

**INDEPENDENT AUDITOR'S REPORT  
HLB MARKA AUDIT LLC  
ON FINANCIAL STATEMENTS OF  
MICROFINANCE COMPANY "ELET CAPITAL" CLOSED JOINT-STOCK COMPANY**

**To the Board of Directors  
Microfinance Company "Elet Capital" Closed Joint-Stock Company**

**Conclusion on findings of financial statements audit**

***Opinion***

We have audited the financial statements of Microfinance Company "Elet Capital" Closed Joint-Stock Company (hereinafter referred to as the 'Company'), which include the Statement of financial position as of 31 December 2022, Statement of profit or loss and other comprehensive income, Statement of changes in equity capital and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial condition of the Company as of 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with the requirements of the International Financial Recording Standards (hereinafter referred to as the "IFRS").

***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' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code, applied to our audit of the financial statements in the Kyrgyz Republic. We believe that the audit evidences we have obtained are sufficient and appropriate to provide a basis for our opinion.

***Key audit issues***

The key audit issues are the issues that, according to our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in forming our opinion on these statements, and we do not express a separate opinion on these issues.

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

***Provisions for expected credit losses on loans to customer***

Due to the significance of the item in the statement of financial position "Loans to Customers" and the use of professional judgment by the Company's management for the timely identification and assessment of reserves for expected credit losses (hereinafter referred to as "ECL"), the calculation of reserves for ECL in accordance with IFRS 9 "Financial Instruments" is considered one of the key audit issues.

The Company evaluates the reserves for ECL on a collective and individual basis and calculates indicators of the probability of default, the amount at risk of default and the level of losses in default for each loan or loan portfolio.

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

The calculation of the reserve on an individual basis involves significant application of professional judgment, the use of assumptions and analysis of various factors, including the financial performance of counterparties, projected cash flows and the cost of collateral.

The Company's approach to credit risk management is presented in Note 29 "Risk Management" of the financial statements. The data on loans to customers and provisions for ECL are presented in Note 10 "Loans to customers" of the financial statements.

#### *Our methodology*

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

We analyzed the calculation of the provision for ECL on a collective basis, including a random check of the initial data and assumptions used for the credit risk model, including internal credit ratings, as well as the classification of loans by stages of impairment.

With respect to significant individually impaired loans, we have selectively analyzed the calculation of recoverable amount and ECL based on debt repayment scenarios determined by the Company and their probability, including the Company'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 for the process of assessing expected credit losses on customer loans, including testing controls for accounting for overdue debts.

We also analyzed the information regarding expected credit losses on loans to customers disclosed in the Company's financial statements.

#### ***Responsibility of the Company's management and persons responsible for corporate governance for the financial statements***

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, as well as for ensuring the internal control system that the Company's management considers necessary for the preparation of financial statements that do not contain material misstatements caused by fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as appropriate, information related to going concern, and for preparing statements based on the assumption of going concern, unless management intends to liquidate the Company, terminate its operations or when it does not have any other real alternative, other than liquidation or termination of activity.

The persons responsible for corporate governance are responsible for overseeing the preparation of the Company'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 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 taken together, they could reasonably be expected to influence the economic decisions of users taken based on 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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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.
- With regard to events or conditions that may cast doubt on the ability of the Company to continue its activities as a going concern. If we conclude that there is material uncertainty, we need to pay attention in our audit report to the relevant disclosures in the financial statements, or, if such disclosures are inadequate, 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 continue as a going concern business.
- We evaluate the presentation of the financial statements as a whole, their structure and content, including disclosure of information, as well as whether the financial statements represent the underlying transactions and events in such a way as to ensure their fair presentation.

We carry out informational interaction with persons responsible for corporate governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify during the audit.

We also provide the persons responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these persons about all relationships and other issues that can reasonably be considered to have an impact on the independence of the auditor, and, if necessary, about appropriate precautions.

#### ***Statement on other legal and regulative requirements***

Following the provisions of the Regulation "On Minimum Requirements for an External Audit of Banks and Other Financial and Credit Organizations Licensed by the National Bank of the Kyrgyz Republic (NBKR)" Section 3.8, approved by Resolution of the National Bank of the Kyrgyz Republic dated June 15, 2017 No. 2017-P-12/25 -2-(NPA), during the audit of the financial statements of the Company for 2022, we conducted auditing of:

- compliance of the accounting and reflection of operations in the financial statements with requirements established by the legislation of the Kyrgyz Republic;
- arrangement of the lending activities: availability of credit policy; loan application review procedures; proper conduct of credit files (dossiers) of borrowers; monitoring the condition and quality of assets; procedures for classifying assets and assessing the adequacy of reserves to cover potential losses and expenditures;
- frameworks of the internal control: decision-making procedure for credit and financial transactions; availability and compliance with regulations on structural units and job descriptions; control over the reflection of operations in accounting and the preparation of reliable statements;
- correspondence of the internal procedures and policies to the legislation of the Kyrgyz Republic;
- following the requirements of the legislation of the Kyrgyz Republic, including regulatory legal acts of the IFRS;
- quality assessment on the risk management.

