conditions; • Managing the flow of loan applications within a single product; • Automation of the process of pre-credit verification of information about the borrower.
Implementation of a business process management system based on the Business Studio software product	<ul style="list-style-type: none"> • Creation of an electronic repository of business processes with a description of all business processes and procedures; • Application of a visual utility for the development of business processes; • Optimization of business processes; • Integration of information systems of the Company within business processes; • Flexible management of loan disbursement procedures; • Monitoring of business processes and their optimization.
Development of an automated human capital management system	<ul style="list-style-type: none"> • Automation of assessment of the level of competence of employees; • Automation of employee performance evaluation;

GOALS WITHIN THE CORPORATE STRATEGY

INDICATOR	2024	2025	2026	2027	2028
Number of borrowers, in thousands of active clients	300.8	345.4	397.2	460.9	538.2
Loan portfolio, bln tenge	297.1	344.5	403.2	437.7	561.0
Annual growth rate of the loan portfolio	15%	16%	17%	17%	18%
Growth in number of active clients	15%	15%	15%	16%	17%

A top priority of KMF’s corporate strategy is the digitisation of lending, which includes:

- Automating the loan application review and decision process;
- Developing and expanding the functionality of the mobile application;
- Developing cashless channels for loan disbursement and repayment;

- Launching BNPL (‘Buy Now – Pay Later’) digital products with instalment payment at the time of purchase of goods from a partner store that is a KMF borrower.





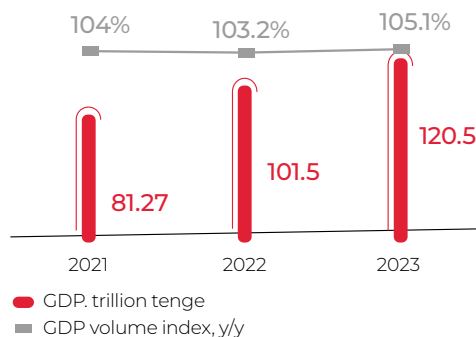
PERFORMANCE REPORT

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MACROECONOMIC CONDITIONS

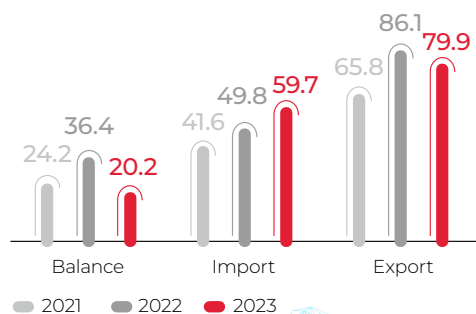
GDP dynamics, trillion tenge for the period



Kazakhstan's GDP in nominal terms increased to 120.5 trillion tenge in 2023, 18.7% higher than in the previous year. In real terms, GDP growth was 5.1%.

The highest growth was observed in trade (+11.3%) and construction (+13.3%). Industry grew by 4.2% in real terms, while agricultural production fell by 7.9%.

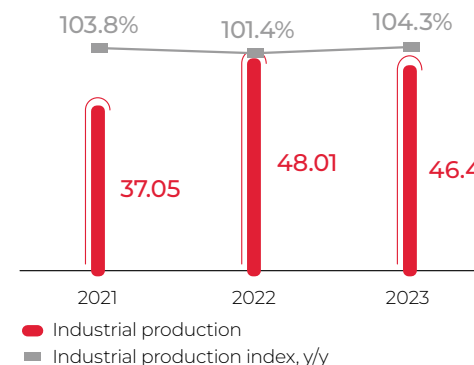
Export and import of goods, billion dollars for the period



Source: NB RK

Kazakhstan's exports decreased from \$86.1bn to \$79.9bn mainly due to the deterioration in global commodity markets. Imports increased \$49.8bn to \$59.7bn. The increase in imports with a decrease in exports led to a reduction in the trade surplus from \$36.4bn to \$20.2bn.

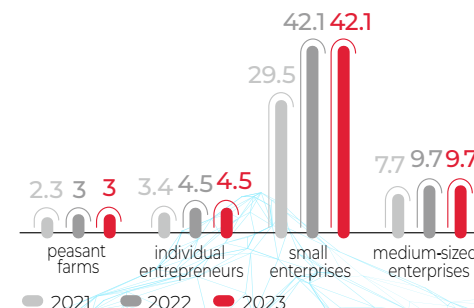
Volume of industrial production, trillion tenge for the period



Source: Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

Industrial production in 2023 totalled 46.4 trillion tenge, including mining – 21.8 trillion tenge, manufacturing – 21.6 trillion tenge. The growth of industrial production in real terms was 4.3%, mining – 4.6%, manufacturing – 4.1%.

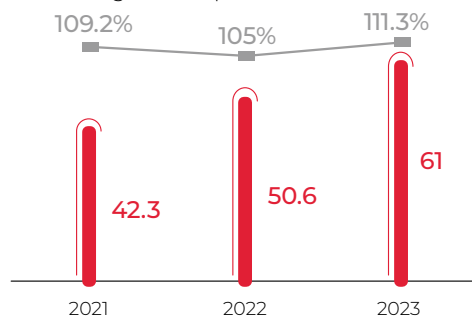
Output of products by SMEs, trillion tenge for the period



Source: Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

The output of products by SMEs grew by 16.0% and amounted to KZT68.7 trillion, of which KZT47.2 trillion is accounted for by small enterprises in the form of legal entities. The volume of output of medium-sized enterprises grew by 24.7%, small enterprises – by 12.2%, individual entrepreneurs – 49.9%. At the same time, the volume of output of peasant farms decreased by 9.5%.

Domestic trade, trillion tenge for the period

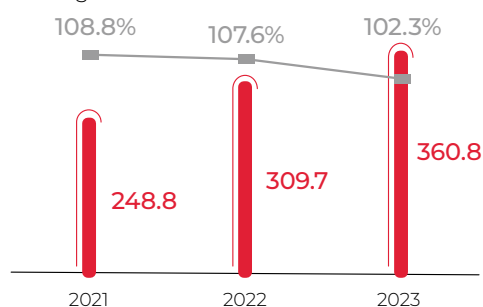


■ Internal commerce volume
■ Internal commerce volume index, y/y

Source: Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

The total volume of domestic trade (wholesale and retail) increased from KZT 50.6 trillion to KZT 61.0 trillion in 2022. At the same time, the Index of Actual Volume of domestic trade increased from 105.0% in 2022 to 111.3% in 2023.

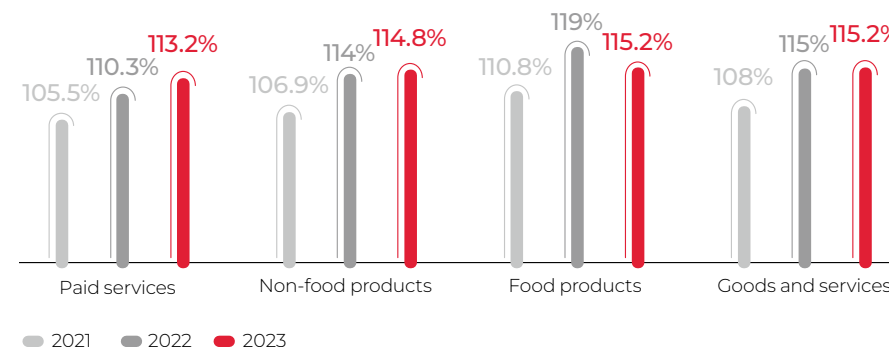
Average monthly nominal wage, th. tenge



■ Average monthly nominal wages
■ Real wage index, % of the previous year

Source: Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

The average monthly salary increased from 309.7 thousand tenge in 2022 to 360.8 thousand tenge in 2023. At the same time, the real growth of average wages decreased from 7.6% to 2.3% under the influence of inflationary processes.



Source: Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

The rate of consumer inflation in 2023 remained high: CPI in January-December totalled 115.2% against the same period of 2022, which was a record high.

Prices for food products increased by 15.2%, non-food products – by 14.8%, paid services – by 13.2%.

THE STATE OF THE MICROCREDIT MARKET

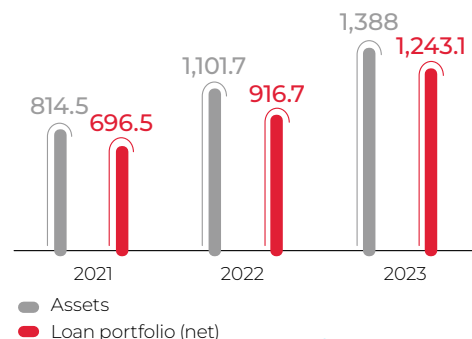
Demand for credit resources from businesses and households remains the main driver of growth in the microcredit industry. At the end of 2023, the total loan portfolio of MFOs (net) increased by 35.6% compared to 2021 and totalled KZT 1,243.1 billion. Total assets of MFOs increased by 26.0% and totalled 1.39 trillion tenge.

According to the National Bank of the Republic of Kazakhstan, the number of operating MFOs was 229 at the end of 2023. While in 2022 there was a decrease in the number of MFOs due to the withdrawal of weak players, in 2023 this process was

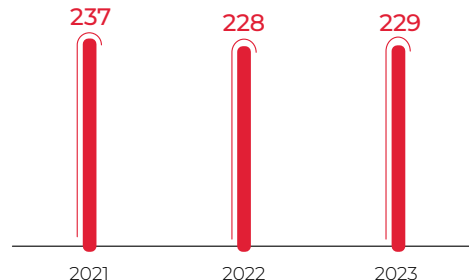
completed – the number of MFOs decreased by only one unit during the year.

The total volume of microloans with overdue payments increased from 154.3 to 220.0 billion tenge in 2023, and their share in the total loan portfolio of MFOs increased from 15.4% to 17.7%. The volume of non-performing loans (NPL 90+), i.e. loans with overdue payments over 90 days, increased in absolute terms from 61.9 to 77.1 billion tenge, while their share in the loan portfolio remained unchanged at 6.2%.

Assets and loan portfolio of MFOs, billion tenge at the end of the period

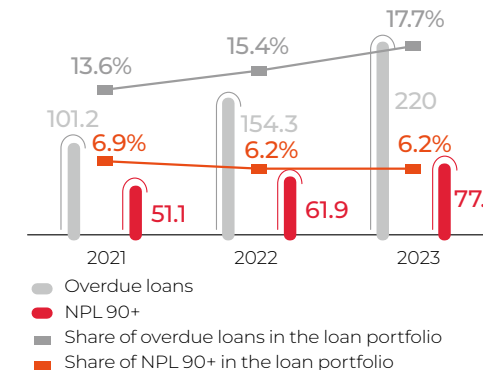


Number of active MFOs, units at the end of the period



At the end of 2023, the degree of MFO market concentration slightly decreased. The share of assets of the three largest MFOs in the total assets of the sector decreased from 49.7% to 46.4%, and the share of the five largest companies – from 61.1% to 59.0%. KMF maintained its leading position; MFO Toyota Financial Services Kazakhstan LLP returned to the second position, displacing MFO MyCar Finance LLP; MFO OnlineKazFinance LLP (trade name Solva) and MFO Shinkhan Finance LLP occupied the fourth and fifth positions, as in the previous year.

The quality of the loan portfolio of MFOs, billion tenge at the end of the period



Five largest MFOs in Kazakhstan as of the end of 2023

	ASSETS, BILLION TENGE	SHARE IN TOTAL ASSETS
LLC "MFO "KMF"	288.1	20.76%
LLC "MFO "Toyota Financial Services Kazakhstan"	186.2	13.42%
LLC "MFO "MyCar Finance"	169.9	12.25%
LLC "MFO "OnlineKazFinance"	115.4	8.32%
LLC "MFO "Shinhan Finance"	59.1	4.26%
Five largest MFOs	818.9	59.0%
All MFOs	1,388.0	100.0%

Source: NB RK

OPERATING PERFORMANCE

At year-end 2023, KMF micro loan portfolio grew by 20.7% and reached 245.5 billion tenge. The company maintains a leading position among MFOs in terms of loan portfolio size, but its share in the total loan portfolio of the industry decreased in the reporting year from 22.2% to 19.7%. The decline in KMF's market share is due to its more conservative policy compared

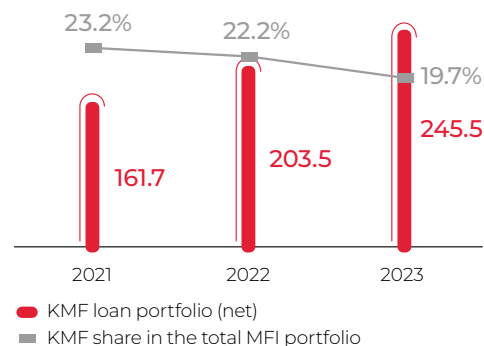
to other MFOs: The company maintains a balanced risk profile and does not engage in aggressive credit expansion

The number of active KMF clients increased from 257.3 to 265.1 thousand during the year. A total of 367.0 thousand microloans were disbursed in 2023, 10.2% more than in 2022.

At the end of the reporting year, the share of microcredits granted to enterprises operating in retail trade, services and production increased from 54.3% to 56.1% in the credit structure. The share of consumer loans decreased from 10.0% to 8.7%; the share of loans granted to agricultural producers decreased from 35.7% to 35.2%.

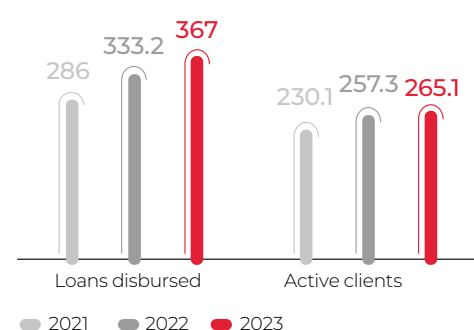
The share of KMF borrowers living in rural areas has remained stable over the last few years and accounts for about one third of the company's total client base.

Loan portfolio and market share, billion tenge at the end of the period

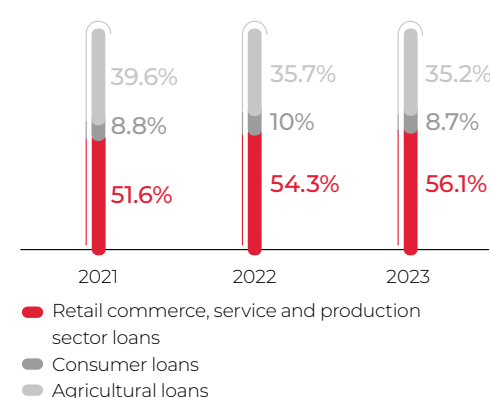


Source: KMF, NB RK

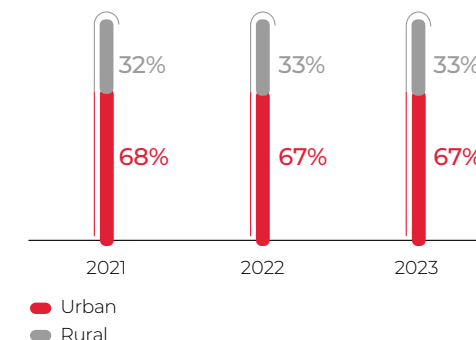
Number of active clients and loans disbursed, in thousand at period-end



Structure of the loan portfolio, by lending types, at period-end

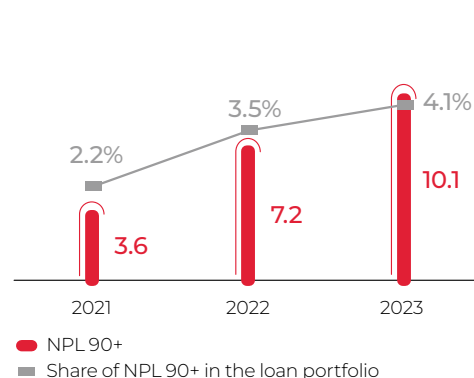


Structure of the client base, by place of residence / carrying out of activities, at period-end



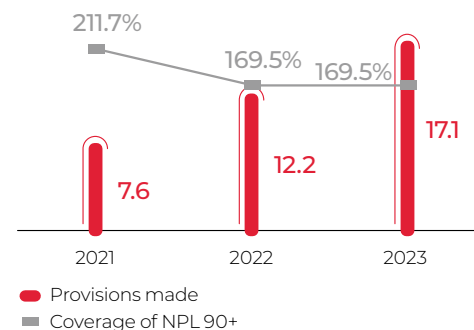
Economic uncertainty and the related decline in the creditworthiness of some borrowers caused the growth of the total volume of NPL 90+, which increased from KZT 7.2bn to KZT 10.1bn in the reporting year. At the same time, the share of NPL 90+ in the loan portfolio increased from 3.5% to 4.1%. Nevertheless, the share of NPL 90+ remains significantly below the average level of 6.2% for the microcredit market.

PaR90+, billion tenge at period-end



The volume of reserves (provisions) for asset impairment increased from KZT 12.2 billion at the beginning of the year to KZT 17.1 billion at the end of the year due to the increase in the volume of loans with overdue payments, including NPL 90+. At the same time, the level of NPL 90+ provisions coverage is more than sufficient and amounted to 169.5% at the end of the reporting year.

Provisioning level, billion tenge at the end of the period



FINANCIAL PERFORMANCE

The balance sheet value of the Company's assets at the end of 2023 increased by 23.4% and totalled 288.3 billion tenge. The main factor in the growth of asset value was the increase in the loan portfolio from 203.5 to 237.9 billion tenge. In addition, such items (balance sheet lines) as cash and cash equivalents (from 7.0 to 9.7 billion KZT), fixed assets (from 9.1 to 10.9 billion KZT) and intangible assets (from 413.2 million to 2.2 billion KZT) increased significantly. The book value of derivative financial assets decreased from KZT 1.2 billion to KZT 39.8 million, investment securities – from KZT 10.2 billion to KZT 8.4 billion. At the end of 2023, the Company's total portfolio of investment securities included bonds of the Ministry of Finance of the Republic of Kazakhstan

in the amount of KZT 24.6 billion, including securities in the amount of KZT 16.1 billion pledged under repurchase agreements.

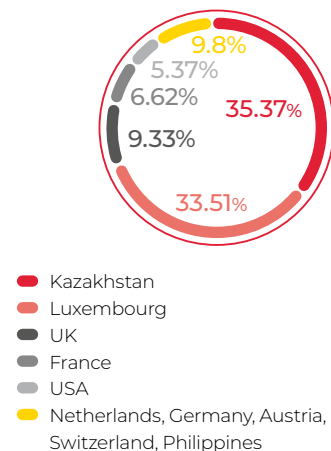
The Company's liabilities increased by 30.3% and totalled KZT 236.1 billion. The growth of total liabilities was mainly due to an increase in funds raised from other credit institutions (from KZT 163.7 to KZT 190.0 billion).

The Company's equity capital decreased from KZT 52.3 billion to KZT 52.2 billion, with the authorised capital increased by KZT 14.4 billion to KZT 50.0 billion due to the conversion of retained net profit into participants' contributions.

Balance sheet structure, billion tenge at the end of the period

INDICATOR	2021	2022	2023	CHANGES 2022/2021
Assets	182.9	233.6	288.3	23.4%
including loans to customers	161.8	203.5	237.9	17.0%
Liabilities	140.5	181.3	236.1	30.3%
including funds from credit institutions	123.9	163.7	190.0	16.0%
Equity	42.5	52.3	52.2	-0.2%
including retained earnings	26.7	36.7	2.5	-93.3%

Structure of KMF liabilities by country of attraction

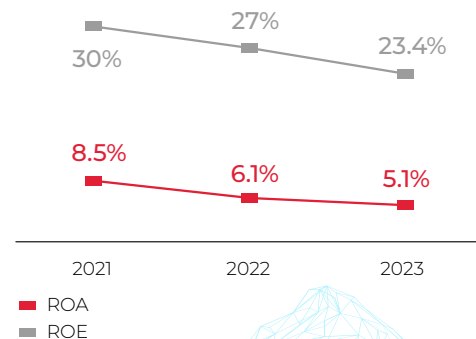


In the country structure of KMF liabilities at the end of 2023, the share of Kazakhstani funding was 35.37%. The largest volumes of funding were attracted in Luxembourg (33.51% of the total for all countries), the UK (9.33%) and France (6.62%).

Net interest income at year-end 2023 increased by 10.8% year-on-year and totalled KZT 56.8 billion. At the same time, interest income increased by 18.9% (from KZT 71.4bn to KZT 84.9bn) and interest expenses increased by 39.7% (from KZT 20.0bn to KZT 28.0bn). Operating expenses increased by 20.7% (from KZT23.2bn to KZT28.0bn); Provisioning expenses increased by 35.9%; non-interest expenses decreased by 17.8% mainly due to a gain on revaluation of currency items.

Insignificant growth in net profit (+1.1%) with significant growth in assets led to a decrease in the return on assets ratio from 6.1% in 2022 to 5.1% in 2023. Return on equity also decreased from 27.0% to 23.4%.

Dynamics of profitability indicators



The Company's operating profit decreased by 5.3% year-on-year (from KZT22.7bn to KZT21.5bn) mainly due to higher staff costs, servicing of borrowings and provisioning for loan losses. At the same time, net profit for the reporting year increased by 1.1% year-on-year to KZT13.2bn due to lower Corporate Income tax payments.

Income and expenses, billion tenge for the period

INDICATOR	2021	2022	2023	CHANGES 2023/2022
Interest income, including:	54.5	71.4	84.9	+18.9%
remuneration on microloans	53.7	70.1	83.0	+18.4%
Interest expenses, including:	(16.5)	(20.0)	(28.0)	+39.7%
borrowing costs	(16.1)	(18.6)	(23.5)	+26.8%
Net interest income	38.0	51.3	56.8	+10.8%
Operating expenses, including:	(18.4)	(23.2)	(28.0)	+20.7%
personnel costs	(12.9)	(15.9)	(19.1)	+20.0%
amortization	(1.1)	(1.3)	(1.6)	+22.7%
taxes (except CIT)	(0.2)	(0.3)	(0.6)	+60.2%
Provisioning expenses	(1.2)	(5.4)	(7.3)	+35.9%
Operating profit (loss)	18.5	22.7	21.5	-5.3%
Non-interest expenses	(1.0)	(6.1)	(5.0)	-17.8%
Net loss on operations with financial assets	(0,6)	(4.8)	(6.7)	+40.4%
Profit (loss) before tax	17.5	16.6	16.5	-0.7%
Corporate income tax	(3.5)	(3.6)	(3.3)	-7.3%
Net profit	14.0	13.1	13.2	+1.1%

COMPLIANCE WITH PRUDENTIAL NORMATIVES

During the reporting year, the Company complied with all statutory capital requirements. The capital adequacy ratio at the end of 2023 amounted to 20.9%, which significantly exceeds the minimum level set by the National Bank of the Republic of Kazakhstan. The Company actively manages its capital adequacy level in order to protect against the risks inherent in its activities.

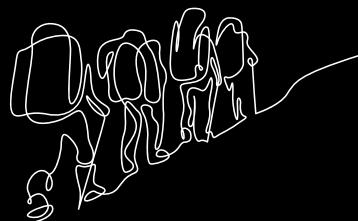
The risk ratios per borrower (k2) and the maximum limit of total liabilities (k3) were also met with a significant margin, which indicates the stability and sustainability of the Company's financial position.

