

(Logo) MARKA AUDIT

LLC "HLB Marka Audit" independent auditor report on the financial statements of OJSC «FinanceCreditBank»

To shareholders and the board of directors of OJSC «FinanceCreditBank»

Opinion on the results of the audit of the financial statements

Opinion

We have audited the financial statements of OJSC «FinanceCreditBank» (hereinafter referred to as the Bank), including the statement of financial position as of 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended as of that date, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2020, its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for expressing opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements, applicable to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with those 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 issues that, in our professional judgment, are of most significance to our audit of the financial statements for the current period. These matters were considered in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters.

Allowance for expected credit losses on loans to customers

Due to the significance of the Loans to Customers line item in the statement of financial position and the use of professional judgment by the Bank's management to timely identify and measure allowances for expected credit losses (hereinafter ECL) on loans, the calculation of allowances for ECL in accordance with IFRS 9 "Financial Instruments is considered one of the key audit matters.

The Bank evaluates ECL provisions on a collective and individual basis and calculates probabilities of default, exposure to default and loss on default on a loan-by-loan or portfolio-by-loan basis.

The collective assessment is carried out using information-based modeling as well as internal ratings, the selection of relevant data is the professional judgment of the Bank's management.

The calculation of a provision on an individual basis involves the exercise of significant judgment, the use of assumptions and the analysis of various factors, including financial performance of counterparties, projected cash flows and the value of collateral.

The Bank's approach to credit risk management is set out in note 33 "Risk Management" of the financial statements. Details of loans to customers and ECL allowances are presented in Note 11 "Loans to customers" of the financial statements.

Our methods

As part of our audit procedures, we reviewed the methodology that the Bank approved in accordance with IFRS 9 and used to identify increases in credit risk and calculate expected credit losses on a collective and individual basis.

We reviewed the ECL allowance calculation on a collective basis, including a selective review of the underlying data and assumptions used for the credit risk model, including internal credit ratings, and the classification of loans by impairment stage.

For significant individually impaired loans, we analyzed on a sample basis the calculation of the recoverable amount and ECL based on the Bank's debt repayment scenarios and their likelihood, including the Bank's assumptions about expected cash flows, including from the current activities of borrowers, as well as from the sale of collateral, taking into account available information on the market.

Our audit procedures also included testing, on a sample basis, controls on the ECL process for customer loans, including tests of controls for accounting for arrears.

We also reviewed the information on expected credit losses on loans to customers disclosed in the Bank's financial statements.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and for maintaining 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.

While preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, for disclosing information relating to going concern, as appropriate, and for reporting on a going concern basis, unless management intends to liquidate the Bank, cease its activities or when it has no other viable alternative than liquidation or termination of activities.

Those charged with governance are responsible for overseeing the preparation of the Bank's financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 degree 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 professional skepticism during the audit. In addition, we do the following:

- Determine and evaluate the risks of material misstatement of the financial statements, whether due to fraud or error, plan and perform audit procedures that respond to such risks, and obtain audit evidence that reasonably and appropriately provides the basis for our opinion. The risk of not detecting a material misstatement from fraud is greater than the risk of not detecting a material misstatement from an error because fraud can include collusion, forgery, omission, misrepresentation, or circumvention of internal controls.
- Obtain an understanding of relevant internal audit controls 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 Bank's internal controls.
- Assess the appropriateness of applicable accounting policies and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's application of the accounting basis for continuing operations and, based on the audit evidence obtained, conclude whether a material uncertainty exists.
- In relation to events or conditions that may cast doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we need to refer in our auditor's report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, modify our opinion. Our opinion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may affect the continuing operations of the Bank.
- We evaluate the presentation of the financial statements as a whole, their structure and content, including disclosures, and whether the financial statements present underlying transactions and events in such a way that they are presented fairly.

We communicate with those charged with governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant observations on the results of the audit, including significant deficiencies in the internal control system that we identify during the audit process.

We also provide those charged with governance with a statement that we have complied with all relevant ethical requirements regarding independence and have kept them informed of all relationships and other matters that could reasonably be considered to have an impact on the auditor's independence, and where necessary - about appropriate precautions.

