

KYRGYZ AUDIT

Audit and Consulting Firm

*Intellectual and
Functional
Independence*

Audit and Consulting Firm

offices 115, 118, 120
60, Togolok Moldo Street
720033 Bishkek
Kyrgyz Republic

tel.: (0312) 32 49 68, 32 50 84
web-site: www.kyrgyzaudit.com
e-mail: info@kyrgyzaudit.com

**AUDIT REPORT OF
AN INDEPENDENT AUDITOR**

**THIRTY years of successful work in audit,
accounting, financial strategy
development, management, and tax
consulting services**

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

**FinanceCreditBank
Open Joint Stock Company**

**Financial Statements
Prepared in Accordance with IFRS
for the Year Ended December 31, 2022
and the Audit Report of an Independent Auditor**

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

Kyrgyzaudit

offices 115, 118, 120
60, Togolok Moldo Street
720033 Bishkek
Kyrgyz Republic

**Audit and Consulting Firm
Audit and Consulting Services**

tel.: (0312) 32 49 68, 32 50 84
web-site: www.kyrgyzaudit.com
e-mail: info@kyrgyzaudit.com

CONFIRMATION OF THE MANAGEMENT ABOUT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022	3
AUDIT REPORT OF AN INDEPENDENT AUDITOR	4
Report on Compliance with Requirements of the National Bank (NBKR) for External Audit of Banks and Other Non-Banking Organizations Licensed by the NBKR in the Kyrgyz Republic	7
FINANCIAL STATEMENTS FOR 2022	
Consolidated Income Statement	9
Balance Sheet	10
Cash Flow Statement	11
Statement of Changes in Equity.....	12
Notes to Financial Statements.....	13

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

CONFIRMATION OF THE MANAGEMENT

ABOUT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

The following confirmation, which should be read in conjunction with the independent auditors' responsibilities stated in this report of independent auditors, is made with a view to distinguishing the responsibilities of the auditors and management with respect to the financial statements of FinanceCreditBank OJSC.

The management of the Bank is responsible for the preparation of the financial statements that present fairly, in all essential respects, the financial position of the Bank as of December 31, 2021, and the results of its operations, cash flows, and changes in equity for the year then ended, in accordance with International Standards of Financial Reporting (ISFR).

In preparing financial statements, management is responsible for:

- Selecting appropriate accounting principles and applying them consistently;
- Applying reasonable and appropriate estimates and calculations;
- Complying with ISFR requirements and disclosing all substantial deviations from ISFR in the notes to the financial statements;
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Developing, implementing and maintaining an effective system of internal controls within the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements comply with IFRS;
- Maintaining accounting records in accordance with the legislation of the Kyrgyz Republic and IFRS;
- Taking measures within its competence to ensure the safety of the Bank's assets;
- Detecting and preventing fraud, errors and other irregularities.

Based on our best knowledge and understanding of these matters, we confirm the following statements:

- There has been no misconduct by management or employees who have a significant role in the operation of the accounting and internal control systems, nor have there been any misconduct that could have a substantial effect on the financial statements.

We have provided you with all accounting records and supporting documentation, all minutes of shareholders' meetings and board meetings. The financial statements are free from any essential misstatements or omissions.

We do not have any plans or intentions that could significantly alter the balance sheet values or the classification of assets and liabilities recorded in the financial statements.

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

We have no plans to discontinue operations, nor do we have any other plans or intentions that may result in changes to the development strategy adopted by the owners.

There are no post balance sheet date events that require adjustment or disclosure in the notes to the financial statements.

On behalf of the Management

Alchiev E.K.
Chairman of the Management Board

FinanceCreditBank OJSC /signature/ /seal/

Kyrgyzaudit

Audit and Consulting Firm

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

Audit and Consulting Services

offices 115, 118, 120
60, Togolok Moldo Street
720033 Bishkek
Kyrgyz Republic

tel.: (0312) 32 49 68, 32 50 84
web-site: www.kyrgyzaudit.com
e-mail: info@kyrgyzaudi.com

**To the Shareholders
of FinanceCreditBank
Open Joint Stock Company**

AUDIT REPORT OF AN INDEPENDENT AUDITOR

Opinion

We have audited the financial statements FinanceCreditBank OJSC, which consist of the consolidated income statement, balance sheet, statement of changes in equity, and the cash flow statement for the year ending at the indicated date, and the notes to the financial statements, including a summary of main accounting policies.