Compliance with prudential standards by the Company in 2022

Name of normative	Normative value	1 January 2023	1 April 2023	1 July 2023	1 October 2023	1 January 2024
Paid-in nominal capital	≥ 100 mln tenge*	14.4 bln tenge	14.4 bln tenge	14.4 bln tenge	14.4 bln tenge	50 bln tenge
Estimated equity capital	≥ 100 mln tenge *	52.6 bln tenge	55.5 bln tenge	58.3 bln tenge	62.0 bln tenge	52.0 bln tenge
Equity capital adequacy ratio (k1)	≥ 0.1	0.214	0.218	0.215	0.263	0.209
Limit on the share of NPL90+**	≤ 20%	–	5.369%	6.004%	6.088%	5.793%
Coefficient of maximum risk per borrower (k2)	≤ 0.25	0.010	0.009	0.009	0.007	0.008
Coefficient of maximum limit of total liabilities (k3)	≤ 10	3.434	3.381	3.474	3.489	4.543

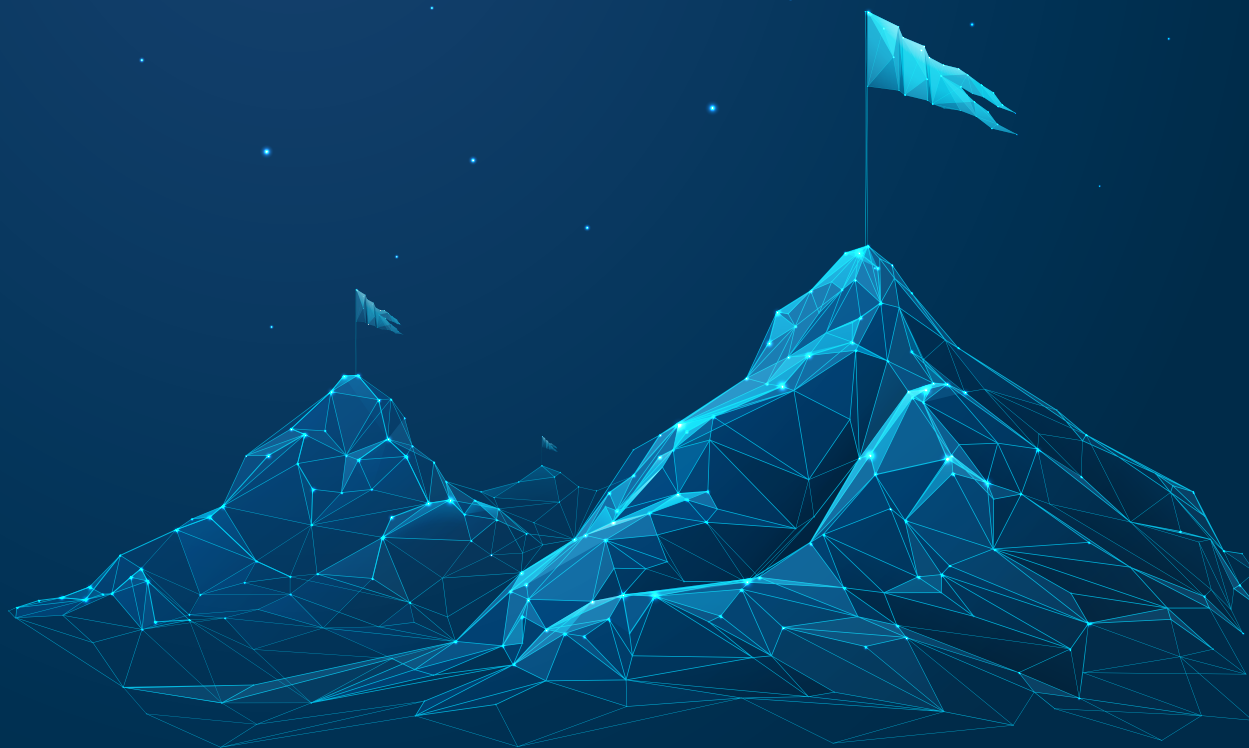
* From 1 July 2023 – over 150 million tenge, from 1 January 2024 – over 200 million tenge.

** Introduced in 2023.



CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE SYSTEM

KMF considers corporate governance as a means of improving performance, strengthening reputation and reducing the cost of raising capital. In addition, the Company believes that a good corporate governance system contributes to its contribution to the rule of law in the Republic of Kazakhstan.

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

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

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

The governing bodies of the Company are:

- Supreme body – the General Meeting of Shareholders (Participants);
- Collegial executive body – the Board;
- Control body – Supervisory Board.

CAPITAL STRUCTURE

The authorised capital of the Company amounts to 14,430,993,204 as of 1 January 2023 and 50,008,939,084 as of 1 January 2024. On 10 November 2023, the General meeting of Shareholders made a decision to increase the authorised

capital by additional contributions from the participants of the Company. As a result of the additional capitalisation, the share of the main owner – KMF-Demeu Corporate Fund – in the authorised capital increased from 45.435% to 60.425%.

List of the Company's participants as of the beginning and end of 2022

PARTICIPANT	OWNERSHIP SHARE AS OF JAN 1, 2023	OWNERSHIP SHARE AS OF JAN 1, 2024
Crporate fund “KMF-Demeu”	45.435%	60.425%
MultiConcept Fund Management S.A	18.127%	16.627%
Triodos Funds B.V.	12.085%	9.585%
Triodos SICAV II	12.085%	7.085%
Management and employees of the Company	6.226%	6.226%
responsAbility SICAV (Lux)	6.042%	0.042%
Total	100%	100%

DISCLOSURE

KMF discloses information in accordance with the requirements of the legislation of the Republic of Kazakhstan and KASE.

The Company adheres to the principles of ensuring equal rights of access for all current and potential investors to public information about its activities and non-discrimination on any grounds. Current and potential investors have the opportunity of free and easy access to information about the Company, necessary for making appropriate decisions. The Company promptly discloses information about the main results, plans and prospects of its activities, which may significantly affect the property and other rights of investors.

RIGHTS OF THE COMPANY'S MEMBERS

The Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan dated April 22, 1998 No. 220-І "On Limited and Additional Liability Partnerships" and the KMF Charter assign the following rights to KMF participants:

- to participate in the management of KMF affairs in the manner prescribed by law and this Charter;
- to nominate candidates for KMF management bodies;
- to receive information about the activities of KMF and get acquainted with its accounting and other documentation in the manner prescribed by the Charter and internal documents of KMF;
- to receive income from the activities of KMF in accordance with the law, the Charter of KMF and decisions of its General Meeting;

- to receive, in case of KMF liquidation, the value of a part of the property remaining after settlements with creditors, or, by agreement of all KMF participants, a part of this property in kind;
- to withdraw from KMF MFO by disposing of its interest therein in such manner as provided by the laws;
- to challenge in court the decisions of KMF bodies that violate the participant's rights provided for by law and/or the Charter of KMF.

DISTRIBUTION OF NET PROFIT

In accordance with the decision of the General Meeting of Participants held on 10 November 2023, the Company declared dividends for 2022 in the amount of 49,005,434 thousand tenge.

On 10 November 2023, the participants of the Company decided to allocate the declared dividends to increase the authorised capital in the amount of 35,577,946 thousand tenge and to pay dividends in cash in the amount of 13,427,488 thousand tenge.

GENERAL MEETING OF PARTICIPANTS

The General Meeting of Participants is the supreme governing body of KMF Microfinance Organisation LLP. Six meetings of the General Meeting of Participants were held in 2023, including two ordinary and four extraordinary meetings. At the meetings of the General Meeting of Participants held in 2023, the following issues were considered:

- reorganisation of the Company by transforming it from a limited liability company into a joint-stock company;
- revision of remuneration of the members of the Partnership's Supervisory Board;
- approval of the annual financial statements of 'MFO 'KMF' for 2022, certified by the external auditor Ernst & Young LLP;
- approval of the external auditor Ernst & Young LLP to audit the financial statements of 'MFO 'KMF' LLC for 2023–2025;
- approval of the new version of the rules for issuing micro loans;
- dissolution of the reserve capital and distribution of the Company's net profit received based on the results of its activities for 2022 and 2023;
- payment of dividends to the participants of 'MFO 'KMF' LLC;

- approval of the plan of transformation of the Limited Liability Company into a JSC;
- adoption and approval of the Charter of JSC;
- approval of the deed of transfer of the Company;
- conclusion of the JSC's Founders Agreement;
- formation of the authorised capital of JSC by means of additional proportional contributions made by all participants of the Company;
- setting the amount of preliminary payment for shares by the founders;
- issuance of authorised JSC shares, determination of the total number and types of authorised JSC shares, as well as the number and types of shares to be placed in favour of the Partnership's participants, as well as the number and types of shares to be placed in favour of the Partnership's participants;
- establishing the conditions and procedure for the conversion of JSC securities to be exchanged for shares in the company;
- determination of responsible persons who, in accordance with the legislation of the Republic of Kazakhstan, will assess

the property contributed as payment for the authorised capital by the founders of the company;

- election of persons authorised to carry out financial and economic activities of the established JSC and to represent its interests to third parties before the formation of JSC bodies;

SUPERVISORY BOARD

The Supervisory Board exercises control over the activities of the Management Board, acts in the interests of KMF and its participants, and is accountable to the General Meeting of the Company's participants. In its activities, the Supervisory Board is guided by the Law of the Republic of Kazakhstan dated April 22, 1998 No. 220-1 "On Limited and Additional Liability Partnerships", the KMF Charter, the regulations of the Supervisory Board and other internal documents of KMF approved by the General Meeting of Participants and the Supervisory Board.

Members of the Supervisory Board are elected by the General Meeting of KMF in the amount of not more than seven people for a period of two years with the right to (further) re-

- on the assignment of the obligation to perform actions for the state registration of the JSC, as well as to sign on behalf of the JSC the documents required for its state registration;
- other matters within the competence of the General Meeting of Participants.

election. The requirements for candidates for members of the Supervisory Board are established by the Laws of the Republic of Kazakhstan dated April 22, 1998 No. 220-1 "On limited and additional liability partnerships" and dated November 26, 2012 No. 56-V "On microfinance activities", as well as the Charter of the Company.

The competence of the Supervisory Board of KMF includes the following issues:

- determination and approval of annual and long-term strategic plans and priority business development areas of the Company and related principal business issues of the Company, including approval of the annual Business Plan and/or budget and any changes thereto;

- approval of any financial obligations or costs in excess of 10% of the net asset value of KMF MFO in one or a series of related transactions, regardless of whether they were included in the Annual Business Plan; provided that no additional approval is required for financial obligations or costs approved as a separate line item in the Annual Business Plan;
- proposal of appointment or dismissal of the CEO and any changes in the structure and number of members of the Management Board prior to the approval thereof by the General Meeting;
- preliminary approval of the Company's net profit distribution issues, including determination of amounts and time for their payment to the shareholders, and the matters of a full or partial buyout by the Company of the participatory interests from the shareholders prior to their approval by the General Meeting;
- preliminary approval of the resolution on increasing the Company's charter capital and adjusting the amounts of the shareholders' participatory interests prior to its approval by the General Meeting;
- preliminary approval of the resolutions on amending the Company's Charter or reorganizing the Company (e.g. through merger, consolidation or other reorganization) prior to their approval by the General Meeting;
- adoption of any resolution on delegating any of the powers of the Supervisory Board;
- adoption of any resolution on acquisition, lease, sale, transfer or any other disposal of the Company's property or assets exceeding 25% (twenty five percent) of the Company's net asset value;
- adoption of any resolution on approval of a loan, making of disbursement or any other transaction with interested parties, including any participants, employees or directors of KMF MFO, if such transactions are not carried out in the normal course of business, or if such transactions are provided for in applicable policies or under the conditions of the plan for the participation of employees of KMF MFO in the authorized capital, approved by the Supervisory Board;
- adoption of a preliminary resolution on the acquisition of shares of or participatory interests in another company, enterprise, venture and/or

- any other legal equity or any other legal structure to be submitted to the General Meeting;
- Other issues as may be provided for by the applicable laws of the Republic

of Kazakhstan, Charter, internal regulations or resolution of the General Meeting of the Company.

Members of the Supervisory Board

As of December 31, 2023, the Supervisory Board consists of five people, including the Chairman and members of the Supervisory Board, one of whom is an independent member. By the decision

of the General Meeting of Members dated 13 October 2022, the powers of the current Supervisory Board will continue until 31 December 2024.

Members of the Supervisory Board of KMF in the period from January 1, 2023 to January 1, 2024

Gulnara Shamshiyeva	Chairman of the Supervisory Board
Geoffrey Morris Chalmers	member of the Supervisory Board
Joachim Bald	member of the Supervisory Board
Philipp Georg Pott	member of the Supervisory Board
Andrew Pospelovsky	member of the Supervisory Board



» » »
**Gulnara
Shamshiyeva**

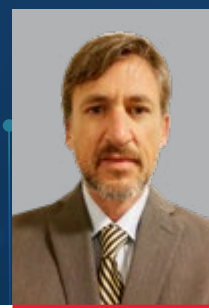
Career summary:

- December 18, 2014 – May 30, 2024 – KMF MFO LLC, Kazakhstan, Chairperson of the Supervisory Board and member of the Audit Committee and the HR and Remuneration Committee.
- May 21, 2018 – January 1, 2022 – Kyrgyz Investment and Credit Bank CJSB, Kyrgyzstan, member of the Management Board, Financial Manager.
- April 11, 2001 – October 18, 2017 – Bai Tushum Bank OJSC, Kyrgyzstan, CEO;
- February 1, 2001 – April 11, 2001 – Bai Tushum Microfinance Fund, Kyrgyzstan, Internal Auditor.
- August 1, 1996 – October 30, 2002 – USAID program of monetization and establishment of credit associations in Kyrgyzstan, Osh region, Accountant.
- May 1, 1995 – July 31, 1996 – Tax Police of Osh region, Kyrgyzstan, Head of the General Department.

- November 1, 1992 – April 30, 1995 – Prosecutor's Office of Osh region, Kyrgyzstan, Technical Secretary.
- June 1, 1983 – October 31, 1992 – Consumer Cooperation of Osh region, Kyrgyzstan, Process Engineer.

Education:

- 1978-1983 – Frunze Polytechnic Institute, Kyrgyzstan.
- 1993-1995 – Kyrgyz National State University, Kyrgyzstan.



» » »
**Geoffrey Morris
Chalmers**

Career summary:

- December 18, 2014 – May 30, 2024 – KMF MFO LLC, Kazakhstan, member of the Supervisory Board, Chairperson of the Remuneration and HR Committee.
- September 1, 2009, till present – ACDI/VOCA, USA, Vice-President.
- September 1, 2005 – August 31, 2009 – U.S. Agency for International Development, Financial Development Advisor.
- February 11, 2001 – August 31, 2005 – U.S. Agency for International Development, Microenterprise Development Advisor.
- October 1, 1999 – February 10, 2001 – Inter-American Development Bank, Microenterprise Development Specialist.

- September 1, 1997 – August 31, 1998 – BASICS, Program Assistant.
- January 1, 1996 – August 31, 1997 – Solar Tours, Tour Manager.

Education:

- 1990-1994 – Tufts University, USA.



Joachim
Bald

Career summary:

- July 16, 2018, till present – EFA Group, Singapore, Director of FIDEF (Financial Institutions Development Fund).
- December 18, 2014 – May 30, 2024 – KMF MFO LLC, Kazakhstan, member of the Supervisory Board, the Risk Committee (Chairperson), member of the Audit Committee and the Remuneration and HR Committee.
- December 20, 2003, till present – Bai Tushum Bank OJSC, Kyrgyzstan, member of the Supervisory Board.
- August 1, 2004, till present – Frankfurt School of Finance and Management, Germany, Consultant, Trainer, Lecturer.
- August 1, 2004, till present – home office in Oregon, USA, self-employed development finance consultant and trainer.
- April 1, 2001 – July 31, 2004 – Deutsche Boerse Systems Inc., Chicago, Illinois, USA, Vice President and General Manager.

- October 21, 1999 – March 31, 2001 – Deutsche Börse Systems AG, Frankfurt, Germany, IT Project Manager.
- December 1, 1995 – October 20, 1999 – Oregon State University, Corvallis, Oregon, USA, Head of International Internship Programs, Lecturer in Finance.
- June 10, 1990 – July 31, 1995 – Commerzbank AG, Frankfurt, Germany, Assistant Regional Manager for CIS countries.

Education:

- 1983-1989 – Dortmund University, Germany, certified economist.
- 1991-1994 – Ruhr-Universität Bochum, Germany, PhD in Economics.



Philipp
Georg Pott

Career summary:

- 07.08.2015 – May 30, 2024 – KMF MFO LLC, Kazakhstan, member of the Supervisory Board, member of the Risk Committee.
- 30.11.2014, till present – I.D. Inspiring Development GmbH, Frankfurt, Germany, Managing Partner.
- July 1, 2013 – December 1, 2014 – SME Bank JSC, Freelance Consultant.
- December 1, 2011 – July 31, 2012 – ProCredit Bank, Kyiv, Ukraine, Executive Director.
- February 1, 2011 – June 30, 2013 – ProCredit Academy, Fuerth, Germany, Managing Director.
- March 1, 2010 – June 30, 2013 – ProCredit Holding, Frankfurt, Germany, Head of Business Development Group.
- May 1, 2006 – June 30, 2010 – ProCredit Bank, Tbilisi, Georgia, Executive Director.
- February 1, 2005 – April 30, 2006 – ProCredit Bank, Kyiv, Ukraine, Executive Retail Manager.

- February 1, 2003 – January 31, 2005 – ProCredit Bank, Chisinau, Moldova, Executive Director.
- October 1, 2001 – January 31, 2003 – Micro Enterprise Credit (MEC), Chisinau, Moldova, Branch Advisor and Regional Development Coordinator.
- January 10, 2001 – September 30, 2001 – Internationale Projekt Consult (IPC), Frankfurt, Germany, Consultant.

Education:

- 1995-2000 – University of Basel, Switzerland, Master (Licentiate in Philosophy) in Eastern European History.
- 2000-2005 – University of Basel, Switzerland, PhD in Philosophy.



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**Andrew
Pospelovsky**

Career summary:

- January 1, 2021 – May 30, 2024 – Yelo Bank, Azerbaijan, member of the Supervisory Board, Chairperson of the Risk Committee.
- March 1, 2021, till present – Opportunity Banka, Serbia, Chairperson of the Supervisory Board, member of the Audit Committee.
- November 1, 2018, till present – Bank Lviv, Ukraine, Chairperson of the Supervisory Board, member of the Audit Committee.
- January 1, 2019, till present – Credo Bank, Georgia, member of the Supervisory Board, Chairperson of the Risk Committee and member of the Audit Committee.
- February 1, 2015, till present – KMF MFO LLC, Kazakhstan, member of the Supervisory Board, Chairperson of the Audit Committee and member of the Risk Committee.
- December 1, 2012 – June 30, 2019 – IFC – World Bank Group, Senior Microfinance Specialist (short-term consultant).
- April 1, 2010 – December 12, 2019 – AccessBank Tajikistan CJSC, member of the Supervisory Board and the Audit Committee.

- June 1, 2006 – August 31, 2012 – AccessBank Azerbaijan CJSC, CEO.
- April 1, 2000 – May 31, 2006 – DAI Europe, London, Consultant, Team Leader.
- November 15, 1999 – March 31, 2000 – Delegation of the European Union, Moscow, Head of the EU project on capacity development in the field of election monitoring.
- September 1, 1998 – November 14, 1999 – Highlife Ltd, London, Emerging Markets Analyst.

Education:

- 1982-1986 – University of Western Ontario, Canada.
- 1987-1990 – University of London, UK.
- 1991-1999 – University of London, UK, Ph.D.



Committees under the Supervisory Board

Committees under the Supervisory Board of KMF are to study the most important aspects of the Company's activities from among the members of the Supervisory Board. The conclusions of the committees are advisory in nature for the Supervisory Board, other management and control bodies of KMF. Issues considered at committee meetings are included in the agenda of meetings of the Supervisory Board.

As of January 1, 2023, in the Supervisory Board the following three Committees was established and operated:

- Audit Committee;
- Risk Management Committee;
- Remuneration and HR Committee.
- In 2023, Audit Committee, Risk Management Committee, Remuneration and HR Committee were held quarterly with the participation of all members of the Supervisory Board.

By decision of the Supervisory Board on 28 September 2024, the Transformation Committee was established to support the transformation of KMF MFO LLP into a bank and to investigate the current state of affairs with regard to the most important aspects of the Company's activities.

Members of the Supervisory Board Committees as of 31 December 2023

FULL NAME AND SURNAME	POSITION	AUDIT COMMITTEE	RISK MANAGEMENT COMMITTEE	REMUNERATION AND HR COMMITTEE	TRANSFORMATION COMMITTEE
		+		+	+
Gulnara Shamshiyeva	Chairman of the Supervisory Board – representative				
Geoffrey Morris Chalmers	Member of the Supervisory Board – representative			+	
Joachim Bald	Member of the Supervisory Board – independent member	+	+	+	
Philipp Georg Pott	Member of the Supervisory Board – representative		+	+	+
Andrew Pospelovsky	Member of the Supervisory Board – representative	+	+		+

Activities of the Supervisory Board

During 2023, 19 meetings of the Supervisory Board were held in person and absentee. All quarterly meetings were held in accordance with the approved schedule; they were attended by all members of the Supervisory Board. All issues included in the agendas of in-person and absentee meetings were considered in a timely and comprehensive manner.

The Supervisory Board approved the budget for 2023 and MFO KMF's bond programme for KZT10 billion, approved a borrowing of KZT35 million from the EBRD for lending to women entrepreneurs, and considered a number of issues related to the payment of remuneration and bonuses to KMF managers.

At the meetings of the Supervisory Board, the following reports of subdivisions and officers were considered and approved:

- quarterly reports of the Chairman of the Board on financial and management activities;
- quarterly risk management reports and reports from the internal audit department;
- semi-annual reports of the HR Department.

The Supervisory Board considered an extensive list of issues related to the change of KMF's legal form to a JSC, including:

- the dissolution of the reserve capital and distribution of net profit earned in 2022 and 2023;
- payment of dividends to KMF participants;
- approval of the plan to transform KMF Microfinance Organisation LLC into a JSC;
- adoption and approval of the Charter of JSC;
- approval of the deed of transfer of KMF Microfinance Organisation LLC;
- conclusion of the JSC's Founders Agreement;
- formation of the JSC's authorised capital by means of additional proportional contributions made by all KMF participants;
- setting the amount of preliminary payment for shares by the founders;
- issuance of JSC's authorised shares, determination of the total number and types of JSC's authorised shares, as well as the number and types of shares to be placed in favour of KMF participants;
- establishing the conditions and procedure for the conversion of JSC securities to be exchanged for shares in the company;
- determination of responsible persons who, in accordance with the legislation of the Republic of Kazakhstan, will assess the property to be contributed as payment for the JSC's authorised capital;

- election of persons authorised to carry out financial and economic activities of the established JSC and to represent its interests to third parties prior to the formation of JSC bodies;
- the issue of assigning the obligation to perform actions for the state registration of the JSC, as well as to sign on behalf of the JSC the documents required for its state registration.

In addition, in 2023, the Supervisory Board reviewed and approved the business strategy and financial model of the established KMF Bank.

MANAGEMENT BOARD

The Board is a collegial executive body of KMF, which is headed by the Chairman of the Board and carries out current management of the Company's activities. Members of the Management Board are elected by the General Meeting in the amount of not more than seven people, for a term of up to five years. The same person may be elected to the Management Board an

unlimited number of times. The requirements for candidates to the Board members are established by the Laws of the Republic of Kazakhstan dated April 22, 1998 No. 220-1 "On limited and additional liability partnerships" and dated November 26, 2012 No. 56-V "On microfinance activities", as well as Charter of the Company.