*Findings of our audit appear below:*

- The accounting and reflection of operations in the financial statements of the Company, in all material aspects, is carried out in accordance with the requirements established by the IFRS.

We did not carry out any procedures regarding the accounting data of the Company, except for the procedures that we considered necessary for the purpose of expressing an opinion on the reliability of the financial statements of the Company in material aspects;

- The Company's lending activities are organized in accordance with the requirements of the Credit Policy, which includes procedures for reviewing loan applications, maintaining credit files (dossiers) of borrowers, monitoring the status and quality of assets, classifying assets and assessing the adequacy of reserves to cover potential losses and costs;
- The internal control system of the Company includes the decision-making procedure for credit and financial transactions, the availability and compliance with regulations on structural units and job descriptions, control over the reflection of operations in accounting and the preparation of reliable statements;
- The Company's internal procedures and policies do not contradict the legislation of the Kyrgyz Republic;
- The Company's activities are carried out in accordance with the legislation of the Kyrgyz Republic and the IFRS;
- Risk management in the Company is carried out in accordance with the internal policies and procedures in accordance with the requirements of the IFRS;
- The activities of the Board of Directors and the Management Board of the Company to monitor compliance with the established internal documents of the Company with the values of risks and the adequacy of own funds (capital) are carried out in accordance with the requirements of the NBKR.

**HLB Marka Audit, LLC**

*License registration No.0146 dated November 13, 2018, issued by the Public Service of Regulation and Supervision over the Financial Market under the Government of the Kyrgyz Republic;*

*Registration certificate No.4850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated January 10, 2019;*

*38, Professor Zima Street, Bishkek, Kyrgyz Republic, Telephone/fax: (312) 32-05-75*

**A.M. Asylbekova, Auditor, Director**

*Qualified Auditor Certificate Series AD No.0012, registration No.0461, dated 7 August 2019*

**N.N. Kobritseva, Auditor**

*Qualified Auditor Certificate No.0012, registration No. 0047, dated 12*

*June 2004 CIPA Certificate No. dated 15.04.2011, DipIFR Certificate No.1709119 of 10.12.2009*

**28 March 2023**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND  
APPROVAL OF THE FINANCIAL STATEMENTS**

The following statement is made with a view to distinguishing the respective responsibilities of the management and auditors on the financial statements of Microfinance Company "Elet Capital" Closed Joint-Stock Company for the year ended 31 December 2022.

The attached financial statements were prepared by the management of the Closed Joint-Stock Company "Microfinance Company "Elet-Capital" (hereinafter the Company). The Company's management acknowledges its responsibility for the preparation and fair presentation of financial statements that reflect in all material aspects the financial condition as at December 31, 2022, results of operations, cash flows and changes in equity, including adequate disclosures, for the year ended on that date, in accordance with the International Financial Reporting Standards (IFRS).

In preparing the financial statements, the management is responsible for selecting appropriate accounting principles and their consistent application, applying reasonable and reasonable estimates and calculations, complying with IFRS requirements and disclosing all material deviations from IFRS in the notes to the financial statements, and preparing the financial statements on the assumption that the Company will continue to operate in the foreseeable future, except in cases where such an assumption is unlawful.

The Company's management is also responsible for developing, implementing and ensuring the functioning of an effective and reliable internal control system in the Company, maintaining an accounting system that allows at any time with a sufficient degree of accuracy to prepare information about the financial position of the Company and ensuring compliance of financial statements with IFRS requirements, taking measures within its competence to ensure the safety of the Company's assets, and detection and prevention of fraud, errors and other abuses.

These financial statements for the year ended December 31, 2022 were approved by the Company's management on March 28, 2023.