In our opinion, the attached financial statements accurately present, in all respects, the financial position of the Bank as of December 31, 2022, as well as its financial performance and cash flows for the year ending at the indicated date in accordance with International Financial Reporting Standards (IFRS).

Basis for the Opinion

We, the auditors of Kyrgyzaudit Audit and Consulting Firm (License No. 0030 series ГК, issued by the State Commission under the Government of the Kyrgyz Republic on Standards of Financial Reporting and Audit dated 16.02.2005), conducted the audit in accordance with the International Standards of Auditing (ISA). Our responsibilities under those standards are further described in *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for 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 express a separate opinion on these matters.

Reserves for Provisions for Expected Credit Losses on Loans to Customers

The Bank creates provisions for expected credit losses (ECLs) in accordance with the requirements of IFRS 9 “Financial Instruments” with respect to the measurement and recognition of expected credit losses on correspondent accounts, loan portfolio, and line of credit liabilities.

We reviewed the procedures and policies related to the measurement of expected credit losses and the workflow of the provision for expected credit losses by the Bank's employees for the requirements of IFRS 9 “Financial Instruments”.

On a sample basis for loans to customers, we observed the correctness of the Bank's classification of loans by impairment strata by analyzing the financial information and assumptions used for the credit risk model, as well as the assumptions and professional judgments applied by the Bank. The parameter that determines the increase in credit risk at the Bank is the number of days overdue, which is consistent with paragraph. 5.5.11 of IFRS 9 “Financial Instruments”.

The Bank assesses its expected credit losses according to IFRS 9 “Financial Instruments” based on the assumption of a significant increase in credit risk when payments under the loan agreement are overdue by the client for more than 30 days. The Bank's ECL assessment system provides for gradation of all clients into 3 strata, which, in their turn, are classified by qualitative and quantitative characteristics. The ECL calculation time horizon is determined by the Strata. 12-month ECLs are calculated for assets assigned to Strategies 2 and 3. The Bank takes into account the effective interest rate adjusted for credit risk.

The Bank has three types of default probability (historical data). In determining the forecast probability of default, the Bank takes into account macroeconomic data: GDP, exchange rate, unemployment rate, consumer price index, etc. The Bank does not group the loans, but evaluates each client individually, and the probability of default is calculated using the Markov chains method, i.e. transitions of loans by state - the number of days overdue.

The Company should adopt a model and develop impairment modules for cash and cash equivalents, financial instruments carried at fair value, fixed assets and intangible assets and develop an appropriate regulatory framework.

Responsibility of Management and Personnel Responsible for Corporate Governance, Financial Statements

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

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

When preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to liquidate or cease operations.

Those responsible for corporate governance are accountable for overseeing the preparation of the Bank's financial statements.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from essential 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 International Standards of Auditing will always detect an essential misstatement when it exists. Misstatements can arise from fraud or error and are considered essential 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 conducted in accordance with International Standards of Auditing, we apply professional judgment and maintain professional discretion throughout the audit. In addition, we perform the following:

- identify and assess the risks of essential misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; obtain audit evidence sufficient and appropriate to provide a basis for our opinion. The risk of not detecting an essential misstatement resulting from fraud is greater than the risk of not detecting an essential misstatement resulting from error because fraud may include collusion, forgery, intentional omissions, misrepresentations, or the circumvention of internal controls;
- 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;
- derive a conclusion on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether an essential 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 an essential 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 audit opinion. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

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

We also provide those responsible for corporate governance 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 influence our independence, and where applicable, related safety measures.

From the matters communicated with those responsible for corporate governance, we determine those matters that were of most significance to our audit of the financial statements for the current period. We describe those matters in our audit report unless public disclosure of the matters is prohibited by law or regulation or, in extremely rare circumstances, we conclude that a matter should not be communicated in our report because it could reasonably be expected that the adverse consequences of such communication would exceed the public interest benefits of such communication.