Composition of the KMF Board in the period from December 31, 2023 to January 1, 2023

Shalkar Zhussupov	CEO
Almira Abenova	First Deputy CEO
Karlygash Raihanova	Deputy CEO
Kulsara Saparbekova	Deputy CEO
Olga Yugay	Deputy CEO



Shalkar
Zhussupov

Career summary:

- May 30, 2024 – till present – KMF MFO JSC, CEO.
- January 5, 2015 – May 30, 2024 – KMF MFO LLC, CEO.
- January 3, 2007 – January 4, 2015 – KazMicroFinance MCC LLC, CEO.
- June 26, 2008 – April 19, 2011 – KMF-Demeu Corporate Fund, CEO.
- June 21, 2006 – June 25, 2008 – KLF Corporate Fund, CEO.
- November 9, 2001 – June 20, 2006 – Kazakhstan Loan Fund CF, CEO.
- October 13, 1997 – November 8, 2001 – Kazakhstan Communities Loan Fund, Chief Accountant, Program Director.

Education:

- 1987-1994 – Kazakh State Academy of Architecture and Civil Engineering, Kazakhstan, civil engineer.
- 1995-1997 – Market Institute at the Kazakh State Academy of Management, economist.



Almira
Abenova

Career summary:

- May 30, 2024 – till present – KMF MFO JSC, First Deputy CEO.
- October 1, 2015 – May 30, 2024 – KMF MFO LLC, First Deputy CEO.
- January 5, 2015 – till present – KMF MFO LLC, Deputy CEO.
- January 3, 2008 – September 30, 2015, KazMicroFinance MCC LLC, Deputy CEO.
- January 3, 2007 – January 2, 2008, KazMicroFinance MCC LLC, Director of Financial Unit.
- February 2, 2006 – January 2, 2007, Kazakhstan Communities Loan Fund, Credit Department Director.

- April 1, 2003 – February 1, 2006, Kazakhstan Communities Loan Fund, Operational Director.
- November 1, 1999 – March 31, 2003, Kazakhstan Communities Loan Fund, Branch manager.
- August 1, 1998 – October 31, 1999, Kazakhstan Communities Loan Fund, Chief Accountant.

Education:

- 1981-1985 – Tashkent Order of Friendship of Peoples Institute of National Economy, Tashkent, Economist.



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**Karlygash
Raihanova**

Career summary:

- May 30, 2024 – till present – KMF MFO JSC, Deputy CEO.
- November 1, 2012 – May 30, 2024, 'KMF 'MFO' LLC, Deputy CEO.
- January 3, 2007 – October 31, 2012, Kazakhstan Communities Loan Fund CF, KazMicroFinance MCC LLC, Manager of Treasury Section, Managing Director, Director of Treasury and Risk Management Department.
- May 11, 1998 – January 2, 2007 – Kazakhstan Communities Loan Fund CF, Credit Inspector, Program Director Deputy, Manager of Taldykorgan and Taraz Branches, Investment Manager.

Education:

- 1997-2002 – Zhetysu Institute of Economics, Financial Economist.
- 2011-2011 – Kazakhstan Institute of Management, Economics and Forecasting, Master of Business Administration.



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**Kulsara
Saparbekova**

Career summary:

- May 30, 2024 – till present – KMF MFO JSC, Deputy CEO.
- April 1, 2019 – May 30, 2024, KMF MFO LLC, Deputy CEO.
- December 4, 2017 – March 1, 2019 – KMF MFO LLC, Managing Director.
- July 1, 2016 – December 3, 2017 – KMF MFO LLC, Director of Regional Network Development Department, Director of Credit Department.
- August 22, 2006 – June 30, 2016 – Kazakhstan Loan Fund MCC Corporate Fund, KazMicroFinance MCC LLC, KMF MFO LLC, Director of Shymkent Branch.
- January 3, 1999 – August 21, 2006 – Shymkent Branch of Kazakhstan Communities Loan Fund, Kazakhstan Loan Fund CF, Chief Accountant, Manager of Shymkent Branch.

Education:

- 1987-1992 – Alma-Ata Institute of National Economy, Economist.



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**Olga
Yugay**

Career summary:

- May 30, 2024 – till present – KMF MFO JSC, Deputy CEO.
- April 1, 2019 – May 30, 2024, KMF MFO LLC, CFO.
- March 1, 2012 – March 31, 2021 – KMF MFO LLC, Chief Accountant, CFO.
- February 1, 2011 – February 28, 2012 – Tsentraudit-Kazakhstan NAC JSC, Almaty, Chief Specialist.
- May 1, 2004 – January 1, 2011 – Accounting and Audit LLP, Almaty, CFO / Chief Accountant.
- January 1, 2003 – April 1, 2004 – Sunkar Agro-Industrial Concern LLP, Almaty, Accountant.

Education:

- 1995-2000 – Almaty Institute of Energy and Communications, Engineer-economist.
- 2000-2002 – Kazakh State University, lawyer.
- 2000-2003 – Institute of Energy and Communications, postgraduate study.

REMUNERATION OF EXECUTIVE EMPLOYEES

Compensation to key management personnel of 12 people including tax payments and other contributions in 2023 year amounted to 842,434 thousand tenge, in 2022 – 585,749 thousand tenge in 2022.

Remuneration paid to key management personnel in 2022 and 2023, Thousand tenge

	2022	2023
Key management personnel	585,794	842,434
including:		
Supervisory Board	81,214	130,499
Management Board	504,580	711,935

INFORMATION ABOUT LARGE DEALS

In 2023, KMF entered into a number of about large deals to raise additional funding, including:

- obtaining a loan from the EBRD in the amount of 14.4 billion tenge;
- obtaining a loan from Proparco, which is a subsidiary of the French Development Agency, in the amount of USD 13.5 billion;
- obtaining additional financing from the International Finance Corporation (IFC) in the amount of 8.8 billion tenge;
- obtaining financing from the international investment company Incofin in the amount of 4.4 billion tenge;
- conclusion of a new agreement with “Damu” Fund for Entrepreneurship Development JSC to open a credit line of 5.5 billion tenge.

COMPLIANCE CONTROL

In 2023, KMF formed the Compliance and Internal Control Service (hereinafter referred to as the Compliance Service) as a separate structural unit, the main tasks of which are:

- implementation of anti-money laundering and combating the financing of terrorism (AML/CFT) measures, which ensures KMF's compliance with the requirements of the Law of the Republic of Kazakhstan dated 28 August 2009 No. 191-IV 'On Combating Money Laundering and Financing of Terrorism' (AML/CFT Law) and international standards of the Intergovernmental Financial Monitoring Commission (FATF);
- monitoring the compliance of KMF and its employees with regulatory requirements.

In order to comply with the requirements of the AML/CFT Law, the Compliance Service performs the following functions:

- Verification of the client, its representative (its beneficial owner), including automated verification for inclusion in sanctions lists;
- Monitoring of clients' operations for compliance with the provisions of the AML/CFT Law;
- Training and education of KMF employees on combatting legalisation (laundering) of proceeds of crime and financing of terrorism. The Service conducts training courses and tests KMF employees for knowledge of the provisions of the AML/CFT Law;

- Implementation of measures to reduce risks associated with money laundering and terrorism financing. The Compliance Service analyses KMF's exposure to relevant risks on a monthly basis and reports the findings the Management Board and the Supervisory Board of its results;
- Regular analysis of KMF's internal regulatory framework for compliance with the requirements of the legislation of the Republic of Kazakhstan.

Within the framework of compliance control, the Compliance Service:

- Monitoring the legislation of the Republic of Kazakhstan and informing interested structural subdivisions about changes in regulatory legal acts;
- Participates in the approval of drafts of internal regulatory documents and business processes with a view to checking their compliance with the requirements of the legislation of the Republic of Kazakhstan;
- Checks transactions for conflicts of interest;
- Prepares a list of KMF employees who have access to confidential information;
- Controls the process of assessing the borrower for risks of adverse environmental impact using the Social and Environmental Management System (SEMS) methodology.

In addition, during the reporting period, the Compliance Service prepared drafts of internal regulatory documents that will govern compliance control after KMF's planned transformation into a second-tier bank, and tested an automated anti-money laundering system, the operation of which will begin after the transformation into a bank.

ANTI-CORRUPTION MEASURES

KMF strictly adheres to the principles of strict compliance with all requirements of the legislation of the Republic of Kazakhstan and imposes similar requirements on its business partners and customers. Prevention of corruption offenses is one of the priorities of the corporate policy pursued by the Company.

Each employee of the Company or any other person has the right to inform the Company in case of doubts about the legality of the actions of any of the employees of the Company in writing, by corporate e-mail or by phone. Obtaining information

about a possible offense on the part of the Company's employees is the basis for an internal investigation.

INTERNAL AUDIT

Due to the increase in the scale of the Company's business, the Internal Audit Unit was transformed into the Internal Audit Department (IAD) in January 2024. The IAD is an independent structural unit that reports to the Supervisory Board. The IAD's mission is to preserve and increase the Company's value by conducting objective independent internal audits and assessing the effectiveness of the internal control system, with further recommendations aimed at minimising risks, improving operational efficiency and successfully achieving the Company's strategic goals.

In its activities, the IAD is guided by the legislation of the Republic of Kazakhstan and the International Framework for the Professional Practice of Internal Auditing recommended by the International Institute of Internal Auditors. The employees of the Department

regularly attend refresher courses, and some of them hold international certificates CIA, CRMA, PMI-RMP, DipPIA.

The activities of the IAD are carried out on the basis of a risk-oriented annual audit plan. In the reporting and previous years, the annual audit plan was fully implemented.

The results of the audits are regularly discussed with the audited units and the management of the company. Based on the results of the audits, corrective action plans are developed, if necessary, and their implementation is monitored by IAD, which reports to the Management Board, the Audit Committee and the Supervisory Board. Based on the results of the audits conducted during the year, a total of more than 300 actions were developed to improve risk management and internal control systems.

Quarterly reports on the activities of the IAD are prepared and submitted to the Audit Committee and the Supervisory Board, providing key information on the fulfilment of audit plans, the results of audits and the improvement of the internal audit methodology.

EXTERNAL AUDIT

The selection of the external auditor for the audit of KMF's financial statements is carried out in accordance with the provisions of the Policy on Selection and Rotation of the External Auditor of KMF Microfinance Organisation LLC, approved by the resolution of the Supervisory Board of KMF on 18 June 2010. The main principles of external auditor rotation are legality, continuity, transparency, systematicity and independence.

The audit of the Company's financial statements for 2023 was carried out by Ernst & Young LLP. The amount of the fee for the audit of the financial statements for 2023 was 64,512 thousand tenge including VAT.



RISK MANAGEMENT

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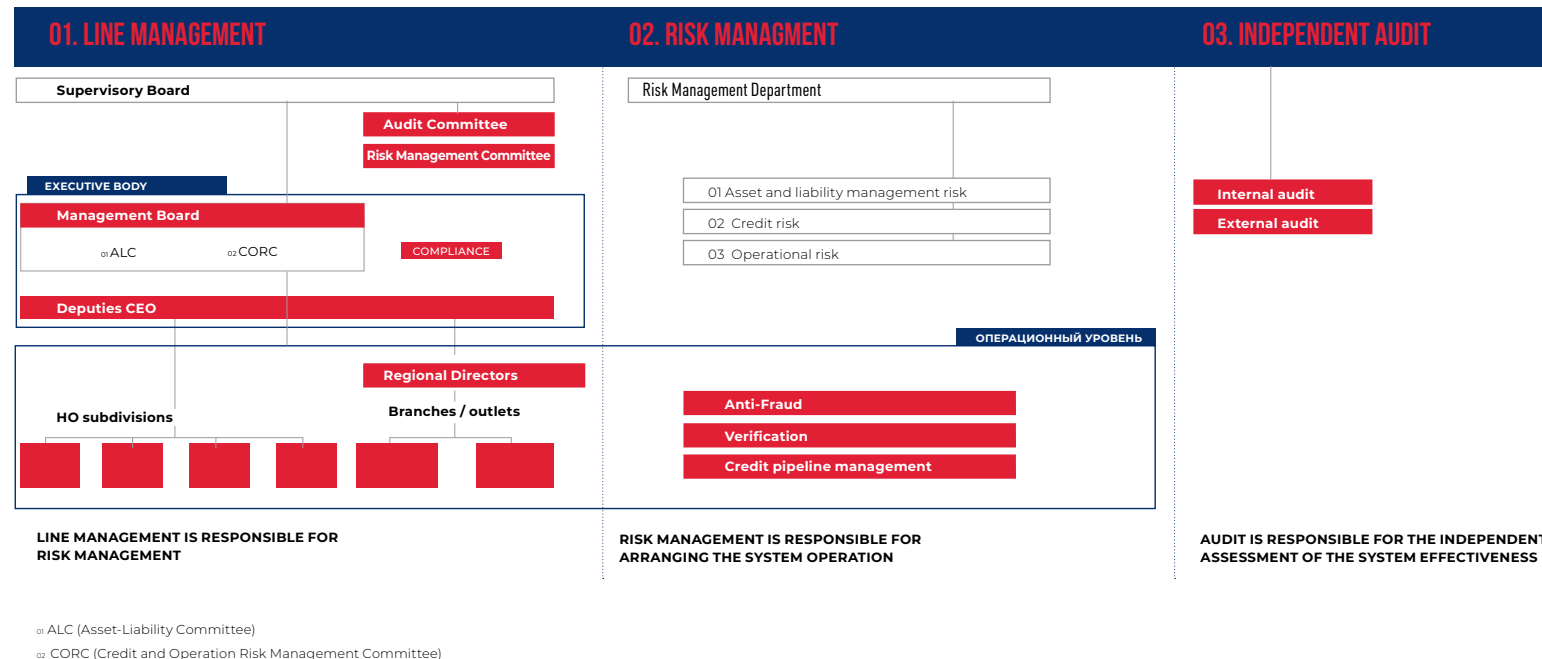


RISK MANAGEMENT SYSTEM

The Risk Management System (RMS) of KMF includes three lines of defense:

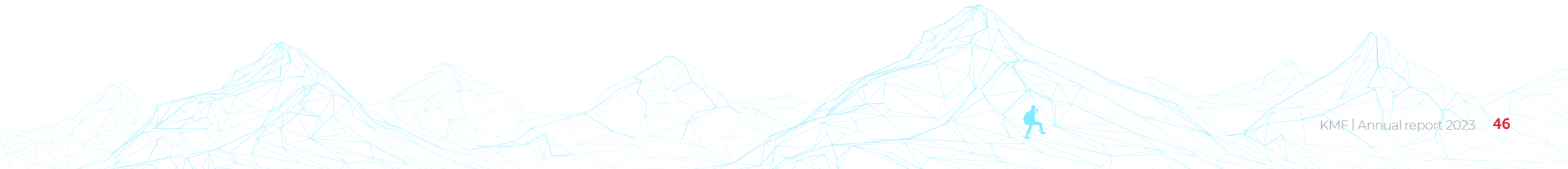
- **1st line** – functional divisions and management, which directly implements activities and monitors risks. Risk management is part of the daily activities of business units and management. They provide an ongoing process for identifying and assessing risks, implementing and evaluating the effectiveness of control procedures.
- **The 2nd line** is an independent analytical unit that provides and coordinates the risk management process, including the development of methods, rules and procedures, the introduction of effective tools for detecting, identifying, assessing, monitoring, controlling and reporting in the field of risk management, and also controls and coordinates actions taken at the level of the first line of defense. In KMF, the second line of defense is represented by the Risk Management Department (RMD).
- **3rd line** is the Internal Audit Department and external audit. The objectives of this line of defense are to independently evaluate and check the effectiveness of the risk management system, both on the first and second lines of defense.

An important role in the risk management process is played by the Supervisory Board, which receives regular reports on KMF's exposure to credit risk as part



of quarterly reports. Members of the Risk Committee of the Supervisory Board evaluate violations of credit risk limits, if any, the causes and duration of violations. Based on the results of the assessment of risk reports by members of the Risk Committee of the Supervisory Board, recommendations can be formed and preventive measures recommended to reduce the level of risks and to strengthen control over high-risk areas.

PRINCIPLES OF RMS KMF	
Division of responsibility for risk management and independent control	The RMS includes three lines of defense with a clear distribution of functions and responsibilities between departments. All KMF employees are involved in the risk management process in such a way that everyone participates in the processes of identifying, analyzing and assessing risks and taking measures to reduce the risks of the company, in accordance with the responsibility inherent in their position.
Exclusion of conflicts of interest	KMF does not allow conflicts of interest in the risk management process, ensures the separation of control functions (middle and back office) and front office functions (sales and customer service).
Risk-based corporate culture	KMF develops and maintains a culture of understanding risk among employees, recognizing the importance of risk management, as well as recognizing personal responsibility for identifying and managing risks, in accordance with the responsibility inherent in their position.
Communication efficiency	Internal communications in the context of risk management are part of the corporate culture of KMF and include communications on risk tolerance levels and limits, a reporting system and feedback in the risk management process from all levels of the organization.
Risk based reward	The remuneration system of KMF employees takes into account the successful completion of the tasks set, with a mandatory adjustment for the risk of the main process – credit risk. In the front office employee compensation system, portfolio risk directly affects monthly remuneration payments, so that the higher the risk of the portfolio, the lower the remuneration.
Regulation and control	KMF ensures compliance with the requirements of regulatory authorities for the existence of risk management systems in terms of its organization, scope and independence.
Protection of confidential information	KMF has an information confidentiality policy that describes the mechanism for disclosing information to all interested parties.
Economic expediency	Risk management in KMF is carried out on the basis of economic purposefulness, when the cost of risk control measures should not exceed the amount of possible losses from this risk.



The continuity and controllability of the risk management process is ensured by strict adherence to a single risk management algorithm, which includes seven stages.

Risk management algorithm in KMF

Nº	STAGE	STAGE DESCRIPTION
1.	Formation of a risk management system	Formation of a risk management policy, setting of risk management goals and commitments, promotion of a risk-based corporate culture focused on risk management
2.	Risk identification	Risk detection and description
3.	Risk Analysis	Determining the nature of the risk and measuring the level of risk
4.	Risk assessment	Determination of criteria for the significance and priority of risks
5.	Risk management (risk treatment)	Development of action plans for reduction, control, hedging, insurance and other ways of influencing risks with the definition of deadlines and responsible persons
6.	Monitoring and analysis of the effectiveness of the RMS	Continuous performance review followed by adjustments to relevant processes and procedures
7.	Communications and consultations	Exchange of information on risk management between structural divisions and employees of KMF, as well as other interested parties

CREDIT RISK MANAGEMENT

As the leader of the Kazakhstan microcredit market, KMF is aware of its impact on the social and economic development of the country. Social responsibility to customers is enshrined in the Company's credit policy. Our responsible attitude towards the client has a positive effect on credit risk and prevents the client from becoming over-indebted.

Credit risk management is defined as a set of measures that can help avoid or mitigate foreseeable risks and create adequate reserves. KMF manages the probability of default of individual clients through a set of underwriting policies and regulations (i.e. procedures for analyzing and evaluating a loan application). Each borrower, when issuing a new loan or restructuring it, as well as issuing a new tranche within the framework of a credit line, is subject to verification of all creditworthiness criteria.

The portfolio risk indicator is PAR 30, calculated as the ratio of the principal debt for all loans that are overdue by 30 days or more as of the reporting date to the principal debt for the entire loan portfolio. Calculation of expected credit losses is carried out in accordance with IFRS 9 based on the company's internal methods.

KMF is working to collect non-performing loans, however, the Company does not adhere to the strict practice of “knocking out debts” from customers. All processes are regulated and carried out in accordance with Kazakhstani legislation and in the spirit of the social orientation of KMF as a development institution.

In order to manage delinquencies, KMF seeks to restructure loans when the client is able and willing to pay loan payments in accordance with the revised payment schedule.

The main risk factors that can have a negative impact on the creditworthiness of the Company's borrowers are:

- External and internal shocks that can affect the income of SMEs;
- Wage cuts or delays in the formally employed sector;
- Volatility in prices for agro-industrial products;
- Increase in operating expenses of clients in the segments of SME lending and agriculture;
- Volatility of exchange rates;
- Lockdowns and closure of trade markets, closing of borders;
- Political instability in the country or its individual regions.

OPERATIONAL RISK MANAGEMENT

KMF defines operational risk as the possibility of losses caused by failures in internal processes, errors and intentional actions of employees, or adverse external events. Within this definition, operational risks include legal risks, but exclude business and strategic risks. Legal risks include the possibility of imposing fines, penalties and other losses arising as a result of supervisory actions in relation to KMF, as well as a result of losses in the settlement of private claims.

The definition of operational risk adopted by KMF also includes the potential damage to the Company's reputation among customers, investors, national authorities and other stakeholders that may result from the realization of operational risks.

Depending on the nature of their impact on KMF, operational events are classified

similarly to the widely used classification of the Basel Committee.

KMF does not tolerate operational risk due to potential regulatory and reputational impacts, even if the incident itself is initially considered insignificant. Any form of fraud or non-compliance with internal regulations by KMF employees is unacceptable.

The internal control environment includes the following components:

- systematically organized, clear and specific internal documents that define the conditions and description of all products and services;
- powers and responsibilities of divisions and employees;
- policies and procedures that define how these roles and responsibilities are to be performed in the processes.

The internal control environment includes the formation of a risk management culture that influences the actions of each individual employee and is supported by the Company's management, including the Supervisory Board, the Risk Committee under the Supervisory Board, the Management Board and all heads of structural divisions of branches and the Head Office.

An important role in the operational risk management system is played by risk coordinators – employees of KMF divisions responsible for organizing the operational risk management process within their division (bottom-up approach).

As part of operational risk management, key risk indicators are used for key business processes, the metrics for the formation of which are formed on a regular basis by all divisions of the Company. The process of self-

assessment of operational risks for exposure to operational risks allows you to establish vertical and horizontal communications as part of the operational risk management process. Registration of operational events is carried out using specialized software.

A special role in the process of managing operational risks is given to communications and training for the 1st line of defense: the company is actively developing an internal corporate portal, through which information about the prevention of violations is carried out in order to prevent the realization of risks in the future.

LIQUIDITY RISK MANAGEMENT

Liquidity risk is defined as the possibility of a negative impact on a company's profits and business reputation due to the potential inability of KMF to meet current payment obligations in a timely manner.

The Company defines liquidity management as a continuous process of planning the need for financing and borrowing both at the operational (planning period up to 1 month) and tactical (planning period up to 1 year) levels, and at the strategic level (planning period over 1 year). The main goal of liquidity management is to ensure sustainable growth of KMF's operating assets and ensure timely fulfillment of all KMF obligations to third parties.

The main source of funding KMF finances its activities mainly with medium-term loans in tenge and in foreign currency received from financial institutions both within Kazakhstan and abroad. In addition to standard loans, KMF uses attraction in the form of capital, as well as subordinated loans.

KMF is developing a contingency financing plan to manage the response to early withdrawal of obligations, which will be activated in the event of an emergency liquidity shortage.

In addition, the company maintains a constant share of liquid assets, established by the internal requirements of the Supervisory Board, and adheres to it every day.

Liquid assets are placed in second-tier banks in accordance with internal limits, as well as in the securities market, in accordance with the approved list of permitted financial instruments. In order to place liquid assets, only highly liquid financial instruments are used, mainly government securities and REPO.

Concentration risk in second-tier banks is managed by monitoring and regularly reviewing counterparty limits.

INTEREST RATE RISK MANAGEMENT

Interest risk in KMF is defined as the possibility of an adverse impact on net interest income and on the market value of assets and liabilities in response to changes in market interest rates.

KMF's business model assumes the emergence of interest rate risk mainly due to discrepancies in the timing of the revision of interest rates on the loan portfolio and on loans with which KMF finances its lending activities.