Report on other legal and regulatory requirements

In accordance with the Regulation on the minimum requirements for external audit of banks and other non-banking financial and credit organizations licensed by the National Bank of the Kyrgyz Republic, approved by the Resolution of the Board of the National Bank of the Kyrgyz Republic dated June 15, 2017 No. 2017-P-12/25-2-(NLA) when examining significant aspects, we performed the following audit procedures:

- Compliance of accounting and reflection of transactions in financial statements with the requirements established by the legislation of the Kyrgyz Republic;

- Organization of lending activities: the existence of a credit policy, procedures for reviewing loan applications, proper management of credit files (dossiers) of borrowers, monitoring the condition and quality of assets, asset classification procedures and assessing the adequacy of reserves to cover potential losses and losses.
- Organization of internal control: the procedure for making decisions on credit and financial transactions, the existence and observance of regulations on structural divisions and job descriptions, control over the reflection of operations in accounting and the preparation of reliable reports.
- Compliance of internal procedures and policies with the legislation of the Kyrgyz Republic
- Compliance with the requirements of the legislation of the Kyrgyz Republic, including the regulatory legal acts of the National Bank.
- Assessing the quality of risk management

The results of our audit are set out below:

In terms of assessing the identified risks and their impact on the financial statements, on the Bank's strategy, and related commercial risks, we found that:

- The Bank has developed internal documents that establish methods for identifying and managing risks, credit, operational, market, interest rate, legal risks of loss of liquidity and risks of business reputation, and conducting stress testing.
- The Bank has developed a risk reporting system prepared on a periodic and consistent basis by the risk manager. The Bank's Board of Directors periodically discusses reports prepared by the Risk Management Service, the Internal Audit Service and the Compliance Control Service.
- Disclosures to the financial statements on risk management are presented in accordance with IFRS 7 "Financial Instruments: Disclosures" in Note 33.
- The Bank's strategy includes the impact of the Bank's risks on future activities.

With regard to the issue of compliance of the accounting and classification of the Bank's assets with the legislation of the Kyrgyz Republic, the regulatory requirements of the National Bank, the accounting policies and procedures of the Bank, we carried out the following procedures:

- Analyzed the activities of the Credit Committee, which is carried out in accordance with the Credit Policy. The Credit Committee considers and makes a decision on issuing a loan or refusing to issue a loan in the presence of significant risks, as well as on restructuring loans.
- Considered the Credit Policy, which establishes the basic requirements for reviewing borrower applications for lending and approving a decision to issue a loan. The procedures contain a detailed description of the procedures carried out by the Bank's employees, the procedure for compiling and approving documents.
- Analysis of the loan portfolio and selective verification of credit files showed that the Bank exercises control (monitoring) over the timeliness of loan repayment, based on the results of which monitoring reports are drawn up.
- Analyzed work with problem loans, in respect of which a set of measures is being taken in accordance with the Credit Policy.
- Checked the classification of assets carried out in accordance with the requirements of IFRS 9 "Financial Instruments".
- Familiarized with the procedures for assessing property accepted as collateral, carried out by the Bank's employees, in accordance with internal rules and procedures.

- Reviewed the Bank's procedures for periodically reconciling correspondent account balances with correspondent bank statements.
- In order to confirm the balances as of December 31, 2020, the auditors carried out the procedures for requests from correspondent banks, borrowers, depositors and creditors, as well as from the National Bank of the Kyrgyz Republic.
- Accounting for investments in securities is carried out in accordance with the accounting policy. The investment policy establishes approaches to determining the risks associated with investment instruments. Securities disclosures are presented in Note 10 to the financial statements.
- Checked, on a selective basis, the Bank's procedures for the implementation of the Resolution of the NBKR Board dated March 18, 2020 No. 2020-p-12/13-1(BS) On temporary rights to regulate the activities of financial and credit organizations in connection with the COVID-19 pandemic.

With regard to the issue of accounting and disclosure of transactions with affiliates and related parties, we noted that transactions with these persons are made in accordance with the requirements of the NBKR, internal policies and regulations. Transactions with affiliates are disclosed in accordance with IAS 24 Transactions with Related Parties. In order to verify transactions with these persons, we received a list of related persons, and selectively checked credit and deposit transactions, reconciled the disclosures to the financial statements with accounting data.

