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 2023, 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 and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial condition of the Company as of 31 December 2023, its financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards.

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 those 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.

Provisions for expected credit losses on loans issued

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

The Company evaluates the provisions 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 the 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 provisions on an individual basis involves a 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 its credit risk management is presented in Note 28 "Risk management" of the financial statements. The data on the loans issued and provisions for ECL are presented in Note 10 "Loans issued" to 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 client loans, including testing controls for accounting for overdue debts.

We also analyzed the information regarding expected credit losses on loans to clients 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 anyor another 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.

Out of the issues that we have brought to the attention of those responsible for corporate governance, we identify the issues that were most significant for the audit of financial statements for the current period and, therefore, are the key audit issues. We describe these issues in our audit report, except in cases where public disclosure of information about these issues is prohibited by law or regulation, or when in extremely rare cases we conclude that information about any issue should not be disclosed in our report, as it can reasonably be assumed that The negative consequences of communicating such information will exceed the socially significant benefits of communicating it.

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 National Bank of Kyrgyz Republic;
- quality assessment on the risk management.

Findings of our audit appear below:

- 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 National Bank of the Kyrgyz Republic.

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 National Bank of the Kyrgyz Republic;
- Risk management in the Company is carried out in accordance with the internal policies and procedures in accordance with the requirements of the National Bank of the Kyrgyz Republic;
- 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 National Bank of the Kyrgyz Republic.

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-OOO issued by the Kyrgyz Republic Ministry of Justice dated January 10, 2019;
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HLB Marka Audit
ЭйчЭлБи Марка Аудит

A.M. Asylbekova, Auditor, Director
Qualified Auditor Certificate Series A1 No.0097, 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

19 March 2024

Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of financial position
As of 31 December 2023
(in thousands of Kyrgyz soms)

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents*	6	113 202	87 942
Accounts with banks and financial and credit institutions*	7	26 187	21 685
Debt securities*	8	48 800	46 247
Financial assets measured at fair value through profit or loss	9	7 927	19 047
Loans granted to clients*	10	2 979 217	2 130 920
Property, plant and equipment (PPE) and intangible assets	11	61 789	57 947
Right-of-use assets	12	18 004	13 399
Non-current assets held for sale	13	1 362	3 177
Other assets	14	5 243	3 407
Total assets		**3 261 731**	**2 383 771**
Liabilities and equity			
Liabilities			
Due to banks and other financial and credit institutions	15	2 563 142	1 850 164
Issued bonds	16	49 607	-
Lease liabilities	12	20 565	14 933
Current profit tax liability	17	3 318	451
Deferred income tax liability	17	110	825
Other liabilities	18	45 054	32 649
Total liabilities		**2 681 796**	**1 899 022**
Equity			
Authorized capital	19	418 322	154 934
Retained earnings	20	161 613	329 815
Total equity		**579 935**	**484 749**
Total liabilities and equity		**3 261 731**	**2 383 771**

*As of December 31, 2023, the assets formed taking into account the requirements of the National Bank of the Kyrgyz Republic were as follows:

Cash of 113 278 thousand soms,
Accounts with banks and financial and credit institutions of 26 204 thousand soms,
Securities of 48 834 thousand soms,
Loans issued to clients of 2 954 311 thousand soms.

As of December 31, 2023, therefore, the retained earnings formed taking into account the requirements of the National Bank of the Kyrgyz Republic reached 139 312 thousand soms.

E.S. Kamchybekov
Chief Executive Officer

N. Tazabekova
Chief Accountant

The notes on pages 12-45 are an integral part of this report

Microfinance Company "Elet Capital" Closed Joint-Stock Company

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023
(in thousands of Kyrgyz soms)

	Note	2023	2022
Interest income	22	865 554	644 008
Interest expenses	22	(424 532)	(304 763)
Net interest income before provision for impairment		**441 022**	**339 245**
(Formation)/restoration of the allowance for impairment of assets for which interest is accrued*	23	(15 932)	(13 171)
Net interest income		**425 090**	**326 074**
Other income/expenses	24	5 958	1 436
Loss from operations with derivative financial instruments	25	(35 215)	(26 746)
(Loss)/income from foreign currency transactions	26	(863)	(15 906)
(Formation)/recovery of provision for impairment of other assets	23	(763)	(4)
Operating expenses	27	(266 263)	(217 031)
Profit before tax		**127 944**	**67 823**
Profit tax expense	17	(13 336)	(6 983)
Profit of the year		**114 608**	**60 840**
Other comprehensive income		-	-
Total comprehensive income/(loss)		**114 608**	**60 840**

* For 2023, the expenses on reserves for impairment of loans formed at the request of the National Bank of the Kyrgyz Republic amounted to 5 587 thousand soms. Accordingly, the profit generated taking into account the cost of reserves for loan impairment at the request of the National Bank of the Kyrgyz Republic amounted to 123 940 thousand soms in 2023.

E.S. Kamchybekov
Chief Executive Officer

N. Tazabekova
Chief Accountant

Elet Capital

HLB Marka Audit

Microfinance Company “Elet Capital” Closed Joint-Stock Company

Statement of cash flows
For the year ended 31 December 2023
(in thousands of Kyrgyz soms)

	Note	2023	2022
Cash flow from operating activities:			
Income received from financing		870 159	640 018
Interest paid		(395 094)	(321 193)
Operating expenses paid		(279 262)	(219 296)
Income tax paid		(11 200)	(8 615)
Cash received from operating activities before changes in operating assets and liabilities		**184 603**	**90 914**
Change in operating assets and liabilities			
Loans issued		(3 573 553)	(2 540 198)
Loans repaid		2 723 087	2 159 159
Net increase on other assets		(18 838)	(9 545)
Net increase on other liabilities		6 180	(4 597)
Net cash generated from operating activities		**(678 521)**	**(304 267)**
Cash flows from investing activities:			
Purchase (sale) of securities		-	21 700
Other income		2 763	2 919
(Purchase) of fixed assets		(13 892)	(21 900)
Increase of deposits in banks		(25 864)	(66 513)
Reduction of deposits in banks		45 411	45 391
Net cash from investing activities		**8 418**	**(18 403)**
Cash flows from financing activities:			
Proceeds from loans received	15	1 805 965	873 963
Payments on loans received	15	(1 127 745)	(569 775)
Bonds issued	16	48 849	-
Lease payments	12	(11 401)	(8 741)
Dividends paid		(19 422)	-
Net cash from financing activities		**696 246**	**295 447**
Effect of FX rate changes on cash and cash equivalents		(863)	1 495
Net increase (decrease) in cash and cash equivalents		**25 280**	**(25 728)**
Opening cash and cash equivalents	**6**	**87 998**	**113 726**
Ending cash and cash equivalents	**6**	**113 278**	**87 998**

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 2023
(in thousands of Kyrgyz soms)

	Authorized (share) capital	Retained earnings	Total equity
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**
Shares issued	263 388	(263 388)	-
Total profit for 2023	-	114 608	114 608
Dividends paid	-	(19 422)	(19 422)
Balance at December 31, 2023	**418 322**	**161 613**	**579 935**

E.S. Kamchybekov
Chief Executive Officer

N. Tazabekova
Chief Accountant

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