

**Kyrgyz Investment and
Credit Bank CJSC**

Consolidated Financial Statements
for the year ended 31 December 2022
and Independent Auditors' Report

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**Statement of Management’s Responsibilities
for the Preparation and Approval of Consolidated Financial Statements
for the year ended 31 December 2022**

Management of Kyrgyz Investment and Credit Bank CJSC (“the Bank”) is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Bank and its subsidiary (collectively – “the Group”) as at 31 December 2022, and the related consolidated statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the “consolidated financial statements”) in compliance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.


Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS Standards;
- Maintaining statutory accounting records in compliance with the Kyrgyz Republic legislation and IFRS Standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

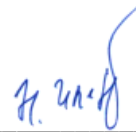
The consolidated financial statements for the year ended 31 December 2022 were approved by the Management on 25 March 2023 and signed on its behalf by:



Mr. R. Zakir Mahmood
Chairman of the Board of Directors



Mr. Arif Ali
Chief Executive Officer



Mr. Nurdin Ilebaev
Chief Finance Officer



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Independent Auditors' Report

To the Board of Directors and Shareholders of Kyrgyz Investment and Credit Bank CJSC

Opinion

We have audited the consolidated financial statements of Kyrgyz Investment and Credit Bank CJSC and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements prescribed in the Regulations on Minimum Requirements to External Audit of Banks and Other Financial and Credit Institutions, Licensed by the National Bank of Kyrgyz Republic ("NBKR") approved by the Order No.2017-П-12/25-2 of the NBKR Management Board on 15 June 2017 (last revised on 14 August 2019) (the "NBKR requirements"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants 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 consolidated financial statements in the Kyrgyz Republic, 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2021 were audited by other auditors who expressed an unmodified opinion on those statements on 30 March 2022.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses (ECL) for loans to customers

Please refer to the Notes 5, 18 and 34 in the consolidated financial statements.

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Loans to customers represent more than 33% of assets and are stated net of allowance for expected credit losses (ECL).</p> <p>The Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> — timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9); — assessment of probability of default (PD) and loss given default (LGD); — expected cash flows forecast for loans to customers classified in stage 3. <p>Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.</p>	<p>We analysed the key aspects of the Group's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of our own financial risks management specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, we performed the following audit procedures:</p> <ul style="list-style-type: none"> — We tested design and operating effectiveness of controls over allocation of loans into stages. — For a sample of loans, for which ECL is assessed individually and for which the potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. — For a sample of loans, for which ECL is assessed individually, we tested the accuracy of input data used to determine PD and LGD. — Regarding loans issued to customers and assigned to stages 1, 2 and 3, for which ECL is assessed collectively, we tested the design and implementation of the related models, as well as agreeing input data to supporting documents on a sample basis.



	<p>— For a sample of stage 3 loans for which ECL is assessed individually and which mostly comprise loans to legal entities, we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realisable collateral and their timing based on our understanding and publicly available market information. We specifically focused on exposures which potentially may have the most significant impact on the consolidated financial statements.</p> <p>We assessed the predictive capability of the Group's models used for ECL assessment by comparing the estimates made as at 1 January 2022 with actual results for 2022.</p> <p>We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.</p>
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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 and NBKR requirements 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 consolidated financial statements.

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

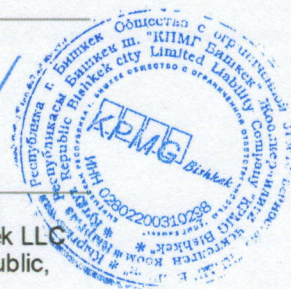
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 engagement partner on the audit resulting in this independent auditors' report is:

Andrey Kouznetsov
Attorney

Sergey Nezdemkovskiy
Executive Director of KPMG Bishkek LLC
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
Serial AD, #0544 of 6 June 2022



Kyrgyz Investment and Credit Bank CJSC
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