In terms of assessing the adequacy of the Bank's management structure to the types and volumes of operations performed by the Bank, and the organization of risk management in the Bank, we found that:

- In the Bank, the management structure corresponds to the types and volumes of operations performed by the Bank. Decisions on the main areas of activity are made in the Committees, whose work is carried out in accordance with the Regulations. The duties of employees are carried out in accordance with the Job Descriptions and Regulations on departments.
- The internal control system includes the Risk Management Service, the Internal Audit Service and the Compliance Control Service, as well as structural units within their powers and control procedures described in the regulations and regulations.
- The Internal Audit Service reports to the Audit Committee and the Board of Directors.
- The Risk Management Service and the Compliance Control Service monitor and assess risks, participate in the development and optimization of business processes and banking procedures in order to minimize risks.
- The Bank has organized a system of information exchange between divisions and a system for preparing information by management bodies, which allows making decisions in a timely manner.

LLC "HLB Marka Audit"

*License No. 0146 dated November 13, 2018, issued by the
State Service for Regulation and Supervision of the Financial Market
under the Government of the Kyrgyz Republic Registration Certificate
No. 4850-3301-LLC Ministry of Justice of the Kyrgyz Republic dated October 11, 2019
Kyrgyz Republic, Bishkek, st. Professors Zima, 38. tel/fax: (312) 320575*

Asylbekova A. M. Auditor, Director

Qualified Auditor Certificate Series AD No. 0012 No. 0461 dated August 07, 2019

/signed/

Kobritseva N.N. Auditor, Audit manager

Qualified Auditor Certificate No. 00047 dated June 12, 2004 No. 0000492 dated April 15, 2011
Dip IFR No. 1709119 dated December 10, 2009

/signed/

March, 5, 2021

Open joint-stock company «FinanceCreditBank KAB»

**Management's statement of responsibility
for the preparation and approval of the financial statements**

The following statement is made in order to separate the responsibilities of the auditors and management in relation to the financial statements of FinanceCreditBank OJSC for the year ended December 31, 2020.

The attached reports were prepared by the management of «FinanceCreditBank» OJSC (hereinafter referred to as the Bank). The Bank's management acknowledges its responsibility for the preparation and fair presentation of financial statements that reflect in all material respects the financial condition, results of operations, cash flows and changes in equity, including adequate disclosures, for the year ended 31 December 2020 in accordance with International Standards Financial Reporting (IFRS).

In preparing the financial statements, management is responsible for selecting appropriate accounting principles and applying them consistently, applying reasonable and reasonable estimates and calculations, complying with IFRS and disclosing all material deviations from IFRS in the notes to the financial statements, and preparing the financial statements on the assumption that the Bank will continue as a going concern for the foreseeable future unless such an assumption is inappropriate.

Management is also responsible for designing, implementing and maintaining an effective and sound system of internal controls at the Bank, maintaining an accounting system that enables, at any time and with reasonable accuracy, information on the financial position of the Bank and ensures that the financial statements comply with IFRS, taking measures to within its competence to ensure the safety of the Bank's assets, and to detect and prevent fraud, errors and other abuses.

These financial statements for the year ended 31 December 2020 were approved by the Bank's management on 5 March 2021.

On behalf of the Board of the Bank

/signed/ /seal affixed:

Bukuev K. D.

Chairman of the Board

«FinanceCreditBank» OJSC

March, 5, 2021

Open Joint-Stock Company «FinanceCreditBank KAB»

Statement of financial position

As of December 31, 2020

(Amounts in tables are expressed in thousands of Kyrgyz soms)

	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	6	233 733	259 346
Funds in banks	7	104 729	187 567
Other financial assets at fair value through profit or loss	8	241	112
Requirements for the money transfer system	9	13 316	3 516
Debt securities	10	28 440	68 172
Loans granted to customers	11	1 189 352	1 252 620
Assets held for sale	12	37 454	47 564
Fixed assets and intangible assets	13	67 974	61 884
Right-of-Use Assets	14	10 438	22 108
Deferred tax claim	15	588	-
Other assets	16	15 962	23 146
Total assets		1 702 227	2 026 035
Liabilities and Equity			
Commitments			
Bank funds	17	28 613	29 765
Client funds	18	928 362	1 167 058
Government Accounts		-	100 000
Other loans	19	69 359	35 368
Rental obligations	14	11 640	23 553
Obligations under money transfer systems reserves	20	14 859	12 930
	21	10 512	10 512
Deferred income tax liability	15	-	859
Other liabilities	22	10 527	14 937
Total liabilities		1 073 872	1 394 976
Equity			
Authorized equity	23	710 000	710 000
Undistributed profits		81 645	78 941
Total equity		628 355	631 059
Total liabilities and equity		1 702 227	2 026 035

/signed/ /seal affixed:

Bukuev K. D.