Director General

Kyrgyzaudit ACF CJSC

/signature/ /seal/

E.V.Lednev

Bishkek

03.03.2023

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

**Report on Compliance with Requirements of the National Bank (NBKR) for
External Audit of Banks and Other Non-Banking Organizations
Licensed by the NBKR in the Kyrgyz Republic**

The management of the Bank is responsible for compliance with the mandatory standards set by the NBKR, as well as for compliance of the internal control and organization of the Bank's risk management system with the requirements set by the NBKR to such systems.

In accordance with the Regulation "On the Minimum Requirements for the External Audit of Banks and Other Non-Bank Organizations Licensed by the NBKR", approved by the Resolution of the NBKR Board dated 15 June 2017 No. 2017-P-12/25-2-(NPA), we have included the following verification procedures:

1. In terms of the Bank's compliance with the mandatory standards established by the NBKR: the values of the Bank's mandatory standards as of December 31, 2022 were within the limits established by the NBKR.

2. In terms of compliance of the internal control and organization of the Bank's risk management systems with the requirements of the NBKR to such systems, we pay attention to the assessment of identified risks and their impact on the financial statements, on the Bank's strategy, and related commercial risks in the following order:

- The Bank has developed internal documents establishing methods for identifying and managing risks, credit, operational, market, interest rate, legal, liquidity and reputational risks, and conducting stress testing.
- The Bank has developed a system of risk reporting, which is prepared on a regular and consistent basis by the risk manager. The Board of Directors reviews monthly reports prepared by the Risk Manager.
- Risk management disclosures in the financial statements are presented in Note 34 "Risk Management".
- The strategy of the Bank includes the impact of the Bank's risks on future activities, the Anti-Crisis Plan contains possible banking risks, scenarios and strategies in case of critical situations, as well as forecasts of the Bank's financial indicators for the next year.

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

- The decision to issue a loan or refuse to issue a loan in the presence of significant risks, as well as the decision to restructure the loans is made in accordance with the existing procedures of the Bank;
- The Credit Policy establishes the basic requirements for reviewing a borrower's application for a loan and approving the decision to grant a loan. The procedures contain

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

a description of the procedures performed by the Bank's employees, the procedure for preparing and approving documents;

- Analysis of the loan portfolio and random check of credit files showed that the Bank exercises control (monitoring) over the timeliness of loan repayment, according to the results of which monitoring reports are prepared;
- With regard to problem loans measures are taken in accordance with the Credit Policy. The classification of assets is carried out in accordance with the “Regulation on the Classification of Assets and Related Allocations to the LLP”, approved by the NBKR Board Resolution No. 18/3 of 21.07.2004;
- The Bank calculates expected credit losses (ECL) in parallel in accordance with IFRS (IFSR) 9 “Financial Instruments”. The results of asset classification conducted according to the above two methodologies are analyzed;
- The valuation of property accepted as collateral is performed by the Bank's employees according to the internal rules and procedures;
- On a periodic basis, the Bank reconciles balances on correspondent accounts with statements of correspondent banks;
- In order to confirm the balances as of December 31, 2022, the auditors carried out procedures of inquiries from correspondent banks, as well as from the National Bank of the Kyrgyz Republic;
- Securities investments are accounted for in accordance with an accounting policy. The investment policy sets out approaches to identifying and managing risks associated with investment instruments.

4. With respect to the accounting and disclosure of transactions with affiliates and related parties, we noted that transactions with these persons are performed in accordance with the requirements of the National Bank of the Kyrgyz Republic, internal policies and regulations. Transactions with affiliated persons are disclosed in accordance with IFRS 31 “Related Party Transactions”.

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

- The Bank's management structure corresponds to the types and volume of operations performed by the Bank, and decisions on the main areas of activity are made by the Bank's Management Board with the approval of the Board of Directors. Duties of employees are performed in accordance with their Job Descriptions and Regulations of Departments;
- The internal control system includes a Risk Manager and Head of the Compliance Service, as well as other structural divisions within their authorities and control procedures described in the regulations and rules. The Risk Manager and Head of the Compliance Service monitor and assess risks, participate in the development and optimization of business processes and banking procedures in order to minimize risks.