In accordance with the legislation of the Republic of Kazakhstan, there is a maximum limit for increasing lending rates on loans, therefore, raising interest rates on a loan portfolio cannot be a permanent tool for managing interest rate risk. Microloans to KMF clients always have a fixed interest rate over the term of the microloan, while KMF liabilities can be either fixed or floating rate.

CURRENCY RISK MANAGEMENT

KMF's business model assumes the occurrence of foreign exchange risk due to the fact that KMF issues loans only in tenge, while at the same time financing its activities partially through loans in foreign currencies. Speculation in exchange rates is not a business goal of KMF, the goal of KMF is to minimize the currency risk in relation to profitability and cost of capital with available financial instruments.

Currency risk is managed through a system of open currency position limits; over the past few years, the company has maintained an almost zero open currency position. At the end of 2022, the position was -0.11% of equity.

ENSURING BUSINESS CONTINUITY

In 2019, the Company implemented a Business Continuity Management Policy, which has been continuously enhanced in response to critical events in recent years, including the COVID-19 pandemic in 2020–2021 and mass riots in January 2022. The company regularly trains staff to respond to crisis situations, including training

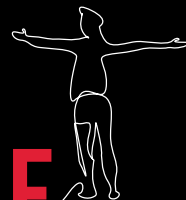
on earthquake behaviour and infectious disease outbreaks in 2023.

Based on the practical experience of major incidents such as the Covid-19 pandemic and the January 2022 events, the risk management function in business continuity management has been strengthened,

and guidelines and instructions for crisis management and response to various incidents have been finalised. Business Continuity Management is being further developed, including the use of tools such as Business Impact Analysis (BIA), the implementation of awareness plans, incident modelling and staff training.

In the phase of preparing response instructions for the Bank's structure during the transformation phase.





SUSTAINABLE DEVELOPMENT

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SUSTAINABLE DEVELOPMENT MANAGEMENT

The Company's priorities in the field of sustainable development

KMF is fully aware that its activities have a significant impact on the economic and social development of the regions in which it operates. The company's development strategy is based on the fact that it shares responsibility for the well-being of the communities and neighbourhoods in which its customers live. In this context, the company seeks to integrate all three components of sustainable development in its activities: environmental, social and corporate governance.

Corporate Social Responsibility

The company's activities are aimed at the economic and social development of the country and its regions. Our microcredits stimulate SME development and job creation in the communities where our clients live. KMF participates in a number of social programmes that increase access to credit for rural residents, women and other vulnerable groups. The company runs its own charitable initiatives to support vulnerable groups, develop children's sports, promote culture, etc.

Environmental protection

The company's operations do not have a direct impact on the environment, but we take an active stance on environmental issues. We actively participate in public and private environmental initiatives, and our employees are prepared to demonstrate by personal example their willingness to care for nature and the environment.

Interests of investors

It is important for our company to meet all the financial and other interests of our investors and we fulfil all our obligations responsibly. The company is committed to being transparent with investors and providing them with access to all necessary information about its financial and operational performance.

Client interests

We strive for the prosperity of our clients, and to this end we provide easy access to our services and the most favourable and transparent conditions for the granting of our microcredits. Clients who find themselves in a difficult situation due to circumstances beyond their control can always count on the company's support.

Personnel care

We have a transparent recruitment and career development policy, and we strive to provide our employees with decent salaries and social guarantees. The level of remuneration and career development of each KMF employee depends on his or her performance and contribution to achieving the goals set by the management. The company also pays attention to creating optimal working conditions and maintaining a favourable psychological climate in the team.

KMF's contribution to the UN Sustainable Development Goals




KMF fully shares the goals and objectives of the UN Global Agenda for Sustainable Development as set out in UN General Assembly Resolution 70/1 of 15 September 2015 "Transforming our world: the 2030 Agenda for Sustainable Development". In its direct activities, KMF contributes directly

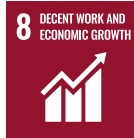



to the achievement of 11 of the 17 goals through the provision of loans to certain categories of the population and small and medium-sized enterprises, through its philanthropic and social activities, and through the implementation of its human resources policy.

KMF's contribution to the UN Sustainable Development Goals

UN SUSTAINABLE DEVELOPMENT GOALS	'OUR CONTRIBUTION
 <p>Goal 1: Eradicate poverty in all its forms everywhere</p>	<ul style="list-style-type: none"> • Implementing a microloan programme for low-income, poor and unemployed people to unlock their potential • Commitment to mission and values, adherence to customer protection principles • Developing an extensive network of branches and offices in the most remote rural areas • Supporting clients through special subsidy programmes • Support for charity and sponsorship • Implementing the "Financial Literacy of the Population" programme • Supporting rural entrepreneurship, youth start-ups • Social impact management to increase customer income

UN SUSTAINABLE DEVELOPMENT GOALS	'OUR CONTRIBUTION
 <p>Goal 2. Eradicating hunger, achieving food security and improved nutrition and promoting sustainable agricultural development</p>	<ul style="list-style-type: none"> • Supporting rural entrepreneurship • Supporting clients through special grant programmes • Social impact management to increase clients' income levels • Charity and sponsorship, especially for children from low-income families and their mothers, pensioners and veterans, orphaned children
 <p>Goal 3. Ensuring healthy lifestyles and promoting well-being for all at all ages</p>	<ul style="list-style-type: none"> • Provision of a social package, "Employee Benefits Cafeteria", promotion of healthy lifestyles through company sports events • Sponsorship of sports organisations in different areas and for different age groups • Supporting medical facilities in the event of a pandemic • Social impact management • Publications on healthy eating, development of environmentally friendly businesses in the company magazine "Isker"
 <p>Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<ul style="list-style-type: none"> • Implementation of a programme to improve financial literacy in family budgeting and business management • Developing a financial literacy project for children, teenagers and young adults • Organising start-up competitions, hackathons, creative contests, etc. • Implementing a mentoring programme project • Cooperation with student and youth organisations

UN SUSTAINABLE DEVELOPMENT GOALS	'OUR CONTRIBUTION
	<p>Goal 5: Achieve gender equality and empower all women and girls</p> <ul style="list-style-type: none"> • Providing fair employment conditions, equal career opportunities and pay, maternity support, etc. • Social impact management to increase the income level of the population • Implementation of the Financial Literacy Programme • Implementation of the “Women in Business” programme • Organisation of the “KMF Isker hanymy” award to promote women’s entrepreneurship • Organising business breakfasts as part of the Women’s Café programme • Support for women’s sports teams, “Mama PRO” and “Erekshe Analar” foundations
	<p>Goal 6: Ensure availability and management of water resource and sanitation for all</p> <ul style="list-style-type: none"> • Water saving in offices, automation of water and heat supply systems • Cooperation with the ECO network, organisation of training for employees • Refusal to finance projects harmful to the environment, human life and health
	<p>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p> <ul style="list-style-type: none"> • Use of automated water, electricity and heat supply systems in KMF office buildings and its branches • Implementing the Green Economy Financing Facility (GEFF) programme in partnership with the EBRD, supporting the purchase of energy efficient equipment and machinery

UN SUSTAINABLE DEVELOPMENT GOALS	'OUR CONTRIBUTION
	<p>Goal 8: Promote steady, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <ul style="list-style-type: none"> • Ensuring accessible and quality microloan services • Financial literacy programme for the population • Support for women’s, rural, youth and social entrepreneurship • Support for job creation • Social impact management
	<p>Goal 9: Build a strong infrastructure, promote inclusive and sustainable industrialisation and innovation</p> <ul style="list-style-type: none"> • Collaboration with the start-up community, MOST Business Incubator • Cooperation with universities • Organising and participating in innovative projects, competitions and events • Implementation of green financing programmes
	<p>Goal 10: Reduce inequalities within and between countries</p> <ul style="list-style-type: none"> • Ensure broad access to quality financial services throughout the country • Adhere to the mission, values and principles of customer protection • Manage social impact • Implement social and charitable projects • Promote financial literacy programmes for diverse audiences • Encourage entrepreneurship for all ages and abilities
	<p>Goal 11: Open, safe, resilient and sustainable cities and settlements</p> <ul style="list-style-type: none"> • Participation in cultural, environmental and social projects and events • Interacting with the public, government, business and non-commercial organisations

PERSONNEL MANAGEMENT

Strategic priorities of KMF in the field of HR

1. Development of a corporate culture based on the Mission, Vision and Values of the Company, the principles of meritocracy and social responsibility

- **Employer brand management.** One of the main priorities of the Company is the creation and development of an attractive competitive value proposition for the target audience of potential candidates in the labor market and current employees. We make sure that the brand of the Employer in the foreign market reflects the real corporate culture of the company, broadcasts the real Business Values. We share these Values and consider it important the Company's contribution to the development and support of micro-entrepreneurship, which allowed us to build long-term relationships of mutually beneficial cooperation with customers, ensuring the sustainable growth of all market participants.
- **Creation of a comfortable developing working environment** in which each Employee can develop professionally and reveal their potential, contribute to business development and receive fair recognition and remuneration. We strive to provide flexibility and environmental friendliness in the design of workplaces and the production environment, creating accessibility both in the Company's offices and developing opportunities for remote work or combined modes.

2. HR support for the implementation of the Company's Strategy and organizational development

- **Business transformation.** In 2023–2025, one of the most important focuses of top management attention is the transformation of the business (due to its reorganization, changes in regulatory requirements), and activities aimed at supporting these changes become key tasks in the field of HR.
- **Engagement and Integration.** During this period, of particular importance is the integration of both the management team and the staff as a whole. An important priority for senior management will be to achieve ambitious goals and increase the company's potential, and at the same time ensure cultural continuity, maintain the company's competitive advantages based on Values. The Company considers it important to improve the methodology and tools in the field of engagement and integration management, ensuring the involvement of each employee in achieving the Company's goals, as well as the health of the social environment and industrial relations.

3. Talent management

- **Attracting talent.** The company builds its talent management policy on the principles of meritocracy, diversity, equality and inclusiveness.
- **Development of talents.** The company considers the development of personnel qualification as an investment in human capital, seeking to ensure a direct link between the activities carried out and the financial result. Important areas are the development of professional skills of front office employees, the development of Leadership and managerial competencies of the company's management, professional development within the specialization of each employee of the Company.
- **Managing individual and team performance.** The Company is improving individual and team performance management systems, as well as assessment and capacity development systems in order to ensure that each employee has access to career development in accordance with the optimal pace of development for him.
- **Provision and planning of succession.** Each employee of the company has the opportunity to participate in competitions for open vacancies, receive support and support during induction and adaptation.

4. Reward Management

- **Compensation policy.** The Company considers ensuring transparency and fairness of remuneration, both tangible and intangible, as one of its main priorities.
- **Management of systems of official categories.** The Company conducts operations with basic remuneration based on research (reviews, monitoring results) of the labor market, in order to ensure a competitive fair system of basic remuneration.
- **Reward for results.** In paying the variable part of the remuneration, the Company relies on performance and performance indicators, encouraging the achievement of results, responsibility and the best performance.

5. Social responsibility, well-being and health

- **Social support.** The company supports its employees by providing a wide package of benefits and fringe benefits in case they have a difficult life situation.
- **Well-being and health.** The company's remuneration policy provides support for the health of employees both at the level of targeted payments (medical benefits) and fringe benefits (health insurance), and at the level of investment in the working environment. We strive to create comfortable working conditions in every workplace.

6. Ensuring the technological compliance of the system with the needs of staff coverage

- **Automation of the human resource management system.** The company considers the task of automating HR processes as an activity to reduce risks, and, at the same time, to maximize the return on human resources.
- **Making decisions based on facts and data analysis.** The company makes personnel decisions based on facts and data analysis, ensuring the validity and transparency of the measures taken.

Labor relations practice

The goal of KMF's personnel policy is to form a team whose composition and level of competence are sufficient to achieve the strategic goals of the Company. The procedure for hiring new employees includes several stages of selection. In the process of selecting candidates for vacancies, not only the level of their professional competence is assessed, but also their readiness to share our corporate values.

All newly hired employees undergo functional and socio-psychological adaptation after employment. Each new employee on his first working day undergoes the training "Welcome to KMF!", which begins his professional and social adaptation in the Company's team.

The company is working on the digitalization of business processes of human resource management. The HR

department uses WebSoft HCM and E-staff software products in its work, work is underway to automate the assessment of the level of competence and effectiveness of employees, the procedures for selecting and hiring employees.

The Company builds its relations with employees in strict accordance with the norms of Kazakhstani labor legislation and guarantees the implementation of all legally enshrined rights of employees. To resolve labor disputes, the Company formed a conciliation commission, which includes an equal number of representatives of the labor collective and the employer. In the reporting period, the Company recorded no cases of violation of labor laws and discrimination against employees.

The Company does not allow discrimination against employees based on gender, age, social status and other criteria. The remuneration paid to employees is determined solely by the work of each individual employee and his contribution to the results of the Company's activities, regardless of gender, age and other differences. The company does not allow the use of child and forced labor.

List of personnel

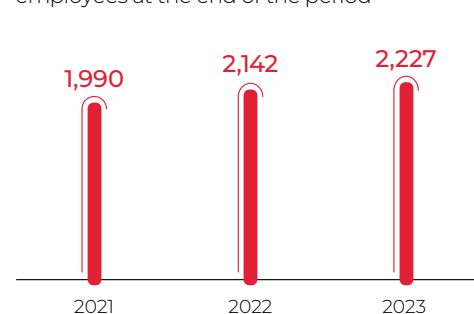
The actual headcount of the Company has grown from 2,142 employees at the beginning to 2,227 employees at the end of 2022, while the turnover rate has increased from 23% to 30%. Out of the total number of employees, 601 people work at the head office and 1,626 work at the Company's branches. Top managers are 5 employees of the Company, middle managers – 455 employees, the rest are specialists or technical workers.

The gender structure of the personnel as a whole is balanced and has not undergone significant changes during the reporting year. Women account for 53.4% of the total workforce (1,191 out of 2,227 employees).

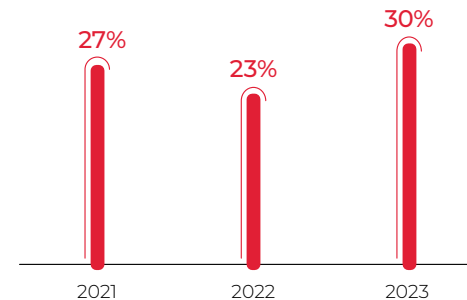
The largest age group is employees aged 25 to 40, accounting for 61.9% of the total headcount (1,378 employees). At the same time, in 2022, the age structure of the staff became somewhat more diversified: the share of employees under the age of 25 increased from 9.0% to 10.1%, from 40 to 55 years old – from 18.6% to 19.2%, older 55 years – from 2.9% to 3.1%.

During 2022, 132 employees took maternity/paternity leave, 61 employees returned from maternity/paternity leave.

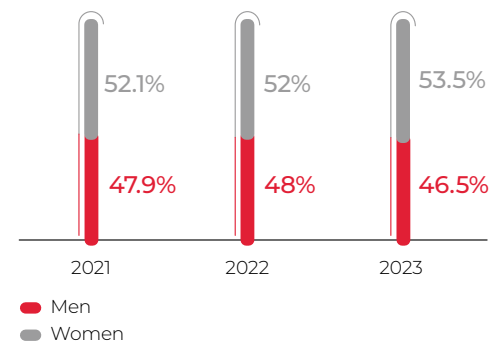
Actual number of employees,
employees at the end of the period



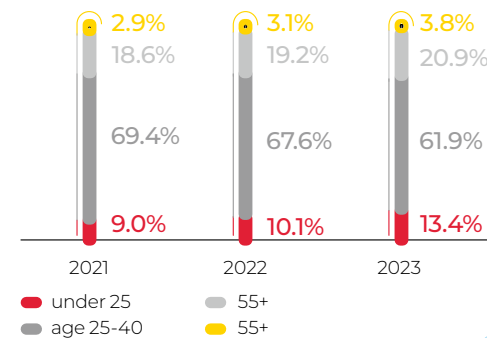
Staff turnover, in % for the period



Personnel breakdown by gender,
in % at the end of the period



Structure of personnel by age,
% at the end of the period



Employee motivation and training

KMF has a transparent, fair system of motivation, which is aimed at achieving the strategic goals of the Company and retaining qualified employees. The motivation system includes three types of bonuses:

- Monthly bonuses for front office employees, the amount of which is determined based on the results of the month;
- Annual bonuses at the end of the year based on the rating calculated taking into account the performance during the year;
- Project bonuses for project participants who receive monetary rewards based on the results of project completion.

At the end of 2023, the salaries of all employees were indexed by 15 per cent.

The Company has a social package formed according to the “cafeteria” principle: each employee can create a set of benefits for himself, the payment of which the Company covers in the amount of the established limits. The social package of the company is aimed at social support for the staff, care for supporting the health of the employee and family

members, maintaining a work-life balance, the possibility of developing employees and children.

The training and development of KMF personnel is part of the corporate culture and is carried out on a systematic basis. The company has an internal corporate training platform with electronic courses, to which all employees have constant access.

In 2024, 1,463 employees were trained and 1,050 employees completed more than two training programmes. Employees are trained in the following programmes:

- Standard mandatory programmes to ensure performance in the new position;
- Mandatory programmes for new employees to familiarise them with the company's business, culture and processes;
- Function/position specific programmes as part of on-the-job adaptation;
- Mandatory programmes aimed at mastering basic management and communication practices.

Safety and labor protection

KMF perceives the health and safety of its employees as an unconditional priority. The occupational health and safety system in the Company is based on the Occupational Safety and Health Instructions (hereinafter referred to as the OSH Instruction), approved by the KMF Board on December 8, 2020. The OSH Instruction systematizes harmful and hazardous production factors, defines the procedure for organizing OSH work, training employees in labor safety, describes the procedure for emergency situations, as well as the procedure for recording and investigating accidents related to work activities.

All employees of the Company undergo four types of safety briefing: introductory; primary in the workplace; repeated; unscheduled. Persons newly hired, without fail, within ten working days from the date of employment, undergo training on OSH issues in the Distance Learning System, followed by a mandatory knowledge test. Employees, who have not been trained, instructed and tested on OSH issues are not allowed to work.

All structural divisions of KMF are provided with serviceable primary fire extinguishing equipment (fire extinguishers) in each room based on the minimum standard of one fire extinguisher per 40–50 m². Each structural unit located in a separate building has fire equipment, including a box of sand, a shovel, scrap and hook.

If more than ten people are on the floor at a time in buildings and office premises of KMF, plans for evacuation of people in case of a fire should be developed. Evacuation plans are developed by specialized organizations based on the layouts of offices, premises or buildings provided to them. Evacuation exercises using fire alarm and fire extinguishing systems, smoke protection, fire warning and evacuation management are held annually.

ENVIRONMENTAL PROTECTION

Environmental protection policy

In the process of carrying out its activities, the Company ensures a careful and rational attitude towards the environment and the use of resources. In its activities, KMF complies with the requirements of the basic principles in the field of environmental protection:

- the priority of protecting human life and health, preserving and restoring the environment, which is favorable for the life, work and recreation of the population;
- prevention of potential harm to the environment.

KMF uses all reasonable efforts to ensure continuous functioning of the socio-ecological management system for the purpose of identification, assessment and management of environmental and social impacts. The Company takes appropriate measures aimed at preventing legal, financial consequences and consequences for the business reputation of KMF related to environmental and social issues.

KMF's operations do not have a significant impact on the environment in terms of indicators such as accidental and irregular discharges of pollutants, wastewater discharges, emissions of greenhouse gases

and other air pollutants. The company takes all measures to avoid excessive consumption of renewable resources. To rationalise the use of paper, KMF has switched to electronic document management and all internal business documents are created and stored electronically. To conserve water and electricity, water pipes in offices are repaired in a timely manner, and energy-saving lights and motion detectors are installed.

KMF's internal documents reflect the standards that prohibit KMF from financing projects that are harmful to the environment, human life and health. The company has implemented a Social and Environmental Management System (SEMS) methodology. According to this methodology It defines different levels of risk for borrowers' activities that may have a negative impact on the environment. When considering loan applications, KMF pays particular attention to the environmental aspects of the borrower's (applicant's) activities and supports environmentally oriented projects. One of the prohibited areas of lending is lending to projects that cause serious damage to the environment, human life and health.

Resource consumption and waste management

KMF is constantly engaged in the implementation of low-waste and resource-saving technologies and equipment. The buildings

of the Company's Head Office and its branches are equipped with automated water, electricity and heat supply systems.

KMF resource consumption in 2023

RESOURCE TYPE	UNIT OF MEASUREMENT	CONSUMPTION PER YEAR
Water consumption	m ³	1,154,812.18
Sewage disposal	m ³	643,868.21
Electric energy	kWh	42,508,683.99

In accordance with the Environmental Code of the Republic of Kazakhstan, the Company collects hazardous waste for subsequent processing and disposal (lead batteries,

accumulators, oil-containing waste, pneumatic tires, solid household waste, mercury-containing lamps, used oils).

Managing climate impacts

In the 21st century, preventing the negative impact of economic activity on the climate has become one of the most important issues on the global agenda. KMF is fully aware of the need to share responsibility for reducing the negative impact on the climate by all business entities and is systematically working to integrate measures to minimise climate impact into its business strategy.

KMF's operations aim to minimise its impact on climate change by:

- conducting environmental assessments of clients when granting loans using the Socio-Environmental Management System (SEMS) methodology, which involves determining the risk level of the borrower depending on the potential negative environmental impact of its activities;
- reducing the consumption of fuel and energy resources in the course of their main activities;
- reduction of electricity losses through more rational use and the introduction of energy-saving technologies.

Nevertheless, more than a third of our loan portfolio (35.2% at the end of 2023) goes to SMEs operating in the agricultural and agro-industrial complex. The activities of this category of borrowers and their financial situation depend to a large extent on natural and climatic factors. In this regard, KMF's Risk Management Department is developing a system for assessing the impact of climatic factors on the creditworthiness of borrowers operating in the agricultural and agro-industrial complex sector, based on historical data on the quality of the loan portfolio and information from the State Climate Cadastre of the Republic of Kazakhstan.

At the end of 2023, KMF established a working group to implement ESG principles and approaches, which included representatives from all key areas of the company, including the Risk Management Department. The working group identified a list of medium-term activities to implement the environmental component of sustainable development, including:

- Development and approval of the socio-environmental risk policy; including a methodology for assessing direct and transient climate risks;
- Estimating the volume of direct and indirect greenhouse gas emissions resulting from the company's activities;
- Further development of programmes to introduce "green" and energy-saving technologies;
- Improving and developing approaches to environmental assessment of customers, including negative impacts on the climate.

CORPORATE SOCIAL RESPONSIBILITY

The company's approach to charitable initiatives

KMF has developed and maintains a Corporate Social Responsibility and Charity Policy aimed at implementing social and environmental programmes, supporting culture, sports, healthcare, education and enlightenment, carrying out socially useful activities and assisting poor and needy citizens.

The policy describes the basic principles of social responsibility, the main areas of corporate social responsibility and charity, the subjects of receiving charitable assistance and the principles of interaction with stakeholders.

In order to consider requests for assistance, a Sponsorship and Charity Assistance Policy has been developed and is in place, which describes the rules for considering requests by a specially established Charity and Sponsorship Committee, made up of KMF and KMF-Demeu employees.

A budget is set up for sponsorship and charitable assistance at KMF-Demeu,

based on requests from KMF branches, in accordance with the mission and objectives of the assistance: the company supports projects aimed at promoting children's sports, environmental protection, support and development of rural infrastructure, support for multi-child and low-income families and the socially disadvantaged, and support for youth entrepreneurship. A small amount is also budgeted as a reserve for unplanned requests.