**Chief Executive Officer  
E.S. Kamchybekov**



**28 March 2023**

# Microfinance Company "Elet Capital" Closed Joint-Stock Company

## Statement of financial position

As of 31 December 2022

(in thousands of Kyrgyz soms)

	Note	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and cash equivalents	6	87 942	113 649
Accounts with banks	7	21 685	2 398
Debt securities	8	46 247	64 050
Derivative financial asset	9	19 047	14 781
Loans granted to clients	10	2 130 920	1 752 593
Property, plant and equipment (PPE) and intangible assets	11	57 947	45 234
Right-of-use assets	12	13 399	8 336
Non-current assets held for sale	13	3 177	3 177
Other assets	14	3 407	8 949
<b>Total assets</b>		<b>2 383 771</b>	<b>2 013 167</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and other financial and credit institutions	15	1 850 164	1 547 772
Lease liabilities	12	14 933	9 534
Deferred income tax liability	16	451	2 178
Other liabilities	16	825	730
<b>Total liabilities</b>	17	<b>1 899 022</b>	<b>1 589 258</b>
<b>Equity</b>			
Authorized capital	18	154 934	154 934
Retained earnings		329 815	268 975
<b>Total equity</b>		<b>484 749</b>	<b>423 909</b>
<b>Total liabilities and equity</b>		<b>2 383 771</b>	<b>2 013 167</b>

  
**E.S. Kamchybekov**  
*Chief Executive Officer*



  
**N. Tazabekova**  
*Chief Accountant*



Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of profit or loss and other comprehensive income

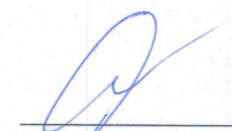
For the year ended 31 December 2022

(in thousands of Kyrgyz soms)

	Note	2022	2021
Interest income	21	644 212	515 478
Interest expenses	21	(304 763)	(218 541)
<b>Net interest income before provision for impairment</b>		<b>339 449</b>	<b>296 937</b>
(Formation)/restoration of the allowance for impairment of assets for which interest is accrued	22	(13 171)	(7 880)
<b>Net interest income</b>		<b>326 278</b>	<b>289 057</b>
Other income/expenses	23	1 232	621
Loss from operations with derivative financial instruments	24	(26 746)	(29 899)
(Loss)/income from foreign currency transactions	25	(15 906)	(665)
(Formation)/recovery of provision for impairment of other assets	22	(4)	(753)
Operating expenses	26	(217 031)	(171 955)
<b>Profit before tax</b>		<b>67 823</b>	<b>86 406</b>
Profit tax expense	16	(6 983)	(8 803)
<b>Profit of the year</b>		<b>60 840</b>	<b>77 603</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income / (loss)</b>		<b>60 840</b>	<b>77 603</b>

  
**E.S. Kamchybekov**  
*Chief Executive Officer*



  
**N. Tazabekova**  
*Chief Accountant*



Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of cash flows

For the year ended 31 December 2022

(in thousands of Kyrgyz soms)

	Note	2022	2021
<b>Cash flow from operating activities:</b>			
Income received from financing		640 018	531 826
Interest paid		(321 193)	(199 139)
Operating expenses paid		(219 296)	(170 304)
Income tax paid		(8 615)	(7 655)
<b>Cash received from operating activities before changes in operating assets and liabilities</b>		<b>90 914</b>	<b>154 728</b>
<b>Change in operating assets and liabilities</b>			
Loans issued		(2 540 198)	(2 149 980)
Loans repaid		2 159 159	1 746 454
Net gain on other assets		(9 545)	(43 225)
Net increase on other liabilities		(4 597)	(981)
<b>Net cash generated from operating activities</b>		<b>(304 267)</b>	<b>(293 004)</b>
<b>Cash flows from investing activities:</b>			
Purchase of securities		21 700	(49 848)
Other income		2 919	969
(Purchase) of fixed assets		(21 900)	(6 653)
Increase of deposits in banks		(66 513)	(144 629)
Reduction of deposits in banks		45 391	175 498
<b>Net cash from investing activities</b>		<b>(18 403)</b>	<b>(24 663)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from loans received	15	873 963	1 117 416
Payments on loans received	15	(569 775)	(739 463)
Lease payments	12	(8 741)	(9 172)
<b>Net cash from financing activities</b>		<b>295 447</b>	<b>368 781</b>
Effect of FX rate changes on cash and cash equivalents		1 495	(665)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(25 728)</b>	<b>50 449</b>
<b>Opening cash and cash equivalents</b>	6	<b>113 726</b>	<b>63 277</b>
<b>Ending cash and cash equivalents</b>	6	<b>87 998</b>	<b>113 726</b>

E.S. Kamchybekov  
Chief Executive Officer



N. Tazabekova  
Chief Accountant



Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of changes in equity

For the year ended 31 December 2022

(in thousands of Kyrgyz soms)

	Authorized (share) capital	Retained earnings	Total equity
Balance as of 31 December 2020	154 934	191 372	346 306
Total profit for 2021	-	77 603	77 603
Balance at December 31, 2021	154 934	268 975	423 909
Total profit for 2022	-	60 840	60 840
Balance at December 31, 2022	154 934	329 815	484 749



E.S. Kamchybekov  
Chief Executive Officer




N. Tazabekova  
Chief Accountant