Chairman of the Board

/signed/

Zhusupova M. D.

Chief Accountant

Open Joint-Stock Company «FinanceCreditBank KAB»

Statement of profit or loss and other comprehensive income

As of December 31, 2020

(Amounts in tables are expressed in thousands of Kyrgyz soms)

	Note	2020	2019
Interest income	25	216 164	209 051
Interest expenses	25	(79 615)	(65 126)
Net interest income before provision for impairment	25	136 549	143 925
(Formation)/recovery of provision for impairment of assets on which interest is accrued	26	(25 272)	(2 785)
Net interest income		111 277	141 140
Fee and commission income	27	28 196	35 205
Commission expenses	27	(2 033)	(3 222)
Net fee and commission income		26 163	31 983
Net gain/(loss) on foreign exchange operations	28	24 078	26 787
Net other income		54	1 355
(Formation)/recovery of provision for impairment of other assets	26	10 544	(46 292)
(Formation)/recovery of provisions for contingent liabilities	26		(10 512)
Net non-interest income		60 839	3 321
Operating income	29	(174 741)	(188 351)
Profit before income tax		(2 625)	(43 890)
Income tax expense	15	(79)	126
Profit per year		(2 704)	(43 764)
Other comprehensive income		-	-
Total comprehensive income/(loss)		(2 704)	(43 764)

/signed/ /seal affixed:

Bukuev K. D.

Chairman of the Board

/signed/

Zhusupova M. D.

Chief Accountant

Open Joint-Stock Company «FinanceCreditBank KAB»

Cash flow statement

As of December 31, 2020

(Amounts in tables are expressed in thousands of Kyrgyz soms)

	Notes	2020	2019
Cash from operating activities		168 319	207 717
Interest received		(79 561)	(61 408)
Interest paid			
Profit/loss received from foreign exchange trading operations		25 428	27 393
Commissions received		32 594	35 205
Commissions paid		(2 033)	(3 222)
Other operating income		(13)	1 355
Operating expenses		(166 664)	(188 351)
Income tax paid		(1 631)	
Cash from operating activities before changes in operating assets and liabilities		(23 561)	18 689
Changes in operating assets and liabilities:			
Net increase in loans to customers		85 714	(309 937)
Net increase in accounts and deposits with banks			37 292
Net increase in customer funds		341 630	382 327
Net increase in other assets less other liabilities		5 077	3 286
Net cash from operating activities		(274 400)	125 085
Cash from investing activities:			
Proceeds from redemption of securities		689 145	666 840
Acquisitions of securities		(671 662)	(662 870)
Acquisition of fixed assets		(16 090)	(4 323)
Net cash from investing activities		1 393	353
Cash from financing activities:			
Credits and loans received	19	35 500	30 167
Loan payments received	19	(1 909)	(3 108)
Rental payments	14	(13 752)	(14 137)
Net cash from financing activities		19 839	12 922
Effects of changes in exchange rates		(2 758)	(606)
Net change in cash position		(255 926)	137 048
Cash and cash equivalents at the beginning of the reporting period	6,7,10	616 373	479 325
Cash and cash equivalents at the end of the reporting period	6,7,10	360 447	616 373

/signed/ /seal affixed:

Bukuev K. D.

Chairman of the Board

/signed/

Zhusupova M. D.

Chief Accountant

Open Joint-Stock Company «FinanceCreditBank KAB»

Statement of changes in equity

As of December 31, 2020

(Amounts in tables are expressed in thousands of Kyrgyz soms)

	Authorize d equity	Undistributed profit	Total
Balance at 31 December 2018	710 000	(35 177)	674 823
Total profit for 2019		(43 764)	(43 764)
Balance at 31 December 2019	710 000	(78 941)	631 059
Total profit for 2020		()2 704	(2 704)
Balance at 31 December 2020	710 000	(81 645)	628 355

/signed/ /seal affixed:

Bukuev K. D.

Chairman of the Board

/signed/

Zhusupova M. D.

Chief Accountant