USD'000	Note	2022	2021
Interest income calculated using the effective interest method on interest bearing assets	7,39	35,215	31,575
Interest expense	7,39	(13,965)	(12,522)
Net interest income before allowance for expected credit losses on interest bearing assets		21,250	19,053
Allowance for expected credit losses on interest-bearing assets	8,39	(4,205)	(471)
Net interest income		17,045	18,582
Fee and commission income	9	10,119	6,228
Fee and commission expense	9,39	(5,702)	(3,524)
Net fee and commission income		4,417	2,704
Gross premiums written	10	2,126	1,718
Change in the gross provision for unearned premiums	10	(162)	(86)
Gross earned premiums		1,964	1,632
Less: written premiums ceded to reinsurers	10	(1,674)	(1,305)
Reinsurers' share of change in the gross provision for unearned premiums	10	165	103
Net earned premiums		455	430
Gross insurance claims incurred	10	(442)	(318)
Insurance claims incurred ceded to reinsurers	10	311	227
Change in gross insurance contract provisions	10	473	201
Change in reinsurers' share in claims provisions	10	(376)	(216)
Net change in policyholders liabilities	10	(5)	(4)
Net insurance claims incurred		(39)	(110)
Net income from insurance operations	10	416	320
Net foreign exchange gain	11	13,431	2,908
Share of profit in associate	20	1,327	431
Other operating income	12	1,455	598
Loss on modification of financial assets		(406)	(422)
Operating income		37,685	25,121
Impairment losses on other transactions	13,39	(1,094)	(188)
Personnel expenses	14,39	(13,828)	(9,820)
Other general administrative expenses	15,39	(9,979)	(9,201)
Profit before income tax		12,784	5,912
Income tax expense	16	(1,380)	(694)
Profit for the year		11,404	5,218
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		(98)	(170)
Other comprehensive income for the year, net of income tax		(98)	(170)
Total comprehensive income for the year		11,306	5,048
Profit attributable to:			
Equity holders of the Bank		11,219	5,005
Non-controlling interest		185	213
		11,404	5,218
Total comprehensive income attributable to:			
Equity holders of the Bank		11,153	4,897
Non-controlling interest		153	151
		11,306	5,048

The consolidated financial statements as set out on pages 10 to 95 were approved by the Management on 25 March 2023 and signed on its behalf by:

		
Mr. R. Zakir Mahmood Chairman of the Board of Directors	Mr. Arif Ali Chief Executive Officer	Mr. Nurdin Iebaev Chief Finance Officer

Kyrgyz Investment and Credit Bank CJSC
Consolidated Statement of Financial Position as at 31 December 2022


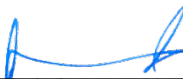
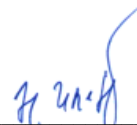
USD'000	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	17,39	305,838	236,940
Deposits in foreign banks	18	5,001	-
Loans to customers	19,39	183,893	187,809
Investment securities at amortised cost	20	442	1,036
Investment in associate	21,39	5,066	3,929
Property, equipment and intangible assets	23	20,914	19,478
Right-of-use assets	24	3,775	2,525
Insurance contract assets	25	1,745	1,582
Other assets	26	29,393	17,259
Total assets		556,067	470,558
LIABILITIES			
Deposits and balances from banks and other financial institutions	28	15,645	8,177
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	29	187,032	136,942
- Current accounts and deposits from retail customers	29	197,185	172,302
Debt securities issued	30	1,773	503
Lease liabilities	31	3,984	2,637
Other borrowed funds	32	30,339	44,589
Subordinated debt	33	1,135	1,267
Deferred income tax liabilities	16	1,068	1,019
Insurance contract liabilities	25	1,706	1,692
Other liabilities	34	19,369	15,906
Total liabilities		459,236	385,034
EQUITY			
Share capital	35	17,500	17,500
Share premium		495	495
Cumulative translation reserve		(995)	(928)
Other reserves	35	9,287	9,287
Retained earnings		67,778	56,557
Total equity attributable to equity holders of the Bank		94,065	82,911
Non-controlling interest	22	2,766	2,613
Total equity		96,831	85,524
Total liabilities and equity		556,067	470,558

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Mr. R. Zakir Mahmood Chairman of the Board of Directors	Mr. Arif Ali Chief Executive Officer	Mr. Nurdin Ilebaev Chief Finance Officer