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

- The Bank has organized a system of information exchange between divisions and a system of preparing information for management bodies, allowing for timely decision-making.

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT (calculated in accordance with the requirements of IFRS 9)

FinanceCreditBank OJSC

For the period from January 1 to December 31, 2022

(Amounts are expressed in thousands of soms)

	Remark	December 31, 2022	December 31, 2021
Interest income	6	210 593	192 486
Interest expenditures	6	(89 267)	(69 710)
Net interest income prior to formation of provision for impairment		121 326	122 775
Recovery/(formation) of provision (ECL) for impairment of interest-earning assets	6	6 371	(5 635)
Net interest income		127 697	117 140
Commission income	9	40 274	32 078
Commission expenditures	9	(12 093)	(2 619)
Net commission income		28 181	29 459
Net profit/(loss) from operations with foreign currency	8	99 357	25 181
Net other income		187	(2 205)
Recovery/(formation) of provision (ECL) for impairment of other assets	7	(17 495)	9 005
Net non-interest income		82 050	31 981
Total income		237 928	178 580
Operational expenditures	11	(201 231)	(180 817)
Profit before tax		36 697	(2 238)
Income tax expenditure/revenue	12	(7 159)	(399)
Profit/(Loss) for the reporting year		29 538	(2 637)*
Other consolidated income/(loss)		0	0
Total consolidated profit/(loss)		29 538	(2 637)
Base profit (loss) per share (in soms per share)		0.0416	(0.0037)

*according to the requirements of the NBKR the profit of the Bank as of 31.12.2022 and 31.12.2021 constituted 34 263 thousand soms and 17 307 thousand soms respectively.

/signature//seal/
Alchiev E.K.
Chairman of the Management Board
FinanceCreditBank OJSC

/signature/
Matkabylova N.A.
Chief Accountant
FinanceCreditBank OJSC

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

BALANCE SHEET (calculated in accordance with the requirements of IFRS 9)

FinanceCreditBank OJSC

For the period from January 1 to December 31, 2022

(Amounts are expressed in thousands of soms)

	Remark	December 31, 2022	December 31, 2021
Assets			
Cash and cash equivalents	13	236 839	171 934
Accounts and deposits with the National Bank of KR	13	244 469	58 607
Accounts and deposits with banks, net	13, 14	130 281	138 132
Financial instruments accounted for at fair value through profit or loss	16	19 934	3 626
Investments in unconsolidated financial institutions	17	40	20
Loans issued to clients	15	1 366 268	1 299 362
Expected credit losses (ELC)	15	(44 390*)	(50 761)*
Loans issued to clients, net	15	1 321 878	1 248 601
Non-current assets held for sale	19	36 352	39 017
Fixed assets and intangible assets	18	52 668	59 232
Right-of-use assets	18,21	5 270	8 399
Other financial assets measured at fair value through profit or loss	27	0	0
Claims on cash transfer systems	22	3 308	45 950
Deferred tax asset (tax claims)	12	0	0
Other assets, net	20	18 074	12 637
Total assets:		2 069 113	1 786 155
Liabilities			
Funds of banks and financial institutions	23	33 832	31 861
Funds of customers	24	1 213 692	1 013 126
Funds of state institutions	25	108 633	61 905
Lease liabilities	21	5 583	9 139
Liabilities on money transfer systems	26	24 170	17 026
Provisions for contingent liabilities	28	1 657	10 685
Other deferred liabilities	12	1 874	292
Other financial liabilities measured at fair value through consolidated income	27	0	45
Other liabilities	28	24 381	16 377
Total liabilities:		1 413 857	1 160 437
Equity			
Charter capital		710,000	710,000

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

FINANCECREDITBANK OJSC
FINANCIAL REPORTING FOR 2022

Additional capital contributed by individuals and legal entities	0	0
Retained earnings	(54 744)**	(84 282)**
Total equity:	655 256***	625 718***
Total liabilities and equity:	2 069 113	1 786 155

*according to the requirements of the NBKR the provision for impairment of financial assets (loans) in 2022 constituted (57 585) thousand soms and in 2021 – (57 409) thousand soms;

**retained profit as of 31.12.2022 constituted (55 262) thousand soms and as of 31.12.2021 it constituted (89 525) thousand soms;

***Bank equity as of 31.12.2022 constituted 654 738 thousand soms and as of 31.12.2021 it constituted 620 475 thousand soms.