Charity and sponsorship in 2023

Support for children's sports. KMF sponsored three children's sports events in 2023:

- On 4 March 2023, a volleyball tournament was held among schoolgirls in grades 8-11 in Zhambyl district. KMF provided a sponsorship of 765 thousand tenge. This amount was used to purchase sets of sports uniforms, medals, balls, cups and treats.
- On the initiative of the Almaty branch, a basketball tournament for high school girls was held in Issyk on 1 May. The amount of sponsorship was 615,424 tenge.
- From 14 March to 17 March 2023, a chess tournament was held in Taraz for children aged 8-14. The amount of sponsorship was 1 million 400 thousand tenge. This amount was used to buy medals, certificates and treats.

Supporting students and young people.

KMF regularly supports talented young people. In 2023 the following activities were carried out in this direction:

- The company has been supporting the Enactus Kazakhstan School of Youth Entrepreneurship for 6 years and has been a platinum sponsor of the school for 2 years. Enactus Kazakhstan is an international non-profit organisation that coordinates and develops the student community of entrepreneurs, encouraging the development of start-up projects and innovation. In 2023, more than 2,700 students participated in various events in support of Enactus Kazakhstan.
- In 2023, the results of a special financial literacy competition organised by KMF-Demeu "Financial Literacy Competition" were summarised. 21 university teams (150 students) participated in the competition and 3,500 students were trained in the FinBoss course developed by KMF-Demeu for students in grades 5-8. The winner of the special competition was the team "AMU" (Astana Medical University), which received a prize of 1 million tenge. In addition, 3 million tenge was allocated for the development of the "Smile Race" financial literacy game

for children under the KMF-Demeu brand. The game uses KMF credit cards.

For the third consecutive year, KMF and KMF-Demeu have supported the KMF MentorProFinance student mentoring project. As part of this programme, leading experts in finance, IT and HR provide mentoring support to support students and young professionals. In 2023, KMF employees once again acted as mentors. The MentorProFinance project included formal and informal meetings between mentors and mentees. The programme involved 100 mentees and 50 mentors, including 6 from KMF.

Supporting vulnerable populations (multi-child and low-income families, families with children with special needs).

In 2023, KMF provided charitable support to the following organisations:

- **State Municipal Institution “Support Centre for Children in Difficult Life Situation of Ayirtau District”, Akmola Region.** The centre received a projector with screen, caps, sweets and toys.

The total amount of the charitable assistance was 497,565 tenge.

- **State Municipal Institution No. 7 named after Ushinsky.** Charitable assistance was provided for the purchase of equipment and developmental aids for the Integration Support Classroom for children with special needs. The total amount of charitable assistance was 325,829 KZT.
- **State Municipal Institution “Psychological-Pedagogical Correctional Cabinet No. 8”, Atbasar City.** Equipment for the rehabilitation of children with special needs was purchased. The amount of charitable aid was 500 thousand tenge.
- **State Municipal Institution “Psycho-educational Correctional Facility”, Jalagash district, Kyzylorda region Department of Education.** The amount of charitable aid was 136 thousand tenge. Developmental toys and “suitcases for art” from KMF and KMF-Demeu were distributed to bring joy and inspiration to the children.
- **Garyshker Education Platform.** As part of the Road to School project, KMF

purchased 900 backpacks with school supplies for children from low-income families in Kazakhstan. The total value of the donation was 6 million tenge.

- **“Yerekshe Analar” Rehabilitation Centre.** KMF-Demeu donated 3 million tenge to the “Yerekshe Analar” Foundation in Astana to purchase special furniture for children suffering from Down's syndrome, autism and other diseases.
- **MamaPro PF.** The fund for support and development of socially vulnerable women “Mama Pro” was established in January 2018 by parents of special children. In 2023, the fund received 2.5 million tenge in charitable support to conduct entrepreneurship courses in Kazakh and Russian. KMF-Demeu business trainers also conduct business training for mothers of special children.

Supporting women entrepreneurs. As part of its non-financial support, KMF and KMF-Demeu have been organising conferences for women in various cities in Kazakhstan since 2006. These conferences serve as a platform for training, networking, sharing

experiences and making new business contacts. During this time, more than 2,000 women have participated in the conferences.

Since 2019, the concept of the competition has been developed, the purpose of which is to identify the best female entrepreneurs in various industries. The first KMF Isker Hanymy Prize will be awarded in 2021. The prize will be awarded in the following categories “For Contribution to Business Development”, “For Contribution to Agribusiness Development”, “For Contribution to SME Development”, “Social Business” and “Special Jury Prize”, as well as the Grand Prix – Businesswoman of the Year. The winners of the nominations will receive certificates for household appliances worth 500,000 tenge and 1 million tenge respectively.

More than 5,000 applications were received over three years. In 2023, more than 150 women took part in the event, 100 of whom were businesswomen from 15 cities in Kazakhstan who are KMF customers.

The main difference of the award is that it was created for participants from micro-enterprises, while similar competitions are more often held for small and medium-sized enterprises, which are not comparable to the turnover of a micro-entrepreneur. The jury of the competition includes representatives of Kazakhstan KMF, KMF-Demeu, the Association of Social Entrepreneurs of Kazakhstan and the Frankfurt School of Finance and Management.

Developing financial literacy. One of KMF-Demeu's key projects is to promote financial literacy among the population of the Republic of Kazakhstan. In addition to the KMF Isker Hanymy conferences and awards, KMF-Demeu regularly organises business breakfasts for entrepreneurs on current topics in business management, including sales techniques, service, business ideas, marketing and other relevant business topics. In 2023, 924 entrepreneurs were trained. Training on personal financial management is also provided for everyone, including the younger generation: a course for teaching in schools of grades 5-8 "FinBoss" was developed, as well as a video course with interactive lessons for children and teenagers under a similar name "FinBoss", lectures

on personal finance for university students and training for the adult population. The FinBoss co-working centre, which was opened under the sponsorship of KMF-Demeu, also offers lessons for schoolchildren. In 2023, 3,388 people were trained in this area.

Support for farmers. As part of its support for agricultural entrepreneurs, KMF-Demeu organises regional agricultural forums on topical issues for farmers from different regions. In 2023, 3 agroforums were held in the town of Taraz, the village of Shieli and the town of Saryagash. Shieli and Saryagash on "Effective ways to grow crops". In total, around 400 people attended the agroforums. Agroforums are a platform for getting new information on pressing issues for entrepreneurs, exchanging experience and making business contacts. The forums also include exhibitions of suppliers of agricultural products: seeds, fertilisers, etc.



LIAISON WITH STAKEHOLDERS

KMF strives to create value for all its stakeholders and to ensure balanced development, taking into account their interests in both the short and long term. We engage with our stakeholders to keep them as informed as possible about our activities and to ensure that we achieve the best outcomes for them.

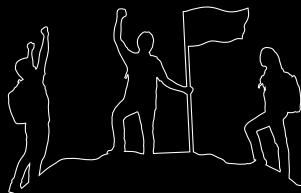
Stakeholder engagement is a key element of responsible management. We give everyone the opportunity to provide feedback on the company's performance through a variety of forums and channels to help shape our business development strategy in line with stakeholder needs and expectations.

Through quality stakeholder engagement, we aim to build mutual trust, foster engagement, maintain robust risk management and ultimately make decisions that are in the best interests of our stakeholders.

Through open dialogue with our stakeholders, we have developed a clearer understanding of their aspirations and key interests, and how we can best meet those needs.

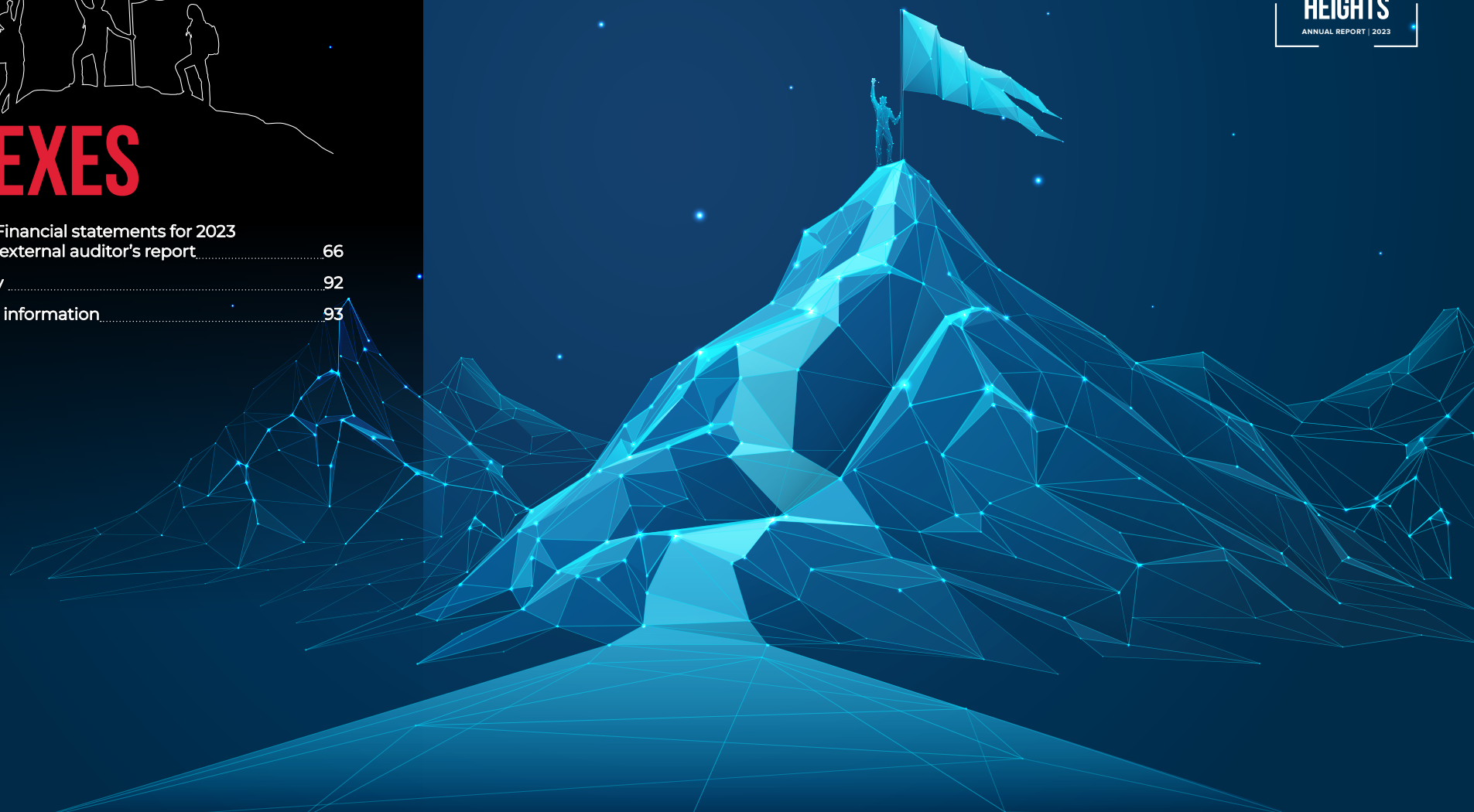
Channels used by KMF for stakeholder engagement

STAKEHOLDERS	EXPECTATIONS	ENGAGEMENT PROCESS
Clients	Providing quality services on acceptable terms, protecting personal data	Conducting market research, various forms of feedback
Creditors	Timely fulfilment of the company's credit obligations, maintenance of the risk level at an acceptable level, availability and completeness of information on the financial situation.	Preparation and publication of reports, meetings, joint discussions
Shareholders and investors	Development of the company, development of corporate governance, effective implementation of set tasks, ensuring profitability and financial stability	Preparation and publication of reports, meetings, joint discussions
Suppliers	Maintaining long-term partnership relationships, adherence to business ethics	Transparent procurement, business meetings and consultations
State authorities	Compliance with legislation, growth of payments to the budget, efficient operation of state development programmes	Appeals, inspections by supervisory authorities, meetings, regulatory reporting
Staff	Providing good working conditions, timely payment of wages, social package, career growth opportunities	Intra-company cooperation, safeguarding employees' rights and interests, improving working conditions,
Media, public	Disclosure of information, transparency	Respond to media enquiries, conduct PR and marketing activities



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ANNEX. FINANCIAL STATEMENTS FOR 2022 WITH AN INDEPENDENT AUDITOR'S REPORT

"Microfinance organization "KMF"
Limited Liability Company

Financial statements

For 2022
together with independent auditor's report

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Independent auditor's report

To the Participants and Supervisory Board of "Microfinance organization "KMF" Limited Liability Company

Opinion

We have audited the financial statements of "Microfinance organization "KMF" Limited Liability Company (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together 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 and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For the matter below, our description of how our audit addressed the matter is provided in that context. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.



Key audit matter

How our audit addressed the key audit matter

Allowance for expected credit losses on loans to customers

Estimation of allowance for expected credit losses on loans to customers in accordance with IFRS 9 "Financial Instruments" is a key area of the Company's management judgment. Identification of factors of a significant increase in credit risk since initial recognition of an asset, including identification of changes in risk of default during the remaining life of a financial instrument, as well as determination of probability of default and loss given at default rates, require significant use of professional judgment, assumptions and analysis of various historical, current and forward-looking information.

The use of different models and assumptions may significantly affect the amount of allowance for expected credit losses on loans to customers.

Due to the substantial amount of loans to customers and the significant use of professional judgment, estimation of allowance for expected credit losses was a key audit matter.

Information on expected credit losses on loans to customers and the Company's management approach to estimation of allowance for expected credit losses is presented in Note 7 Loans to customers and Note 23 Risk management to the financial statements.

Our audit procedures included the analysis of methodology for estimation of expected credit losses on loans to customers and analysis and testing of controls on identification of factors of significant increase in credit risk since initial recognition of loans to customers, including debt overdue period, existence of credit driven debt restructuring. We analysed the judgments used by the Company's management in determining the significant increase in credit risk and default criteria for loans to customers.

We performed, on a sample basis, testing of input data and analysis of assumptions used by the Company in estimating the allowance for expected credit losses on loans to customers, including historical data on debt servicing and expected cash recoveries in the event of default. We also performed analysis of the forward-looking information, including macroeconomic forecasts and scenario weights, used by the Company in its expected credit loss model.

We have recalculated the allowance for expected credit losses.

We have analysed information on allowance for expected credit losses on loans to customers disclosed in the Notes to the financial statements.

Other information included in 2023 Annual Report of the Company

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

The Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.



Responsibilities of management and the Supervisory Board 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.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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



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

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

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

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

Ernst & Young LLP



Olga Khegay
Auditor / Acting General Director
Ernst & Young LLP



Auditor Qualification Certificate
№ МҚ-0000286 dated 25 September 2015

State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МҚО-2, № 0000003, issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

050060, Republic of Kazakhstan, Almaty
Al-Farabi ave., 77/7, Esental Tower

28 March 2024

"Microfinance organization "KMF" Limited Liability Company

Financial statements for 2023

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

(In thousands of lepy)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	5	9,700,278	7,041,370
Amounts due from credit institutions		24,088	23,755
Derivative financial assets	6	39,782	1,201,502
Loans to customers	7	237,942,687	203,453,100
Investment securities	8	8,387,357	10,100,072
Investment securities pledged under repurchase agreements	8	16,091,219	—
Investment property	9	66,948	66,948
Property and equipment	10	10,091,077	9,007,130
Rights-of-use assets	11	931,904	921,187
Intangible assets	12	2,224,089	413,180
Current corporate income tax assets	17	394,810	180,028
Deferred corporate income tax assets	17	—	71,062
Other assets	13	1,653,049	943,780
Total assets		289,346,939	255,579,057
Liabilities			
Amounts due to credit institutions	14	190,006,304	163,736,457
Amounts payable under repurchase agreements	15	16,541,713	—
Derivative financial liabilities	6	230,893	833,423
Lease liabilities	11	1,013,981	992,334
Debt securities issued	16	22,250,286	10,389,036
Deferred corporate income tax liabilities	17	46,378	—
Other liabilities	13	5,997,212	5,504,500
Total liabilities		216,186,667	181,358,350
Equity			
Charter capital	18	50,000,539	14,430,993
Reserve fund	18	—	1,478,310
Fair value reserve		(237,441)	(371,702)
Revaluation reserve for investment property		—	62,329
Retained earnings		2,468,794	36,720,608
Total equity		53,240,292	52,320,487
Total equity and liabilities		289,346,939	255,579,057

Signed and authorized for issue on behalf of the Management Board of the Company:

Zhequn Xu, A.

Chairman of the Management Board

Chenylu Y.Yu

28 March 2024

Chief accountant

"Microfinance organization "KMF" Limited Liability Company

Financial statements for 2023

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

(In thousands of lepy)

	Note	2023	2022
Interest revenue calculated using effective interest rate			
Cash and cash equivalents		1,051,775	761,279
Loans to customers	20	82,964,612	78,082,077
Investment securities		894,450	565,138
		84,910,837	79,408,494
Interest expense calculated using effective interest rate			
Amounts due to credit institutions		(23,544,687)	(18,556,554)
Debt securities issued		(1,256,150)	(1,319,313)
Repurchase agreements		(1,147,665)	(122,600)
		(27,958,502)	(20,008,507)
Lease liabilities	11	(156,510)	(125,357)
		(28,115,012)	(28,133,864)
Net interest income		56,795,845	51,274,630
Credit loss expense	21	(7,287,194)	(5,360,387)
Net interest income after credit loss expense		49,508,651	45,914,243
Net losses on transactions with financial instruments at fair value through profit or loss		(6,711,824)	(4,779,562)
Net gains on derecognition of financial assets measured at fair value through other comprehensive income		79,983	—
Net gains/(losses) from foreign currencies:			
- translation differences		1,506,130	(1,321,206)
- dealing		(22,272)	(100,780)
Other income		79,435	148,533
Personnel expenses	22	(16,079,033)	(15,890,734)
Other operating expenses	22	(8,884,098)	(7,274,963)
Other expense		(2,860)	(51,903)
Profit before corporate income tax expense		16,824,112	16,633,648
Corporate income tax expense	17	(3,311,160)	(3,570,696)
Profit for the year		13,512,952	13,062,952
Other comprehensive income for the year			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income	8	239,452	(508,719)
Reclassification of cumulative gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss		(79,983)	—
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	8	(25,128)	119,387
Other comprehensive income/(loss) for the year, net of tax		134,341	(389,332)
Total comprehensive income for the year		13,647,293	12,673,620

"Microfinance organization "KMF" Limited Liability Company

Financial statements for 2023

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(In thousands of Uge)

	Note	Charter capital	Reserve fund	Fair value reserve	Revaluation reserve for investment property	Retained earnings	Total equity
As at 1 January 2022		14,430,993	1,197,776	17,580	62,329	26,743,856	42,452,564
Profit for the year		—	—	—	—	13,062,952	13,062,952
Other comprehensive loss for the year		—	—	(189,132)	—	—	(389,332)
Total comprehensive income for the year		—	—	(189,132)	—	13,062,952	12,673,620
Dividends declared	18	—	—	—	—	(2,805,637)	(2,805,637)
Transfer to reserve fund	18	—	280,563	—	—	(280,563)	—
As at 31 December 2022		14,430,993	1,478,339	(371,782)	62,329	36,728,608	52,328,487
Profit for the year		—	—	—	—	13,212,952	13,212,952
Other comprehensive income for the year		—	—	134,341	—	—	134,341
Total comprehensive income for the year		—	—	134,341	—	13,212,952	13,347,293
Contribution to the charter capital	18	35,577,946	—	—	—	—	35,577,946
Dividends declared	18	—	—	—	—	(49,005,434)	(49,005,434)
Transfers of reserve fund to retained earnings	18	—	(1,478,339)	—	—	1,478,339	—
Transfer of revaluation reserve for investment property to retained earnings		—	—	—	(62,329)	62,329	—
As at 31 December 2023		50,008,939	—	(237,441)	—	2,468,794	52,240,292

"Microfinance organization "KMF" Limited Liability Company

Financial statements for 2023

STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(In thousands of Uge)

	Note	2022	2023
Cash flows from operating activities			
Interest received on cash and cash equivalents		1,048,076	790,081
Interest received on loans to customers		81,118,851	87,290,914
Interest received on investments securities		354,252	346,189
Other income received		78,438	61,629
Interest paid on amounts due to credit institutions		(21,328,310)	(17,798,858)
Payment of interest on debt securities issued		(1,405,653)	(1,300,002)
Interest paid on repurchase agreements		(840,674)	(122,602)
Interest paid on lease liabilities		(168,519)	—
Net realized losses from dealing in foreign currencies		(22,272)	(700,782)
Net realized losses on transactions with financial instruments at fair value through profit or loss		(3,154,834)	(4,695,342)
Personnel expenses paid		(17,081,961)	(14,103,107)
Other operating expenses paid		(3,965,290)	(5,818,294)
Taxes other than corporate income tax and social security contributions paid		(2,221,818)	(1,753,962)
Cash flows from operating activities before changes in operating assets and liabilities		27,138,467	22,821,940
Net (increase)/decrease in operating asset		—	1,297
Amounts due from credit institutions		(38,932,294)	(44,102,102)
Loans to customers		(789,907)	(93,302)
Other assets		—	—
Net decrease in operating liability		—	—
Amounts payable under repurchase agreements		16,263,706	—
Other liabilities		175,224	(27,276)
Net cash flows from operating activities before corporate income tax		1,456,286	(21,368,442)
Corporate income tax paid		(1,430,600)	(3,429,067)
Net cash flows from/(used in) operating activities		25,686	(24,797,508)
Cash flows from investing activities			
Purchase of property and equipment		(2,867,122)	(2,932,377)
Proceeds from sale of property and equipment		148,532	71,445
Purchase of intangible assets		(2,388,958)	(83,830)
Purchase of investments securities	8	(38,194,212)	(5,667,986)
Proceeds from redemption of investment securities	8	31,901,104	—
Net cash flows used in investing activities		(19,078,237)	(8,642,148)
Cash flows from financing activities			
Receipt of amounts due to credit institutions	27	93,513,993	118,634,342
Repayment of amounts due to credit institutions	27	(84,287,870)	(81,262,748)
Debt securities issued	27	26,006,009	—
Redemption of debt securities issued	27	(18,008,000)	—
Payment of dividends	18	(11,427,480)	(2,805,637)
Payment of principal portion of lease liabilities	11	(488,834)	(379,887)
Net cash flows from financing activities		21,316,722	33,996,216
Effect of expected credit losses on cash and cash equivalents	5	2,978	(2,782)
Effect of exchange rate changes on cash and cash equivalents		387,886	233,822
Net increase in cash and cash equivalents		2,664,061	763,661
Cash and cash equivalents, as at 1 January		7,641,198	6,257,217
Cash and cash equivalents, 31 December	5	5,766,278	7,041,138
Non-cash transactions			
Withholding tax on short-term amounts due from credit institutions		84,604	55,682

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023

(In thousands of tenge, unless otherwise indicated)

1. Principal activities

"Microfinance organization "KMF" Limited Liability Company (hereinafter – the "Company") was established in 2006 in accordance with legislation of the Republic of Kazakhstan as "Microcredit organization "KazMicroFinance" Limited Liability Company.

In connection with the introduction of the Law of the Republic of Kazakhstan On Microfinance Organizations dated 26 November 2012, on 5 January 2015 the Company was officially re-registered in the Ministry of Justice of the Republic of Kazakhstan as a regulated microfinance organisation "Microfinance organization "KMF" Limited Liability Company. The Company's activities are supervised and regulated by the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (hereinafter – the "Agency").