USD'000	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		35,793	31,773
Interest payments		(13,195)	(12,151)
Fee and commission receipts		10,119	6,204
Fee and commission payments		(5,702)	(3,524)
Insurance premiums received		2,119	1,766
Insurance premiums paid to reinsurers		(1,674)	(1,305)
Net insurance claims paid		(73)	(141)
Net receipts from foreign exchange spot transactions		14,435	2,994
Other income receipts		852	595
Personnel expenses		(12,190)	(9,820)
Other general administrative expenses		(6,269)	(5,690)
(Increase)/decrease in operating assets			
Loans to customers		(2,081)	(14,528)
Deposits in foreign banks		(5,001)	-
Other assets		(13,491)	301
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions		7,433	914
Current accounts and deposits from customers		80,937	20,716
Other liabilities		1,465	2,444
Net cash from operating activities before income tax paid		93,477	20,548
Income tax paid		(1,593)	(543)
Cash flows from operations		91,884	20,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash received		-	(5,526)
Dividends received from associated company	21	203	90
Purchases of investment securities at amortised cost		-	(236)
Redemption of investment securities at amortised cost		696	1,037
Purchases of property, equipment and intangible assets		(3,991)	(2,461)
Proceeds from sale of property, equipment and intangible assets		-	8
Cash flows used in investing activities		(3,092)	(7,088)
CASH FLOWS FROM FINANCING ACTIVITIES			
Placement of debt securities issued	32	1,298	515
Redemption of debt securities issued	32	-	-
Repayment of lease liabilities	32	(1,131)	(984)
Receipt of other borrowed funds	32	13,008	15,650
Repayment of other borrowed funds	32	(26,684)	(9,287)
Repayment of subordinated debt		(57)	(70)
Cash flows (used in)/from financing activities		(13,566)	5,824
Net increase in cash and cash equivalents		75,226	18,741
Effect of changes in exchange rates on cash and cash equivalents		(6,317)	(2,572)
Cash and cash equivalents at the beginning of the year	21	236,940	220,843
Effect of changes in ECL on cash and cash equivalents		(11)	(72)
Cash and cash equivalents at the end of the year	17	305,838	236,940

The consolidated financial statements as set out on pages 10 to 95 were approved by the Management on 25 March 2023 and signed on its behalf by:

		
Mr. R. Zakir Mahmood Chairman of the Board of Directors	Mr. Arif Ali Chief Executive Officer	Mr. Nurdin Ilebaev Chief Finance Officer

	Attributable to equity holders of the Bank					Total equity attributable to owners	Non-controlling interest	Total
	Share capital	Share premium	Cumulative translation reserve	Other reserves	Retained earnings			
USD'000								
Balance at 1 January 2021	17,500	495	(821)	9,287	51,622	78,083	2,462	80,545
Profit for the year	-	-	-	-	5,005	5,005	213	5,218
Other comprehensive income								
Foreign currency translation differences	-	-	(108)	-	-	(108)	(62)	(170)
Total comprehensive income for the year	-	-	(108)	-	5,005	4,897	151	5,048
Business combination of entities under common control	-	-	-	-	(69)	(69)	-	(69)
Balance at 31 December 2021	17,500	495	(929)	9,287	56,558	82,911	2,613	85,524
Balance at 1 January 2022	17,500	495	(929)	9,287	56,558	82,911	2,613	85,524
Profit for the year	-	-	-	-	11,219	11,219	185	11,404
Other comprehensive income								
Foreign currency translation differences	-	-	(66)	-	-	(66)	(32)	(98)
Total comprehensive income for the year	-	-	(66)	-	11,219	11,153	153	11,306
Balance at 31 December 2022	17,500	495	(995)	9,287	67,777	94,064	2,766	96,830

The consolidated financial statements as set out on pages 10 to 95 were approved by the Management on 25 March 2023 and signed on its behalf by:

		
Mr. R. Zakir Mahmood Chairman of the Board of Directors	Mr. Arif Ali Chief Executive Officer	Mr. Nurdin Ilebaev Chief Finance Officer