/signature//seal/
Alchiev E.K.
Chairman of the Management Board
FinanceCreditBank OJSC

/signature/
Matkabylova N.A.
Chief Accountant
FinanceCreditBank OJSC

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

CASH FLOW STATEMENT (calculated in accordance with the requirements of IFRS 9)

FinanceCreditBank OJSC

For the period from January 1 to December 31, 2022

(Amounts are expressed in thousands of soms)

	December 31, 2022	December 31, 2021
Cash flows from operating activities:		
Interest, income from services and commissions received	250 866	229 548
Interest, expenditures for services and commissions paid	(101 359)	(53 669)
Income from operations with foreign currency	100 016	84 115
Administrative expenditures	(201 231)	(190 669)
Cash flows from operating activities before changes in operational assets and liabilities:	48 292	69 325
Increase (decrease) in operational assets:	0	
Loans to clients	17 186	103 083
Other assets	(40 521)	22 071
Loans and funds to credit institutions	(68 072)	163
Non-current assets held for sale	14 860	(17 477)
Increase (decrease) in operational liabilities:	0	
Funds of clients	194 456	(115 237)
Funds of credit institutions	0	0
Other liabilities	61 357	(28 433)
Net cash inflow/outflow from operational activities	227 557	33 494
Cash flows from investment activities:	0	
Purchase of securities	(20 000)	(24 814)
Sale, redemption of securities	25 954	24 963
Purchase of fixed assets	(19 196)	(1 962)
Sale of fixed assets	7 647	0
Net cash flows from investment activities	(5 595)	(1 813)
Issue of shares	0	0
Additional capital contributed by shareholders	0	0
Transactions under REPO-agreements	0	0
Loans, received	121 353	(1 005)
Repayment of other borrowed funds	(99 367)	(7 243)
Lease repayment	(7 448)	(13 796)

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

FINANCECREDITBANK OJSC
FINANCIAL REPORTING FOR 2022

Proceeds of other borrowed funds	6 628	0
Net cash flows from financing activities	21 165	(22 044)
Net increase (decrease) in cash and cash equivalents	243 128	9 638
Impact of exchange rate fluctuations	(659)	840
Cash and cash equivalents at the beginning of the period	370 925	360 447
Cash and cash equivalents at the end of the period	613 394	370 925

/signature//seal/
Alchiev E.K.
Chairman of the Management Board
FinanceCreditBank OJSC

/signature/
Matkabylova N.A.
Chief Accountant
FinanceCreditBank OJSC

The accompanying comments on pages 13 to 53 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY (calculated in accordance with the requirements of IFRS 9)

FinanceCreditBank OJSC

For the period from January 1 to December 31, 2022

(Amounts are expressed in thousands of soms)

	Charter Capital	Retained Profit/(Loss)	Total Equity
As of December 31, 2019	710 000	(78 941)	631 059
Increase of charter capital			
Net profit/(loss) of the reporting period		(2 704)	(2 704)
As of December 31, 2020	710 000	(81 645)	628 355
Increase of charter capital			
Net profit/(loss) of the reporting period		(2 637)	(2 637)
As of December 31, 2021	710 000	(84 282)	625 718
Increase of charter capital	0	0	0
Net profit/(loss)		29 538	29 538
December 31, 2022	710 000	(54 744)	655 256

/signature//seal/
Alchiev E.K.
Chairman of the Management Board
FinanceCreditBank OJSC

/signature/
Matkabylova N.A.
Chief Accountant
FinanceCreditBank OJSC

The accompanying comments on pages 13 to 53 are an integral part of these financial statements