The Company's principal activity is granting micro loans to customers. As at 31 December 2023 the Company has 17 branches and 109 outlets (as at 31 December 2022: 14 branches and 106 outlets) throughout Kazakhstan. Branches are located in the following cities: Almaty, Astana, Aktope, Zhezkazgan (Ulytau), Karaganda, Kokshetau, Kostanay, Kyzylorda, Pavlodar, Petropavlovsk, Semey, Taldykorgan, Taraz, Turkestan, Ust-Kamenogorsk Uralik and Shymkent. The Company's activities are located and carried out in the Republic of Kazakhstan.

Registered and actual address of the Company's head office is: 50 Nazarbayev ave., 050004, Almaty, the Republic of Kazakhstan.

As at 31 December 2023 and 2022, the Company's charter capital belonged to the following participants (hereinafter – "participants"):

Name	Ownership in %	
	31 December 2023	31 December 2022
Corporate Fund "KMF-Demes"	60.435	45.435
Multi Concept Fund Management S.A. (former – responsAbility Management Company S.A.)	16.627	18.127
Legal Owner Triodos Funds BV	9.585	12.085
Triodos SICAV II	7.065	12.085
Management and employees of the Company	6.226	6.226
responsAbility SICAV (Lux)	0.042	6.042
	100.000	100.000

The controlling participant of the Company is Corporate Fund "KMF-Demes" (hereinafter – the "Parent").

The ultimate controlling entity of the Company is ACIDI/VOCA, a non-profit organisation registered in the United States of America. ACIDI/VOCA is the sole founder of Corporate Fund "KMF-Demes".

In accordance with the decision adopted by the General Meeting of Participants, held on 6 February 2023 the Company initiated the process of reorganising the legal form of the Company from Limited Liability Company into Joint Stock Company. In 2024 the Company plans to become a bank within the framework procedures defined by the legislation of the Republic of Kazakhstan.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are prepared under the historical cost convention except as mentioned in "Summary of accounting policies", for instance, financial instruments at fair value through profit or loss and investment securities measured at fair value through other comprehensive income have been measured at fair value.

The financial statements are presented in thousands of tenge ("tenge" or "KZT"), unless otherwise indicated.

The Company presents its statement of financial position in order of liquidity based on the Company's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

The financial statements for the year ended 31 December 2023 were authorised for issue by the General Meeting of Participants on 28 March 2024.

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023

(In thousands of tenge, unless otherwise indicated)

2. Basis of preparation (continued)

Kazakhstan business environment

The Company's activities are carried out in the Republic of Kazakhstan. Consequently, the Company is exposed to the economic and financial risks in Kazakhstan which displays characteristics of an emerging market. The legal, tax and regulatory frameworks continue to evolve, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The financial statements reflect management's assessment of the impact of the Kazakh business environment on the operations and the financial position of the Company. The actual influence the future business environment may differ from management's assessment.

Geopolitical events

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

Volatility in stock and currency markets, restrictions to imports and exports, availability of local materials and services and access to local resources, will directly impact entities that have significant operations or exposures with the Russian Federation, Republic of Belarus or Ukraine. However, the consequence of the current situation may directly or indirectly impact entities other than those with direct interests in the involved in conflict countries.

In order to manage country risk, the Company controls transactions with counterparties within the limits set by the Supervisory Board of the Company, which are reviewed on a regular basis.

Inflation and the current economic environment

The impact of the macroeconomic and geopolitical environment has exacerbated inflationary pressures in almost all economies around the world. High and rising energy prices are having a negative impact on the cost of other goods and services, resulting in significant consumer-price increases in many countries.

While prices of many commodities, including food, have fallen since their record highs earlier this year, they remain high. In 2023, inflation in Kazakhstan was 9.8% (in 2022: 20.3%).

Due to the growth of geopolitical tension, there has been a significant growth of volatility in the stock and currency markets, although the value of the tenge in 2023 was virtually the same in relation to the Euro and only 2% higher in value in relation to the US dollar. On 24 November 2023, the Monetary Policy Committee of the National Bank of Kazakhstan (the "NBRC") made a decision to reduce the base rate to 15.75% per annum with an interest band of +/-1%.

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

Current inflationary pressures, macroeconomic and geopolitical uncertainty affect the assumptions and estimation uncertainty associated with the measurement of assets and liabilities.

3. Summary of accounting policies

Changes in accounting policies

The Company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, clarification or amendment that has been issued but is not yet effective.

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

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

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023
(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

In 2023, certain standards and amendments to standards were applied for the first time, which did not have an impact on the Company's financial statements:

- *IFRS 17 Insurance Contracts;*
- *Definition of Assessing Estimates – Amendments to IAS 8;*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12;*
- *International Tax Rulings—Pillar Two Model Rules – Amendments to IAS 12.*

Fair value measurement

The Company measures financial instruments carried at fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI) and non-financial assets such as investment property, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

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

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023
(In thousands of tenge, unless otherwise indicated)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement

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

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

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

Loans to customers at amortised cost

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The SPPI test

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

"Microfinance organization "KMF" Limited Liability Company
(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Initial measurement (continued)

The SPPI test (continued)

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

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

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

Debt instruments at FVOCI

The Company measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest revenue and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Expected credit losses (ECL) for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit and loss upon derecognition of the asset.

Credit related commitments

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Cash and cash equivalents

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

Repurchase and reverse repurchase agreements

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

Derivative financial instruments

In the normal course of business, the Company enters into various derivative financial instruments, including forwards and swaps on currency markets to reduce foreign exchange risk exposure. Such financial instruments are recorded at fair value through profit and loss. The fair value is estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of comprehensive income as net gains/(losses) on transactions with financial instruments at fair value through profit or loss.

"Microfinance organization "KMF" Limited Liability Company
(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Borrowings

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

Leases

Company as a lessee

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

Right-of-use assets

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

Lease liabilities

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

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

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below KZT 2,300 thousand). 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.

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(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Offsetting of financial instruments

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

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

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

Renegotiated loans

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

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

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

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

For modifications not resulting in derecognition, the Company also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 2-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of principal and interest have been made during the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

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

Financial liabilities

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

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

Taxation

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

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

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

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

Property and equipment

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

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

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

	Years
Buildings	40
Computer hardware	2-7
Vehicles	5-7
Office furniture and equipment	5-10

The assets' residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in the statement of comprehensive income within other operating expenses, unless they qualify for capitalisation.

"Microfinance organization "KMF" Limited Liability Company
(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Investment property

Investment property is land or building or a part of building held to earn rental income or for capital appreciation and which is not used by the Company or held for the sale in the ordinary course of business. Property that is being constructed or developed or redeveloped for future use as investment property is also classified as investment property.

Investment property is initially recognised at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Company's investment property is determined on the basis of various sources including reports of independent appraisers, who hold a recognised and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Earned rental income is recorded in the statement of profit or loss within other income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss and presented within other income or other operating expense.

Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with it will flow to the Company and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Intangible assets

Intangible assets include software and are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives from 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Charter capital

Charter capital

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

Dividends

Dividends are recognised as liabilities 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. The ability of the Company to declare and pay dividends is subject to the rules and regulations of the Republic of Kazakhstan legislation.

Segment reporting

Management of the Company has determined a single reportable segment being microfinance and the information provided to the chief operating decision maker is based on IFRS financial statements.

All revenues of the Company are generated from the external customers in the Republic of Kazakhstan and none of which constitute for 10% or more of the total revenue.

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(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

3. Summary of accounting policies (continued)

Recognition of income and expenses

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

Interest and similar income and expense

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

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

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

Foreign currency translation

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

The official exchange rate established by KASE as at 31 December 2023 were KZT 454.56 to USD 1 and KZT 502.24 to EUR 1 (as at 31 December 2022: KZT 462.65 to USD 1 and KZT 492.86 to EUR 1), respectively.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

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

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(In thousands of tenge, unless otherwise indicated)

Notes to the financial statements for 2023

4. Significant accounting judgements and estimates

Judgements

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

Determining the lease term of contracts with renewal options

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

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

Estimation uncertainty

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

Leases – estimating the incremental borrowing rate

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

Fair value of financial instruments

Where the fair values of financial instruments recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Additional details are provided in Note 23.

Expected credit losses on financial assets

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

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

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4. Significant accounting judgements and estimates (continued)

Taxation

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

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

5. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	31 December 2023	31 December 2022
Cash on hand	296,216	153,605
Cash in transit	135,390	91,435
Current accounts with banks	1,274,108	1,741,159
Current accounts with other financial institutions	2,437,228	1,148,129
Time deposits with banks up to 90 days	4,095,199	3,244,680
Reverse repurchase agreements with credit institutions up to 90 days	1,468,767	672,789
	9,707,908	7,051,806
Less: ECL allowance	(7,630)	(18,608)
Cash and cash equivalents	9,700,278	7,041,198

As at 31 December 2023, the Company entered into reverse repurchase agreements on KASE. The subject of these agreements are bonds of the Sovereign Wealth Fund Samruk-Kazyna JSC with fair value of KZT 1,562,963 thousand (as at 31 December 2022: treasury bills of the Ministry of Finance of the Republic of Kazakhstan and notes of the NBRK with fair value of KZT 679,956 thousand).

All balances of cash equivalents are allocated to Stage 1 for ECL measurement purposes. An analysis of changes in the ECL allowances during 2023 and 2022 is as follows:

	2023	2022
ECL allowance as at 1 January	(10,600)	(2,848)
Net changes in ECL (Note 21)	2,978	(7,760)
As at 31 December	(7,630)	(18,608)

Concentration of cash and cash equivalents

As at 31 December 2023 and 2022, the Company has no accounts with credit institutions which balances individually exceed 10% of the Company's equity.

6. Derivative financial instruments

The Company enters into transactions with the use of derivative financial instruments for decreasing the currency risk. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

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(In thousands of tenge, unless otherwise indicated)

6. Derivative financial instruments (continued)

	31 December 2023		31 December 2022	
	Notional amount	Fair value Asset Liability	Notional amount	Fair value Asset Liability
Currency agreements				
Currency swaps	79,412,882	39,782 (730,893)	57,307,870	1,201,302 (835,423)
	79,412,882	39,782 (730,893)	57,307,870	1,201,302 (835,423)

Currency swaps

Currency swaps are contractual agreements between two parties to exchange notional principal and interest amounts in two currencies at specified future payment dates and fixed exchange rates.

As at 31 December 2023, the Company had a tenge denominated loan in the amount of KZT 7,707,642 thousand received from a local bank and security deposits denominated in US Dollars in the amount of USD 16,956 thousand, which serve as a security against this loan. Since the contractual effect of these loans and deposits is equivalent to a currency swap, the said transactions have been treated as a derivative. Also, as at 31 December 2023, the Company had a currency swap agreement with an international organization in the amount of USD 41,750 thousand with the condition on exchange for KZT 20,521,525 thousand (as at 31 December 2022: USD 58,500 thousand with the condition on exchange for KZT 25,271,800 thousand).

Net losses on transactions with financial instruments at fair value through profit or loss in the statement of comprehensive income for 2023 include interest of KZT 5,892,864 thousand (in 2022: KZT 4,716,655 thousand) directly attributable to contractual interest payments on the back to back and swap agreements which are a component of the funding cost of the Company.

7. Loans to customers

Loans to customers comprise the following:

	31 December 2023	31 December 2022
Retail trade, services and production loans	144,967,412	117,250,657
Agricultural loans	89,821,786	76,666,531
Consumer loans	20,246,429	21,722,532
Total loans to customers	255,035,618	215,639,720
Less: ECL allowance	(17,062,931)	(12,186,532)
Loans to customers	237,942,687	203,453,188

As at 31 December 2023 and 2022, loans to customers mainly comprise loans issued to individuals.

ECL allowance of loans to customers

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

Retail trade, services and production loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	108,142,263	795,639	8,312,755	117,250,657
New assets originated	175,282,085	—	—	175,282,085
Assets repaid	(144,424,372)	(173,042)	(2,537,140)	(147,134,554)
Net change in accrued interest	339,903	221,944	400,404	962,251
Transfers to Stage 1	4,671,420	(782,534)	(3,288,886)	—
Transfers to Stage 2	(5,623,699)	5,335,157	(11,458)	—
Transfers to Stage 3	(4,824,854)	(5,113,309)	9,930,161	—
Unwinding of discount	—	—	1,934,631	1,934,631
Changes to contractual cash flows due to modifications not resulting in derecognition	(25,251)	(7,472)	(9,111)	(41,834)
Recoveries	—	—	213,012	213,012
Amounts written off	—	—	(3,498,836)	(3,498,836)
As at 31 December 2023	112,837,496	876,381	11,453,534	144,967,412

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023

(In thousands of tenge, unless otherwise indicated)

7. Loans to customers (continued)

ECL allowance of loans to customers (continued)

Retail trade, services and production loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	(806,485)	(247,703)	(5,853,229)	(6,907,417)
New assets originated	(879,957)	—	—	(879,957)
Assets repaid	790,261	58,242	1,578,383	2,426,887
Transfers to Stage 1	(1,597,358)	243,470	1,353,888	—
Transfers to Stage 2	1,163,107	(1,168,437)	5,324	—
Transfers to Stage 3	172,610	1,678,748	(1,851,358)	—
Impact on period end ECL of exposures transferred between stages during the period	1,367,209	(805,037)	(1,894,567)	(1,332,395)
Unwinding of discount	—	—	(1,934,631)	(1,934,631)
Changes to contractual cash flows due to modifications not resulting in derecognition	2,781	2,086	1,916	6,783
Changes to models and inputs used for ECL calculations	(1,179,573)	(67,654)	(2,473,923)	(3,721,150)
Recoveries	—	—	(213,012)	(213,012)
Amounts written off	—	—	3,498,836	3,498,836
As at 31 December 2023	(967,405)	(306,278)	(7,782,373)	(9,056,056)

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

Agricultural loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	72,214,873	388,445	3,963,213	76,666,531
New assets originated	106,123,135	—	—	106,123,135
Assets repaid	(33,576,802)	(107,688)	(1,242,582)	(34,927,072)
Net change in accrued interest	118,669	132,123	238,326	488,928
Transfers to Stage 1	2,146,242	(183,351)	(1,962,891)	—
Transfers to Stage 2	(2,733,966)	2,738,836	(5,771)	—
Transfers to Stage 3	(2,829,692)	(2,521,987)	5,351,673	—
Unwinding of discount	—	—	1,094,101	1,094,101
Changes to contractual cash flows due to modifications not resulting in derecognition	4,572	(386)	4,176	8,362
Recoveries	—	—	154,087	154,087
Amounts written off	—	—	(1,786,285)	(1,786,285)
As at 31 December 2023	83,567,737	445,997	5,808,062	89,821,786

Agricultural loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	(334,738)	(142,135)	(3,062,865)	(3,568,738)
New assets originated	(338,962)	—	—	(338,962)
Assets repaid	368,324	38,993	830,960	1,238,857
Transfers to Stage 1	(1,086,880)	81,934	1,004,946	—
Transfers to Stage 2	580,821	(583,725)	2,904	—
Transfers to Stage 3	61,599	912,633	(974,232)	—
Impact on period end ECL of exposures transferred between stages during the period	576,328	(425,537)	(1,542,852)	(992,055)
Unwinding of discount	—	—	(1,094,101)	(1,094,101)
Changes to contractual cash flows due to modifications not resulting in derecognition	163	125	(1,267)	(979)
Changes to model and inputs used for ECL calculations	(648,818)	(42,644)	(1,264,111)	(1,955,573)
Recoveries	—	—	(154,087)	(154,087)
Amounts written off	—	—	1,786,285	1,786,285
As at 31 December 2023	(421,463)	(160,350)	(4,486,400)	(5,068,213)

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(In thousands of tenge, unless otherwise indicated)

7. Loans to customers (continued)

ECL allowance of loans to customers (continued)

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

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	19,334,577	324,663	2,963,292	21,722,532
New assets originated	17,200,171	—	—	17,200,171
Assets repaid	(17,368,489)	(65,942)	(590,587)	(18,524,013)
Net change in accrued interest	162,855	120,252	101,844	384,951
Transfers to Stage 1	812,761	(218,425)	(594,338)	—
Transfers to Stage 2	(2,432,540)	2,433,932	(1,382)	—
Transfers to Stage 3	(791,230)	(2,243,047)	3,034,277	—
Unwinding of discount	—	—	739,694	739,694
Changes to contractual cash flows due to modifications not resulting in derecognition	(23,189)	(3,444)	(8,810)	(35,443)
Recoveries	—	—	38,995	38,995
Amounts written off	—	—	(1,279,467)	(1,279,467)
As at 31 December 2023	16,494,916	347,969	3,403,515	20,246,420

Consumer loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	(191,548)	(124,687)	(1,393,048)	(1,709,377)
New assets originated	(120,398)	—	—	(120,398)
Assets repaid	163,903	26,385	481,438	671,406
Transfers to Stage 1	(395,086)	94,917	300,169	—
Transfers to Stage 2	573,024	(573,855)	631	—
Transfers to Stage 3	42,425	880,583	(923,008)	—
Impact on period end ECL of exposures transferred between stages during the period	330,224	(402,452)	(563,530)	(635,758)
Unwinding of discount	—	—	(739,694)	(739,694)
Changes to contractual cash flows due to modifications not resulting in derecognition	1,721	1,457	3,631	6,809
Changes to models and inputs used for ECL calculations	(627,408)	(40,728)	(1,001,968)	(1,670,122)
Recoveries	—	—	(38,995)	(38,995)
Amounts written off	—	—	1,279,467	1,279,467
As at 31 December 2023	(223,343)	(138,394)	(2,394,725)	(2,956,662)

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

Retail trade, services and production loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	82,947,832	230,501	4,510,440	87,688,773
New assets originated	146,209,063	—	—	146,209,063
Assets repaid	(114,825,942)	(62,698)	(1,830,411)	(116,718,751)
Net change in accrued interest	(63,036)	48,704	466,943	442,611
Transfers to Stage 1	3,257,854	(576,581)	(2,681,273)	—
Transfers to Stage 2	(5,413,853)	5,436,460	(22,607)	—
Transfers to Stage 3	(3,524,808)	(4,277,042)	8,201,850	—
Unwinding of discount	—	—	1,247,341	1,247,341
Changes to contractual cash flows due to modifications not resulting in derecognition	(45,147)	(3,705)	(7,188)	(56,032)
Recoveries	—	—	119,139	119,139
Amounts written off	—	—	(1,681,487)	(1,681,487)
As at 31 December 2022	108,142,263	795,639	8,312,755	117,250,657

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(In thousands of tenge, unless otherwise indicated)

7. Loans to customers (continued)

ECL allowance of loans to customers (continued)

Retail trade, services and production loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	(901,660)	(113,222)	(3,568,568)	(4,583,450)
New assets originated	(1,117,739)	—	—	(1,117,739)
Assets repaid	1,032,122	32,717	1,055,461	2,120,300
Transfers to Stage 1	(1,739,908)	214,949	1,524,967	—
Transfers to Stage 2	1,413,338	(1,424,217)	10,879	—
Transfers to Stage 3	258,944	1,379,562	(1,838,208)	—
Impact on period end ECL of exposures transferred between stages during the period	1,609,592	(544,213)	(2,024,789)	(959,410)
Unwinding of discount	—	—	(1,247,341)	(1,247,341)
Changes to contractual cash flows due to modifications not resulting in derecognition	3,550	1,056	2,644	7,250
Changes to models and inputs used for ECL calculations	(1,364,429)	5,666	(1,329,614)	(2,688,377)
Recoveries	—	—	(119,139)	(119,139)
Amounts written off	—	—	1,681,487	1,681,487
As at 31 December 2022	(806,685)	(247,703)	(5,853,229)	(6,907,417)

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

Agricultural loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	63,656,597	140,992	2,754,168	66,551,757
New assets originated	95,137,448	—	—	95,137,448
Assets repaid	(84,149,896)	(38,719)	(861,931)	(85,050,546)
Net change in accrued interest	(53,524)	20,663	187,310	154,449
Transfers to Stage 1	1,667,837	(209,646)	(1,667,997)	—
Transfers to Stage 2	(2,152,891)	2,155,931	(3,242)	—
Transfers to Stage 3	(1,987,168)	(1,879,783)	3,676,949	—
Unwinding of discount	—	—	656,876	656,876
Changes to contractual cash flows due to modifications not resulting in derecognition	8,468	(1,007)	761	6,228
Recoveries	—	—	117,829	117,829
Amounts written off	—	—	(907,519)	(907,519)
As at 31 December 2022	72,314,373	388,445	3,963,213	76,666,031

Agricultural loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	(321,774)	(60,007)	(1,993,033)	(2,374,815)
New assets originated	(410,411)	—	—	(410,411)
Assets repaid	458,246	16,284	580,011	1,063,522
Transfers to Stage 1	(1,651,597)	114,896	936,801	—
Transfers to Stage 2	655,523	(657,440)	1,817	—
Transfers to Stage 3	68,436	747,190	(815,626)	—
Impact on period end ECL of exposures transferred between stages during the period	837,098	(305,367)	(1,115,538)	(483,807)
Unwinding of discount	—	—	(656,876)	(656,876)
Changes to contractual cash flows due to modifications not resulting in derecognition	1,302	396	(590)	808
Changes to models and inputs used for ECL calculations	(871,261)	1,932	(928,518)	(1,497,833)
Recoveries	—	—	(117,829)	(117,829)
Amounts written off	—	—	907,519	907,519
As at 31 December 2022	(134,738)	(142,135)	(3,062,865)	(3,568,738)

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(In thousands of tenge, unless otherwise indicated)

7. Loans to customers (continued)

ECL allowance of loans to customers (continued)

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

Consumer loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	14,317,564	56,017	697,833	15,071,514
New assets originated	24,482,577	—	—	24,482,577
Assets repaid	(17,412,561)	(5,891)	(518,260)	(17,936,712)
Net change in accrued interest	36,333	25,008	187,899	249,240
Transfers to Stage 1	505,896	(154,108)	(351,787)	—
Transfers to Stage 2	(1,898,207)	1,906,915	(8,708)	—
Transfers to Stage 3	(684,847)	(1,302,481)	2,187,328	—
Unwinding of discount	—	—	291,863	291,863
Changes to contractual cash flows due to modifications not resulting in derecognition	(11,378)	(796)	(1,050)	(13,764)
Recoveries	—	—	31,077	31,077
Amounts written off	—	—	(452,963)	(452,963)
As at 31 December 2022	19,334,577	324,663	2,963,297	21,722,537

Consumer loans	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2022	(96,481)	(20,565)	(482,850)	(599,896)
New assets originated	(144,171)	—	—	(144,171)
Assets repaid	131,447	2,217	246,136	379,800
Transfers to Stage 1	(216,038)	59,222	156,814	—
Transfers to Stage 2	434,300	(438,432)	4,132	—
Transfers to Stage 3	27,552	519,944	(547,596)	—
Impact on period end ECL of exposures transferred between stages during the period	186,527	(238,248)	(393,250)	(444,871)
Unwinding of discount	—	—	(291,863)	(291,863)
Changes to contractual cash flows due to modifications not resulting in derecognition	653	259	381	1,293
Changes to models and inputs used for ECL calculations	(515,539)	(9,078)	(507,038)	(1,031,755)
Recoveries	—	—	(31,077)	(31,077)
Amounts written off	—	—	452,963	452,963
As at 31 December 2022	(191,948)	(124,663)	(1,393,048)	(1,709,317)

Modified and restructured loans

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

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

During 2023, the Company has modified the terms and conditions of certain loans. The Company considered these modifications to be non-substantial. As a result, the Company recognised loss on modification of loans to customers, not resulting in derecognition in the amount of KZT 68,915 thousand (in 2022: KZT 63,568 thousand).

	2023	2022
Loans to customers modified during the period		
Amortised cost before modification	31,202,913	24,556,189
Net losses on modification of loans to customers		

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7. Loans to customers (continued)

ECL allowance of loans to customers (continued)

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- Guarantees;
- Inventory;
- Real estate;
- Vehicles;
- Other.

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

Concentration of loans to customers

As at 31 December 2023 and 2022, the Company has no borrowers or groups of interrelated borrowers whose loan balances exceed 10% of its equity. In accordance with the legislation of the Republic of Kazakhstan, the maximum loan amount issued by microfinance organizations as at 31 December 2023 was KZT 69,000 thousand (as at 31 December 2022: KZT 61,250 thousand).

In absence of collateral or other credit enhancements, ECL allowance in respect of Stage 3 loans to customers as at 31 December 2023 and 2022 would have been higher by:

	2023	2022
Retail trade, services and production loans	703,293	171,952
Agricultural loans	25,708	12,701
Consumer loans	3,244	(2,267)
Total	732,246	184,386

8. Investment securities

Investment securities comprise the following:

Debt securities measured at FVOCI

	31 December 2023	31 December 2022
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	24,581,466	8,919,802
Corporate bonds	—	1,396,288
	24,581,466	10,316,090
Less: ECL allowance	(102,890)	(128,018)
Investment securities	24,478,576	10,188,072

As at 31 December 2023, the Company pledged bonds of the Ministry of Finance of the Republic of Kazakhstan, with a total fair value of KZT 16,091,219 thousand under repurchase agreements entered into at KASE (Note 15).

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8. Investment securities (continued)

All balances of debt securities measured at FVOCI are allocated to Stage 1 for the purpose of measuring ECL. An analysis of changes in the gross carrying values and associated ECL in relation to debt securities at FVOCI is as follows:

Debt securities measured at FVOCI	2023	2022
Carrying value as at 1 January	10,188,072	4,663,222
New assets purchased	38,194,212	3,697,995
Assets matured	(24,203,504)	-
Net change in accrued interest	86,497	216,144
Net change in fair value	239,452	(508,719)
Effect from changes in exchange rates	(26,153)	119,439
As at 31 December	24,478,576	10,188,072

Debt securities measured at FVOCI	2023	2022
ECL as at 1 January	(128,018)	(8,631)
Net change in ECL (Note 21)	25,128	(119,387)
As at 31 December	(102,890)	(128,018)

9. Investment property

As at 31 December 2023 and 2022 investment property in the amount of KZT 66,968 thousand represents building and land in Taldykorgan city. In December 2023, the Company engaged Market Consulting LLP, an independent appraiser, to determine the market value of the property.

During 2023 rental income derived from investment property amounted to KZT 10,437 thousand (in 2022: KZT 10,985 thousand).

The Company has no restrictions on sale of its investment property or any contractual obligations to either purchase, construct or develop investment property or for repairs, maintenance and enhancements.

Notes to the financial statements for 2023

	Vehicles	Office furniture and equipment	Assets under construction	Total
	536,450	1,371,658	68,362	10,034,580
	96,549	373,746	713,216	2,219,074
	111	4,271	(73,045)	-
	(4,237)	(7,123)	303	(31,352)
	628,865	2,346,256	47,541	12,272,362
	238,811	396,270	452,362	2,844,936
	1,090	1,837	(311,437)	-
	(105,599)	(82,117)	(10,997)	(197,643)
	675,167	2,362,186	177,275	14,586,191
	(211,873)	(251,317)	-	(2,418,864)
	(87,399)	(234,076)	-	(100,398)
	(207,271)	(985,393)	-	(5,125,172)
	(83,900)	(262,113)	-	(900,443)
	65,683	76,309	-	230,507
	(124,466)	(1,171,196)	-	(3,795,114)
	322,677	920,145	66,362	7,511,716
	331,584	1,360,843	47,541	9,899,136
	354,671	1,390,987	177,275	10,897,077

amounted to KZT 79,315 thousand (as at 31 December 2022: KZT 81,079 thousand), with local banks amounted KZT 5,427,466 thousand (as at 31 December 2022:

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Notes to the financial statements for 2023

11. Right-of-use assets and lease liabilities

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

	<i>Right-of-use assets (office premises)</i>	<i>Lease liabilities</i>
As at 1 January 2022	555,282	608,268
Additions	815,790	815,790
Disposals	(17,000)	(17,000)
Depreciation expense	(432,863)	–
Interest expense	–	125,357
Payments	–	(539,881)
As at 31 December 2022	921,187	992,534
Additions	631,784	631,784
Modification	130,021	130,021
Disposals	(246,801)	(263,521)
Depreciation expense	(504,681)	–
Interest expense	–	156,510
Payments	–	(643,344)
As at 31 December 2023	931,504	1,012,981

The Company recognized rent expense from short-term leases of KZT 207,231 thousand for the year ended 31 December 2023 (in 2022: KZT 202,077 thousand) (Note 22).

12. Intangible assets

Movements in intangible assets were as follows:

	<i>Licenses</i>	<i>Software</i>	<i>Assets under development</i>	<i>Total</i>
Cost				
As at 1 January 2022	–	1,070,638	–	1,070,638
Additions	–	83,830	–	83,830
As at 31 December 2022	–	1,162,468	–	1,162,468
Additions	195,429	116,261	1,863,885	1,975,575
Transfers	–	322,125	(322,125)	–
Disposals	–	(120,350)	–	(120,350)
As at 31 December 2023	195,429	1,480,506	1,341,756	3,017,691
Accumulated depreciation				
As at 1 January 2022	–	(609,099)	–	(609,099)
Depreciation charge	–	(140,189)	–	(140,189)
As at 31 December 2022	–	(749,288)	–	(749,288)
Depreciation charge	(4,352)	(160,152)	–	(164,705)
Disposals	–	120,350	–	120,350
As at 31 December 2023	(4,352)	(789,091)	–	(793,543)
Net carrying amount				
As at 1 January 2022	–	469,539	–	469,539
As at 31 December 2022	–	413,180	–	413,180
As at 31 December 2023	190,877	691,417	1,341,756	2,224,050

As at 31 December 2023, assets under development in the amount of KZT 1,663,885 thousand represent costs incurred to develop an automated banking accounting system, remote banking service program, Customer Relationship Management platform and Customer Data Platform in order to improve the level of customer service and increase future economic benefits. The Company's management believes that the development process has met the criteria for recognition of intangible assets.

As at 31 December 2023, the Company performed impairment tests on the carrying value of intangible assets under development. Based on the test results, the Company has concluded that the intangible assets will generate sufficient future economic benefits and their recoverable amounts exceed the carrying values.

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Notes to the financial statements for 2023

13. Other assets and liabilities

Other assets comprise the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Other financial assets		
Amounts receivable from processing companies	182,623	94,139
Amounts receivable from insurance companies	90,738	64,146
Amounts receivable from employees	11,016	12,717
Other	88,941	100,529
	373,318	271,531
Less: ECL allowance	(56,997)	(58,935)
Total other financial assets	316,321	211,596
Other non-financial assets		
Advances to suppliers	1,042,510	486,511
Inventories	237,663	211,419
Prepaid taxes and other payments to budget	56,535	34,254
Total other non-financial assets	1,336,728	732,184
Other assets	1,653,048	943,780

Other liabilities comprise the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Other financial liabilities		
Amounts payable to employees	2,055,438	2,104,423
Overpayments of loans to customers	1,573,984	1,467,619
Payables to suppliers	466,614	236,861
ECL allowance on credit related commitments (Note 21)	57,616	35,883
Other	268,411	279,302
Total other financial liabilities	4,426,064	4,124,488
Other non-financial liabilities		
Accrued expenses on unused vacations	1,018,002	729,075
Taxes other than corporate income tax payable	508,146	450,736
Total other non-financial liabilities	1,577,148	1,179,812
Other liabilities	5,997,212	5,304,300

14. Amounts due to credit institutions

Amounts due to credit institutions comprise the following:

	<i>31 December 2023</i>	<i>31 December 2022</i>
Loans from credit institutions, other than banks, of OECD countries	106,622,153	94,660,550
Loans from local banks and credit institutions	53,296,971	42,175,790
Loans from banks of OECD countries	30,103,180	26,900,117
Amounts due to credit institutions	190,006,304	163,736,457

As at 31 December 2023 and 2022, the Company complied with all financial covenants implied by loan agreements with credit institutions.

As at 31 December 2023, the Company has loans received from ForteBank JSC in the amount of KZT 3,854,646 thousand (as at 31 December 2022: KZT 6,694,109 thousand) and Alryn Bank JSC (Subsidiary bank of China Citic Bank Corporation Limited) in the amount of KZT 6,152,113 thousand (as at 31 December 2022: KZT 5,327,383 thousand).

As at 31 December 2023, the Company provided property and equipment with a total book value of KZT 5,421,455 thousand (as at 31 December 2022: KZT 4,890,751 thousand) (Note 10) and investment property with a total book value of KZT 66,958 thousand (as at 31 December 2022: KZT 66,958 thousand) as collateral for these loans.

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15. Amounts payable under repurchase agreements

As at 31 December 2023, the Company entered into repurchase agreements at KASE with the total carrying amount of KZT 16,361,713 thousand. Repurchase agreements are used by the Company to manage short-term liquidity position. As at 31 December 2023, the subject of these agreements are bonds of the Ministry of Finance of the Republic of Kazakhstan with the total fair value of KZT 16,091,219 thousand (Note 6).

16. Debt securities issued

Debt securities issued comprise:

	2023	2022
Debt securities issued at KASE	22,300,000	10,404,444
Less: unamortised discount	(48,714)	(14,808)
	22,251,286	10,389,636

As at 31 December 2023, the Company's debt securities comprise unsecured coupon bonds placed under the second bond program with the aggregate nominal value of KZT 20,000,000 thousand. The bonds are denominated in tenge, bear interest rate of 20% per annum and mature in 2024.

As at 31 December 2022, the Company's debt securities comprise unsecured coupon bonds placed under the first bond program with the aggregate nominal value of KZT 10,000,000 thousand. The bonds are denominated in tenge, bear interest rate of 13% per annum and mature in 2023.

17. Taxation

The corporate income tax expense comprises the following:

	2023	2022
Current corporate income tax charge	3,193,629	3,440,305
Corporate income tax of prior years	—	87,573
Deferred corporate income tax charge – origination and reversal of temporary differences	117,340	42,818
Corporate income tax expense	3,311,169	3,570,696

The Republic of Kazakhstan is the only tax jurisdiction in which the Company's income is taxable. In accordance with tax legislation the applied corporate income tax rate is 20% in 2023 and 2022.

The reconciliation between the corporate income tax expense in the accompanying financial statements and profit before corporate income tax multiplied by the statutory tax rate for the years, ended 31 December, is as follows:

	2023	2022
Profit before corporate income tax expense	16,524,112	16,633,648
Statutory rate	20%	20%
Theoretical corporate income tax expense at the statutory rate	3,304,822	3,326,730
Non-taxable income on state securities and securities listed on KASE	(178,933)	(113,029)
Non-deductible credit loss expense	163,721	160,489
Non-deductible loss on modification of terms of loans to customers	13,873	12,714
Correction of corporate income tax of prior years	—	87,573
Other non-deductible expenses	7,767	96,218
Corporate income tax expense	3,311,169	3,570,696

As at 31 December 2023 current corporate income tax assets comprised KZT 394,810 thousand (as at 31 December 2022: KZT 158,025 thousand).

Deferred tax assets and deferred tax liabilities

Temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the amounts used for the purposes of calculation of taxable base, give rise to net deferred tax assets and liabilities as at 31 December 2023 and 2022. The future tax benefits will only be received in the event that there are no changes in the legislation of Kazakhstan that would adversely affect the Company's ability to utilise such benefits in future periods.

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17. Taxation (continued)

Deferred tax assets and deferred tax liabilities (continued)

Deferred corporate income tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	Origination and reversal of temporary differences in profit or loss		Origination and reversal of temporary differences in profit or loss		
	2023	2022	2022	2023	
Tax effect of deductible temporary differences					
Accrued expenses on unused vacations and bonuses	464,053	54,497	518,550	26,150	544,700
Amounts due to credit institutions	26,745	28,830	33,375	46,191	191,166
Lease liabilities	121,853	76,854	198,507	4,289	262,796
Other liabilities	10,577	1,962	12,538	3,617	16,156
Deferred corporate income tax assets	623,028	162,143	765,971	80,247	865,418
Tax effect of taxable temporary differences					
Property and equipment and intangible assets	(293,335)	(131,786)	(525,115)	(195,523)	(720,638)
Right-of-use assets	(111,056)	(73,181)	(384,237)	(2,864)	(186,301)
Investment property	(4,757)	—	(4,757)	—	(4,757)
Deferred corporate income tax liabilities	(509,148)	(204,967)	(714,109)	(197,387)	(911,696)
Net deferred corporate income tax assets/(liabilities)	113,880	(42,818)	71,662	(117,140)	(45,278)

18. Equity

Charter capital

As at 31 December 2023, the Company's paid and outstanding charter capital was equal to KZT 50,006,039 thousand (as at 31 December 2022: KZT 14,430,993 thousand). In accordance with the decision adopted by the General Meeting of Participants, held on 10 November 2023, the charter capital of the Company was increased by KZT 35,577,946 thousand through additional contribution of the participants.

In November 2023, as part of the preparation process of reorganising the legal form of the Company from Limited Liability Company into Joint Stock Company, the Company's accumulated net profit and reserve fund were dissolved and used for contribution to the charter capital and payment of dividends.

Dividends

In accordance with Kazakhstan legislation, the Company's distributable funds are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with IFRS or the amount of profit for the year in case of the accumulated loss. Distribution will not be performed if the amount of the Company's equity becomes negative as a result of the distribution, or entails the insolvency and bankruptcy of the Company.

In accordance with the decision of the General Meeting of Participants, held on 10 November 2023, the Company declared dividends for 2022 in the amount of KZT 49,805,434 thousand. On 10 November 2023, the participants of the Company decided to split dividends declared between contribution to the charter capital in the amount of KZT 35,577,946 thousand and payment of dividends in cash for KZT 13,427,488 thousand.

In accordance with the decision of the General Participants' Meeting held on 13 October 2022, the Company declared and paid dividends in cash in the amount of KZT 2,805,637 thousand.

Reserve fund

In accordance with the decision of the General Meeting of Participants held on 4 May 2012, the reserve fund is formed during the year and should be at least 5% of the charter capital at the beginning of the reporting year.

In November 2022, the Supervisory Board of the Company approved the transfer of KZT 280,563 thousand from retained earnings to the reserve fund. As at 31 December 2022 the reserve fund amounted to KZT 1,418,339 thousand.

On 10 November 2023, the Supervisory Board of the Company approved the transfer of the reserve fund to retained earnings.

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19. Commitments and contingencies

Political and economic environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

Insurance

The insurance industry in the Republic of Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The Company does not have full coverage for business interruption, or third party liability in respect of property or environmental damage arising from accidents on the Company property or relating to the Company operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position of the Company.

Legal issues

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, no provision was recognised in the financial statements.

Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and profit related to reported and discovered violations of Kazakh laws, decrees and related regulations are severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Company believes that it has paid or accrued all taxes that are applicable. Where practice concerning tax application 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.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2023. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

Commitments and contingencies

The Company has contingent liabilities to provide credit resources. These credit related contingencies provide for issuance of credit resources in the form of approved credit facilities.

In providing credit related contingencies, the Company applies the same risk management policies and procedures used when issuing loans to customers.

The contractual amounts of credit related contingencies are set out in the table below. The amounts reflected in the table for credit related contingencies assume that the indicated contingencies will be fully settled.

	31 December 2023	31 December 2022
Credit related commitments		
Undrawn loan commitments	26,873,827	18,899,090
Commitments and contingencies	26,873,827	18,899,090

ECL allowances on credit related commitments	(57,616)	(35,883)
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The agreements on the provision of credit lines provide for the right of the Company to unilaterally withdraw from the contract in the event of any adverse conditions. At the same time, the Company carries out an analysis of the borrower's credit risk before providing funds under terms of the credit lines. Therefore, the Company's management believes that the Company's exposure to credit risk is limited by the contractual period for filing a notice on cancellation of an unused portion of a credit line.

As a result, the above amounts do not necessarily represent the future cash outflow. Measurement of the ECL allowance for such facilities is made only for issued loan tranches.

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19. Commitments and contingencies (continued)

Commitments and contingencies (continued)

In 2021, it was decided, with regards to loans issued to borrowers classified as small and medium-sized businesses, to issue tranches under the credit line without a preliminary analysis of the financial condition, provided that the analysis and issuance of the last tranche are given within less than 6 months prior to the date of the next issuance. ECL allowance was recognised by the Company for such credit lines.

20. Interest revenue on loans to customers

In 2023, interest revenue on loans to customers comprised KZT 82,964,612 thousand (in 2022: KZT 70,082,977 thousand), including net modification loss arising from changes in contractual cash flows of loans to customers not resulting in derecognition of KZT 68,915 thousand (in 2022: net modification loss of KZT 61,568 thousand).

21. Credit loss expense

The table below shows the ECL charges on finance instruments recognised in the statement of comprehensive income for the year ended 31 December 2023:

Note	2023			Total
	Stage 1	Stage 2	Stage 3	
Cash and cash equivalents	5	2,978	—	2,978
Amounts due from credit institutions		(38)	—	(38)
Loans to customers	7	256,198	(1,656,777)	(5,845,888)
Investment securities	8	25,128	—	25,128
Other financial assets		—	2,938	2,938
Contingent liabilities		(21,733)	—	(21,733)
Credit loss expense		212,533	(1,656,777)	(5,842,950)

The table below shows the ECL charges on finance instruments recognised in the statement of comprehensive income for the year ended 31 December 2022:

Note	2022			Total
	Stage 1	Stage 2	Stage 3	
Cash and cash equivalents	5	(7,760)	—	(7,760)
Amounts due from credit institutions		(28)	—	(28)
Loans to customers	7	136,890	(1,036,398)	(4,305,696)
Investment securities	8	(119,387)	—	(119,387)
Other financial assets		2,943	(10,947)	(7,104)
Contingent liabilities		(20,714)	—	(20,714)
Credit loss expense		(8,256)	(1,036,398)	(4,315,143)

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22. Personnel and other operating expenses

Personnel and other operating expenses comprise the following:

	2023	2022
Salaries, bonuses and other benefits	17,323,625	14,404,794
Social security contribution	1,755,408	1,493,940
Personnel expenses	19,079,033	15,898,734
Professional services	1,797,534	1,208,582
Depreciation and amortisation (Notes 10, 11 and 12)	1,569,835	1,279,382
Payment processing services	1,265,274	1,653,702
Taxes other than corporate income tax	552,336	344,781
Advertising and marketing	502,678	396,952
Security	460,801	377,179
Office supplies	376,838	274,491
VAT expense	313,154	258,707
Communication and information services	304,925	277,553
Business trips	264,339	179,959
Repair and maintenance	246,065	149,089
Lease	207,221	202,077
Trainings for personnel	180,508	46,927
Bank fees	126,674	126,795
Transportation	98,562	86,768
Insurance	89,475	67,361
Encashment	81,921	66,940
Brokerage service	65,084	29,448
Expenses for corporate events	63,643	117,472
Charity	33,857	16,655
Membership fees	13,941	16,700
Other	260,431	105,472
Other operating expenses	8,884,098	7,274,983

For the year ended 31 December 2023 amount of audit and non-audit fees charged to the Company by all EY member practices amounted to KZT 64,800 thousand and KZT 4,282 thousand, respectively.

23. Risk management

Introduction

Risk management is inherent in the Company's activities and is an essential element of the Company's operations. Market risk, which includes interest rate risk and foreign exchange risk, credit risk and liquidity risk, form the major risk faced by the Company in the course of its activities. The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to monitor continuously risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

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

Risk management structure

General Assembly of Participants (GAP)

The General Assembly of Participants (hereinafter – the "GAP") define the overall risk appetite through setting the Credit Policy of the Company and determining the business activities of the Company.

Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles within the overall risk appetite set by the GAP.

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Notes to the financial statements for 2023

23. Risk management (continued)

Introduction (continued)

Risk management structure (continued)

Board Risk Committee

The Risk Committee is delegated by the Supervisory Board with overall responsibility for the development of the risk strategy and principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Board Audit Committee

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

Management Board

The Management Board has the responsibility to monitor and manage the overall risk process within the Company.

Executive Assets and Liability Management Committee (ALCO)

The management level Assets and Liability Management Committee (hereinafter – the "ALCO") of the Company is responsible for the overall assets and liability management, for control of prudential norms and covenants, for managing funding strategy, for managing and reporting on financial and non-financial risks.

Treasury

The Company's Treasury is responsible for carrying out the transactional aspects of assets and liability management and for managing the balance sheet structure. It is also primarily responsible for implementing the funding and liquidity strategy of the Company.

Internal control (audit)

Risk management processes throughout the Company are audited by the internal audit function, that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

Credit, market, and liquidity risks are managed and controlled through a system of Credit Committees and the ALCO, both at the portfolio and individual transaction levels. For improving the efficiency of decision-making process, the Company has established a hierarchy of credit committees depending on the type and amount of risk exposures. Both external and internal risk factors are identified and managed throughout the organisational structure of the Company.

Monitoring and controlling risks is 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 industries. 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.

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Risk mitigation

As part of its overall risk management, the Company uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies and exposures arising from forecast transactions.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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Notes to the financial statements for 2023

23. Risk management (continued)

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 prices. Market risks comprise currency risk, interest rate risk and other price risks. Market risk mostly from open positions in interest rates and foreign currencies, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

The ALCO headed by the Chairman of the Management Board is responsible for market risk management.

Interest rate risk

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates. The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss before taxes and equity to changes in interest rates (interest rate risk), based on a simplified scenario of a 100 basis point symmetrical fall or rise in all positions of interest – bearing assets and liabilities with floating interest rates existing as at 31 December 2023 and 2022, is as follows:

	2023 Effect on profit before tax	2022 Effect on profit before tax
100 basis point parallel increase	(103,117)	(106,075)
100 basis point parallel decrease	103,111	106,076

Currency risk

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

The amounts of USD exposures are presented below:

	31 December 2023	31 December 2022
Assets		
Cash and cash equivalents	4,840,135	1,320,149
Investment securities	21,829,500	5,629,635
Other assets	123,568	101,812
Total assets	26,992,203	7,051,596
Liabilities		
Amounts due to credit institutions	56,443,384	64,791,452
Other liabilities	10,996	1,862
Total liabilities	56,454,380	64,793,314
Net position	(29,552,177)	(57,741,718)
Impact of derivative financial instruments held for the purpose of risk management	29,412,882	57,307,870
Net position adjusted for impact of derivative financial instruments held for the purpose of risk management	(139,295)	(433,848)

The tables below indicate the currencies to which the Company had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against tenge, with all other variables held constant on profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on profit or loss. All other variables are held constant. The negative amount in the table reflects a potential net reduction in profit or loss or equity, while a positive amount reflects a net potential increase.

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Notes to the financial statements for 2023

23. Risk management (continued)

Market risk (continued)

Currency risk (continued)

Currency	2023			
	Change in exchange rates in %	Effect on profit before tax	Change in exchange rates in %	Effect on profit before tax
US dollar	14.15%	(19,710)	-14.15%	19,710
Currency	2022			
	Change in exchange rates in %	Effect on profit before tax	Change in exchange rates in %	Effect on profit before tax
US dollar	21.00%	(91,108)	-21.00%	91,108

Credit risk

Credit risk is the risk that the Company will incur a loss because its customers or counterparties failed to discharge their contractual obligations. The Company manages and controls credit risk by using the approved policies and procedures that include the requirements for setting limits on concentration of the risk exposure and establishment of the credit committees, the functions of which include active monitoring of credit risks. The credit policy is approved by the participants.

Credit policy includes the following information:

- Procedures for consideration and approval of loan applications;
- Methodology for assessing creditworthiness of borrowers;
- Methodology for evaluating proposed collateral;
- Requirements for the loan documentation;
- Procedures for ongoing monitoring of loans and other products exposed to the credit risk.

The Company monitors individual loans and other credit risks on an ongoing basis.

In addition to the analysis of individual borrowers, the Company evaluates the total loan portfolio in terms of the credit and market risk exposure.

The maximum level of the Company's credit risk is best reflected in the carrying value of financial assets in the statement of financial position and amounts of unrecognized contractual obligations. The possibility of offsetting assets and liabilities is not material for reducing potential credit risk.

Where financial instruments are measured at fair value through profit and loss, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more details on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes.

Impairment assessment

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

Probability of Default (PD)

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

"Microfinance organization "KMF" Limited Liability Company Notes to the financial statements for 2023

(In thousands of tenge, unless otherwise indicated)

23. Risk management (continued)

Credit risk(continued)

Impairment assessment (continued)

Exposure at Default (EAD)

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

Loss Given Default (LGD)

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

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a methodology to perform an assessment at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1: When loans are first recognised, the Company recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 and/or Stage 3;

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

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

POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted effective interest rate. ECL are only recognised or released to the extent that there is a subsequent change in the lifetime ECL. As at 31 December 2023 and 2022, the Company did not have any POCI loans.

Definition of default and cure

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in the following cases:

- The borrower becomes 90 days past due on its contractual payments;
- The borrower is deceased;
- A material decrease in the underlying collateral value where the recovery of the loan is expected from the sale of the collateral;
- Suspension of accrual of nominal interest on the loan because of deterioration of the borrower's financial condition or filing a lawsuit;
- The loan is restructured because of deterioration of financial condition of the borrower;
- The borrower (or any legal entity within the borrower's group) filing for bankruptcy.

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(In thousands of tenge, unless otherwise indicated)

23. Risk management (continued)

Credit risk(continued)

Impairment assessment (continued)

Definition of default and cure (continued)

The Company considers amounts due from credit institutions defaulted and takes immediate action when by closing of the business day there is a default on the bank's obligations to pay interests and principal amount of the deposit, as well as non-execution of money transfers according to the payment orders of the Company for more than 60 days, as well as downgrading of the credit ratings assigned by international rating agencies.

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least two consecutive months.

Exposure at default

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

The Company determines EADs by analysing statistical information on previous repayments on each loan in order to determine the average EAD ratio by product. The PDs are then assigned to each loan depending on the region of segmentation and product according to the PD calculation model based on the migration matrix.

The credit facility agreements stipulate the right of the Company to unilaterally withdraw from the agreement should any conditions unfavourable to the Company arise. Thus, the agreements do not represent a firm commitment of the Company to provide a loan. Measurement of credit loss allowance for such facilities is made only for issued loan tranches.

The interest rate used to discount the ECLs for loans is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

Loss given default

LGD rates are estimated for all assets classes of Stage 1, 2 and 3 and POCI. LGD is estimated on a monthly basis by the Company's Risk Management Department.

The credit risk assessment is based on a standardised LGD assessment framework. The LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any debt collection.

For LGD assessment purposes the Company uses historical information on the repayments of defaulted loans and expectations on recoveries from sale of collateral. The value of collateral is estimated by adjusting for the liquidity ratio, after which it is discounted for a period of 6 months for vehicles and 1.5 years for immovable property using the initial effective rate.

Significant increase in credit risk

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

- Contractual payments are more than 30 days past due;
- Existing or projected adverse changes in business, financial or economic conditions that are expected to significantly change the borrower's ability to meet its debt obligations;
- Actual or expected adverse change in the regulatory, economic or technological environment of the borrower's operation, etc.;
- Downgrading of the credit rating of a credit institution, in which there are balances on deposits and current accounts, to "CCC" level;
- Non-fulfilment by the credit institution of obligations to pay interests and principal amount on the deposit, as well as non-execution of money transfers according to the payment orders of the Company for more than 30 days.

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Notes to the financial statements for 2023

23. Risk management (continued)

Credit risk (continued)

Impairment assessment (continued)

Grouping financial assets measured on a collective basis

Dependent on the factors below, the Company calculates ECLs either on a collective or on an individual basis.

Asset classes where the Company calculates ECL on an individual basis include:

- Treasury and interbank relationships (such as amounts due from credit institutions and cash equivalents);
- Exposures that have been classified as POCI when the original loan was derecognised and a new loan was recognised as a result of a credit driven debt restructuring;

For all other classes of asset, the Company calculates ECL on a collective basis.

The Company groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example, product type and borrower's industry.

Forward-looking information and multiple economic scenarios

For the purposes of calculating the ECL allowance as at 31 December 2023, the Company took into account the expected:

- Impact of changes in the economic environment on various sectors of the economy;
- Updated forecast of changes in GDP.

The Company obtains the forward-looking information from third party sources (external rating agencies, governmental bodies e.g. national banks, and international financial institutions).

Macroeconomic forecast data affect both the main components of ECL (for example, PD assessment) and assessment of factors used for collective measurement at the stage.

During development of the model and its subsequent validation (at least on an annual basis), both the completeness of used components of ECL exposed to the significant influence of macroeconomic factors, and the significance of used macro variables are verified. This process is described in the qualitative part of the validation methodology. The results of this verification may lead to identification of additional macroeconomic factors that require forecasting.

The validation process also helps to determine the extent to which the use of a single scenario will not be sufficient due to the non-linear influence of macroeconomic factors on the estimated credit losses.

As at 31 December 2023, the Company applied the baseline and pessimistic scenario for determining PD. To calculate PD under the baseline scenario, the Company used the GDP forecast for 2024 as a macroeconomic factor, which is equal to 4.4% (in 2022: 2.1%). To calculate PD under the pessimistic scenario, the Company used data published by international rating agencies on defaults during the crisis periods.

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Notes to the financial statements for 2023

23. Risk management (continued)

Credit risk (continued)

Credit quality by class of financial assets

The table below presents an analysis of credit quality by class of financial assets as at 31 December 2023.

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	–	9,404,062	–	–	9,404,062
Amounts due from credit institutions		Stage 1	–	24,188	–	–	24,188
Loans to customers:	7						
- Retail trade, services and production loans		Stage 1	–	130,760,755	909,335	–	131,670,090
		Stage 2	–	–	570,105	–	570,105
		Stage 3	–	–	–	3,671,161	3,671,161
- Agricultural loans		Stage 1	–	82,814,157	332,117	–	83,146,274
		Stage 2	–	–	285,647	–	285,647
		Stage 3	–	–	–	1,309,652	1,309,652
- Consumer loans		Stage 1	–	16,002,324	269,049	–	16,271,373
		Stage 2	–	–	209,595	–	209,595
		Stage 3	–	–	–	808,790	808,790
Investment securities	8	Stage 1	24,478,576	–	–	–	24,478,576
Other financial assets	13	Stage 1	–	313,246	–	–	313,246
		Stage 3	–	–	–	3,075	3,075
Total			24,478,576	239,318,732	2,575,848	5,792,678	272,165,834

The table below presents an analysis of credit quality by class of financial assets as at 31 December 2022.

	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	–	6,887,593	–	–	6,887,593
Amounts due from credit institutions		Stage 1	–	23,755	–	–	23,755
Loans to customers:	7						
- Retail trade, services and production loans		Stage 1	–	106,409,902	925,876	–	107,335,778
		Stage 2	–	–	547,936	–	547,936
		Stage 3	–	–	–	2,450,526	2,450,526
- Agricultural loans		Stage 1	–	71,683,183	296,952	–	71,980,135
		Stage 2	–	–	246,310	–	246,310
		Stage 3	–	–	–	870,348	870,348
- Consumer loans		Stage 1	–	18,853,571	289,358	–	19,142,929
		Stage 2	–	–	199,982	–	199,982
		Stage 3	–	–	–	670,244	670,244
Investment securities	8	Stage 1	10,188,072	–	–	–	10,188,072
Other financial assets	13	Stage 1	–	209,100	–	–	209,100
		Stage 3	–	–	–	2,496	2,496
Total			10,188,072	204,067,104	2,506,414	4,002,614	220,764,204

In the table above financial assets of High grade are those having a minimal level of credit risk, normally with a credit rating on or close to sovereign level or highly collateralised. Exposures to credit institutions and borrowers with good financial position and debt servicing are included in the standard grade. Sub-standard grade comprises loans below standard grade but not impaired.

See Note 7 for more detailed information with respect to the ECL allowance of loans to customers.

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23 Risk management (continued)

Credit risk (continued)

Credit quality by class of financial assets (continued)

The geographical concentration of the Company's financial assets and liabilities is set out below:

	31 December 2023			31 December 2022		
	Kazakhstan	OECD	CIS and other foreign countries	Total Kazakhstan	OECD	CIS and other foreign countries
Assets						
Cash and cash equivalents	9,700,278	—	—	9,700,278	7,041,180	—
Amounts due from credit institutions	24,180	—	—	24,180	23,755	—
Derivative financial assets	—	39,782	—	39,782	—	1,251,302
Loans to customers	237,942,887	—	—	237,942,887	203,453,188	—
Investment securities	8,187,357	—	—	8,187,357	10,188,572	—
Investment securities pledged under repurchase agreements	16,091,219	—	—	16,091,219	—	—
Other financial assets	192,753	123,568	—	316,321	211,586	—
	272,338,482	163,350	—	272,501,832	230,917,809	1,251,302
Liabilities						
Amounts due to credit institutions	53,280,871	136,725,333	—	190,006,204	42,175,790	121,560,667
Amounts payable under repurchase agreements	16,561,713	—	—	16,561,713	—	—
Derivative financial liabilities	230,893	—	—	230,893	835,423	—
Lease liabilities	1,013,981	—	—	1,013,981	992,534	—
Debt securities issued	22,250,286	—	—	22,250,286	10,389,636	—
Other financial liabilities	4,409,089	1,479	9,518	4,420,064	4,122,825	1,229
	97,146,913	136,726,812	9,518	234,483,241	58,516,088	121,561,896
Net assets/ (liabilities)	174,591,569	(136,563,462)	(9,518)	38,018,591	162,401,801	(120,310,594)
					(834)	42,040,573

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 can 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. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Compliance risk

Compliance risk encompasses regulatory and legal compliance risk. Compliance risk is the risk that the Company incurs financial or reputational risk through imposition of penalties or fines as a result of not adhering to applicable laws, rules and regulations and good market practice (including ethical standards). The Company's compliance function proactively seeks to enhance compliance risk management and the supporting control framework. The Company operates in a market where there is a significant level of regulatory change activity, therefore, compliance risk is a key area of focus for management. The compliance function monitors this risk through reference to metrics relevant to the Company, review of incident reports and assessments, risk and control assessments pertaining to the first and second lines of defense functions, results of regulatory assessments, and review of results internal audit and external audit reports.

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23 Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets exceed the maturities of liabilities. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity risk management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. Liquidity management policy is reviewed and approved by the Management Board.

The Company seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks, as well as diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- Maintaining liquidity and funding contingency plans;
- Monitoring liquidity ratios against regulatory requirements.

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In contractual undiscounted repayment obligations.				
6 months	6 to 12 months	From 1 to 5 years	Total	
7,950,998	55,422,300	72,960,083	215,331,652	
150,004	—	—	16,856,200	
4,000,000	286,680	684,279	1,265,396	
2,000,753	—	—	24,800,000	
3,712,255	55,711,980	102,816	4,420,064	
		73,757,178	261,893,317	
6 months	6 to 12 months	From 1 to 5 years	Total	
0,231,199	37,172,552	114,982,457	189,774,335	
89,947	400,894	718,719	1,123,666	
—	10,680,000	—	11,300,000	
0,323,146	48,054,446	115,711,176	254,567,000	

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24. Fair value measurements

The estimate of fair value is intended to approximate the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, considering the uncertainties and the use of judgements, the fair value should not be interpreted as realisable within the framework of an immediate sale of assets or the transfer of liabilities.

Fair value hierarchy

For the purpose of disclosing the fair values, the Company determined classes of assets and liabilities based on the assets and liabilities nature, characteristics and risks as well as the hierarchy of fair value sources.

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant non-observable inputs (Level 3)	Total
As at 31 December 2023					
Assets measured at fair value					
Derivative financial assets	31 December 2023	—	39,782	—	39,782
Investment securities	31 December 2023	24,418,578	—	—	24,418,578
Investment property	12 December 2023	—	—	66,958	66,958
Assets for fair which values are disclosed					
Cash and cash equivalents	31 December 2023	—	9,700,278	—	9,700,278
Amounts due from credit institutions	31 December 2023	—	34,188	—	34,188
Loans to customers	31 December 2023	—	—	238,128,458	238,128,458
Other financial assets	31 December 2023	—	—	316,321	316,321
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2023	—	230,893	—	230,893
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2023	—	—	187,474,544	187,474,544
Amounts payable under repurchase agreements	31 December 2023	—	16,091,299	—	16,091,299
Lease liabilities	31 December 2023	—	—	1,075,259	1,075,259
Debt securities issued	31 December 2023	—	22,250,296	—	22,250,296
Other financial liabilities	31 December 2023	—	—	4,420,064	4,420,064
As at 31 December 2022					
Assets measured at fair value					
Derivative financial assets	31 December 2022	—	1,291,332	—	1,291,332
Investment securities	31 December 2022	10,188,072	—	—	10,188,072
Investment property	12 December 2022	—	—	66,958	66,958
Assets for fair which values are disclosed					
Cash and cash equivalents	31 December 2022	—	7,041,198	—	7,041,198
Amounts due from credit institutions	31 December 2022	—	23,755	—	23,755
Loans to customers	31 December 2022	—	—	203,430,824	203,430,824
Other financial assets	31 December 2022	—	—	211,596	211,596
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2022	—	836,429	—	836,429
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2022	—	—	161,619,591	161,619,591
Lease liabilities	31 December 2022	—	—	982,534	982,534
Debt securities issued	31 December 2022	—	10,389,636	—	10,389,636
Other financial liabilities	31 December 2022	—	—	4,124,488	4,124,488

During 2023 and 2022, the Company did not make transfers between levels of the fair value hierarchy for financial instruments.

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Notes to the financial statements for 2023

24. Fair value measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

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

	31 December 2023			31 December 2022		
	Carrying amount	Fair value	Unrecognised gain/(loss)	Carrying amount	Fair value	Unrecognised gain/(loss)
Financial assets						
Cash and cash equivalents	9,700,278	9,700,278	—	7,041,198	7,041,198	—
Amounts due from credit institutions	24,188	24,188	—	23,755	23,755	—
Loans to customers	237,942,687	238,128,458	185,771	203,453,188	203,430,824	(22,364)
Other financial assets	316,321	316,321	—	211,596	211,596	—
Financial liabilities						
Amounts due to credit institutions	190,006,304	187,474,544	2,531,760	163,736,457	161,619,101	2,117,356
Amounts payable under repurchase agreements	16,561,713	16,091,219	470,494	—	—	—
Lease liabilities	1,013,981	1,075,259	(61,278)	992,534	992,534	—
Debt securities issued	22,250,286	22,250,286	—	10,389,636	10,389,636	—
Other financial liabilities	4,420,064	4,420,064	—	4,124,488	4,124,488	—
Total unrecognised change in fair value			3,126,747			2,094,992

Methods of measurement and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in these financial statements.

Assets and liabilities for which fair value approximates to carrying value

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are currency swaps. The most frequently applied valuation techniques include swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Investment securities

Fair value of the quoted bonds is based on price quotations at the reporting date.

Financial assets and financial liabilities carried at amortised cost

The fair value of unquoted instruments, including loans to customers, amounts due from credit institutions, amounts due to credit institutions, other financial assets and liabilities is estimated by discounting future cash flows using rates as at measurement date for debt on similar terms, credit risk and remaining maturities.

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Notes to the financial statements for 2023

25. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 23 for the Company's contractual undiscounted repayment obligations.

	31 December 2023			31 December 2022		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	9,700,278	—	9,700,278	7,041,198	—	7,041,198
Amounts due from credit institutions	—	24,188	24,188	23,755	—	23,755
Derivative financial assets	39,782	—	39,782	1,201,302	—	1,201,302
Loans to customers	145,127,297	92,815,390	237,942,687	70,630,559	132,822,629	203,453,188
Investment securities	6,136,456	2,250,901	8,387,357	3,413,370	6,774,702	10,188,072
Investment securities pledged under repurchase agreements	10,197,303	5,893,916	16,091,219	—	—	—
Investment property	—	66,958	66,958	—	66,958	66,958
Property and equipment	—	10,891,077	10,891,077	—	9,091,130	9,091,130
Right-of-use assets	—	931,504	931,504	—	921,187	921,187
Intangible assets	—	2,224,050	2,224,050	—	413,180	413,180
Current corporate income tax assets	394,810	—	394,810	158,025	—	158,025
Deferred corporate income tax assets	—	—	—	—	71,062	71,062
Other assets	1,649,874	3,075	1,653,049	941,666	2,115	943,781
Total	173,245,900	115,101,059	288,346,959	83,408,874	150,158,963	233,578,837
Amounts due to credit institutions	123,133,781	66,872,523	190,006,304	54,756,494	108,978,963	163,736,457
Amounts payable under repurchase agreements	16,561,713	—	16,561,713	—	—	—
Derivative financial liabilities	230,893	—	230,893	835,423	—	835,423
Lease liabilities	443,142	570,239	1,013,981	413,909	578,625	992,534
Debt securities issued	22,250,286	—	22,250,286	10,389,636	—	10,389,636
Deferred corporate income tax liabilities	—	46,278	46,278	—	—	—
Other liabilities	5,894,196	102,816	6,007,212	5,304,300	—	5,304,300
Total	158,514,811	67,591,856	226,106,667	71,695,762	109,558,588	181,258,350
Net position	4,731,089	47,509,203	52,240,292	11,713,112	40,610,375	52,323,487

26. Related party transactions

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. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with participants

The balances and average effective interest rates as well as the corresponding gain or loss on transactions with participants are as follows:

	Participants			
	31 December 2023	Average annual interest rate, %	31 December 2022	Average annual interest rate, %
Statement of financial position				
Liabilities				
Amounts due to credit institutions	5,575,978	15.70	21,963,123	11.10
Statement of comprehensive income				
Interest expense	(1,428,944)	—	(1,434,695)	—

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26. Related party transactions (continued)

Below is the information about compensation of 12 members of key management personnel:

	2023	2022
Salaries and other short-term benefits	776,113	536,656
Social security costs	66,321	49,138
Total compensation to the key management personnel	842,434	585,794

For the years ended 31 December 2023 and 2022, key management personnel did not receive any non-cash remuneration.

	31 December 2023	Average annual interest rate, %	31 December 2022	Average annual interest rate, %
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Statement of financial position

Assets				
Loans to customers	41,436	20.88	32,658	19.29

Amounts included in profit or loss in relation to transactions with members of the key management personnel, including the Company's participants, are as follows:

	2023	2022
Statement of comprehensive income		
Interest revenue	13,718	2,810

27. Changes in liabilities arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2023 is as follows:

	1 January 2023	Net cash flows	Foreign currency translation	Other	31 December 2023
Amounts due to credit institutions	163,736,457	25,226,114	(1,176,939)	2,220,672	190,006,304
Debt securities issued	10,389,636	10,000,000	—	1,860,650	22,250,286
Total liabilities from financing activities	174,126,093	35,226,114	(1,176,939)	4,081,322	212,256,590

Reconciliation of movements of liabilities to cash flows arising from financing activities during the year ended 31 December 2022 is as follows:

	1 January 2022	Net cash flows	Foreign currency translation	Other	31 December 2022
Amounts due to credit institutions	123,898,949	37,341,594	1,716,116	779,798	163,736,457
Debt securities issued	10,370,122	(1,300,000)	—	1,318,314	10,389,636
Total liabilities from financing activities	134,269,071	36,041,594	1,716,116	2,098,112	174,126,093

The "Other" line includes the effect of accrued, but not yet paid interest on amounts due to credit institutions and debt securities issued. The Company classifies interest paid as cash flows from operating activities.

28. Capital adequacy

In accordance with the Law of the Republic of Kazakhstan On Microfinance Organisations dated 26 November 2012, the Company is obliged to have the charter capital paid in the amount not less than 30,000 times the monthly calculation index (MCI) equal to 3,450 tenge as at 31 December 2023 (as at 31 December 2022: 3,063 tenge).

In addition, in accordance with the credit agreements with certain foreign financial institutions, the Company must maintain a ratio of capital to total assets at the level of not less than 15%.

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the NBRK.

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28. Capital adequacy (continued)

As at 31 December 2023 and 2022, the Company had complied with all its externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise profit for participants.

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

The NBRK requires microfinance organizations to maintain a Tier 1 capital adequacy ratio in the amount of not less than 10% of the assets. As at 31 December 2023 and 2022, the Company's capital adequacy ratio based on the NBRK methodology exceeded the statutory minimum.

Since July 2023, the NBRK has made changes to the methodology for calculating prudential norms, in particular, the capital adequacy ratio is calculated as the ratio of capital to assets, weighted by the degree of credit risk.

The Company's capital adequacy ratio, computed in accordance with the NBRK requirements as at 31 December, comprise:

	31 December 2023	31 December 2022
Tier 1 capital	52,240,292	52,320,487
Total aggregate assets of a microfinance organisation including unsecured consumer microcredits except for reserves	—	246,610,521
Credit risk-weighted assets	249,245,142	—
Tier 1 capital ratio	21%	21%

GLOSSARY

KMF Microfinance Organisation LLC, KMF, Company – Limited Liability Company “KMF Microfinance Organisation”

ADB – Asian Development Bank

ADMC – Automated Decision-Making Centre

AML/CFT – anti-money laundering and countering the financing of terrorism

BIA – Business Impact Analysis

Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan – Bureau of National Statistics of the Agency for Strategic Planning and reforms of the Republic of Kazakhstan

CIA – Certified Internal Auditor (international qualification)

CIT – corporate income tax

CRMA – Certification in Risk Management Assurance (international qualification)

Damu Fund for Entrepreneurship Development – “Damu” Fund for Entrepreneurship Development Joint Stock Company

EBRD – European Bank for Reconstruction and Development

EIB – European Investment Bank

GDP – gross domestic product

Gcal – gigacalorie (unit of heat energy equal to 10⁹ calories)

HR – Human Resources

IFC – International Finance Corporation

IPPF – International Professional Practices Framework (IPPF)

IE – individual entrepreneur

KASE – Kazakhstan Stock Exchange

KLC –Kazakhstan Loan Fund

KFCO – Kazakhstan Community Loan Fund

KPI – Key Performance Indicators

kWh – kilowatt-hour (unit of electricity consumption)

LLC – Limited Liability Company

MFO – microfinance organisation

NB RK – National Bank of the Republic of Kazakhstan

NPL – Non-Performing Loans

NPL 90+ – необслуживаемые займы с просрочкой платежей свыше 90 дней

OeEB – Oesterreichische Entwicklungsbank

POS – Point of sale

p. p. – percentage point

PVI – physical volume index

ROA – Return on Assets

ROE – Return on Equity

RMD – Risk Management Department

RMS – Risk Management System

Safety and Labor Protection – Safety and Labor Protection

SIFEM – Swiss Investment Fund for Emerging Markets

SME – small and medium enterprises

SMS – Short Message Service, SMS

UN – United Nations Organisation

USAID – United States Agency for International Development

USA – United States of America

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