

## **INDEPENDENT AUDITOR'S REPORT**

To the Participants, Board of Directors and the Shariah Borad of the LLC "MCC "Bailyk Finance":

### **Opinion**

We have audited the financial statements of the LLC "MCC "Bailyk Finance" (the "Company"), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and cash flows for the year then ended, in accordance with regulations of the National bank of the Kyrgyz Republic (the "NBKR").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (the "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 (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the 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.

### **Responsibilities of Management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

### **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 and regulations of the NBKR will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the 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 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 Company's ability to continue as a going concern. If we conclude that a material 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Report on the procedures performed in accordance with the Regulation of the National bank of the Kyrgyz Republic No.2017-P-12/25-2-(Legal Act) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the National bank of the Kyrgyz Republic" dated June 15, 2017**

Management of the Company is responsible for the implementation of the regulatory requirements established by the National bank of the Kyrgyz Republic (the "NBKR") and for compliance of internal control with the requirements set by the NBKR.

In accordance with the Regulation of the NBKR No.2017-P-12/25-2-(Legal Act) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the NBKR" dated June 15, 2017 in the course of audit of the Company's financial statements as at December 31, 2022 and for the year then ended we examined accounting and classification of the Bank's assets and disclosure of transactions with related parties and affiliates to be in compliance with the regulatory requirements of the NBKR.

The review was limited to the procedures selected on the basis of our judgement, which included requests, analysis, examination of documents, comparison of requirements, procedures and methods approved by the Company with requirements set by the NBKR, as well as recalculation, reconciliation of estimates and other information. We discussed the identified issues related to internal controls and procedures with the Company's management and the relevant points where applicable were presented in the Management Letter.

The procedures performed and the results of the review are presented below:

1. With respect to compliance of the Company's accounting and classification of assets with legislation of the Kyrgyz Republic, the regulatory requirements of the NBKR, accounting policy and procedures of the Company, the relevant procedures have been performed within the framework of the audit conducted in accordance with International Standards on Auditing and the requirements of the NBKR necessary for expressing an opinion on compliance of the Company's financial statements, in all material aspects, to the generally accepted principles of preparation and presentation of financial statements:
  - We obtained and analysed the Company's loan policy approved by the Board of Directors of the Company on September 27, 2021.

- We obtained the loan portfolio of the Company as at December 31, 2022. During the statistical sampling analysis of the customer loan files, the following was determined:
    - A loan application is completed at the moment of loan origination. The application indicates preliminary information about the loan objectives and customer's capabilities on the basis of which customer's initial analysis is made;
    - customer loan files are formed in accordance with the provisions and requirements set by the NBKR;
    - monitoring of the loan status is performed with the periodicity established by the Company's policies and regulations after the loan is issued. A report which describes activities performed by the Company (calls, visits to the client, etc.), appropriateness of the intended use of the loan, financial condition of the customer and conditions of the collateral is completed based on the results of the monitoring;
    - if evidence of the customer's financial condition worsening is available, restructuring of the loan is made after detailed analysis of the customer's financial performance and approval by the credit committee is made.
  - Classification and evaluation of the loan portfolio and other assets are made in accordance with the requirements of the regulations of the NBKR. We performed analysis of the methodology for impairment evaluation and estimation of the impairment allowance within the framework of the audit. We checked the adequacy of the assessment procedures of the loan portfolio and other assets of the Company on sample basis.
  - When assessing collateral, the Company follows provisions of collateral policy and instruction for valuation of collaterals.
  - During analysis of the Company's obligations we assured that all liabilities are classified in accordance with the requirements of the NBKR and internal policies of the Company.
  - We received a securities portfolio of the Company as at December 31, 2022 and a report on all securities transactions performed during 2022. During the statistical sampling analysis of the transactions the following was assured:
    - when concluding securities transactions, the Company is guided by the internal investment policy;
    - all transactions were approved by the Asset and Liability Management Committee of the Company;
    - availability of a purchase request on each selected transaction;
    - availability of the confirming documents for completed transactions.
2. With respect to the compliance of accounting and disclosure of the Company's transactions with affiliates and related parties we identified the following:
- The Company has a regulation on transactions with affiliated and related parties, which describes the procedures for determining a related party and the requirements for information disclosure.
  - As at the reporting date all related parties are determined by the Company. Information on balances and transactions with related parties is disclosed in the financial statements (Note 26).
  - During the audit we have identified balances and transactions with related parties which correspond to the list of transactions with related parties of the Company;
  - As at reporting date we conducted the following procedures on transactions with related parties:
    - assured that all transactions with related parties were carried out by the Company in compliance with all generally accepted procedures of banking practice without granting any exemptions or privileges.
3. With respect to examination of internal control and its structure we identified the following:
- In order to post all transactions in accounting books and prepare reliable financial statements the Company developed accounting policy, job descriptions for employees and other guidelines and instructions regulating the activities of all employees of the Company. In order to perform a systematic and independent evaluation of the reliability and effectiveness of the internal control system and to increase the accounting efficiency, the Company conducts internal audit examinations. The internal audit is carried out by the internal auditor, who is reportable to the Board of Directors;
  - The Company established an effective system of risk management and internal control to provide assurance of sufficient confidence in achieving the Company's goals. An effective system of risk management and internal control is implemented at all levels of management. Systematic and independent evaluation of the reliability and effectiveness of the internal control system is performed by the internal auditor who is reportable to the Board of Directors. The internal auditor performs tasks based on the principles of independence, objectivity, competence and professional attitude to work, as well as on the legislation of the Kyrgyz Republic, legal acts of the NBKR, internal audit standards determined by the International Standards for the Professional Practice of Internal Audit and the Code of Ethics of the Institute of Internal Auditors. The Board of Directors approves work plans and reviews reports;



- When examining the activities of the Company's branches we identified that periodicity and sequence of the reports prepared by branches and internal auditor of the Company during the year ended December 31, 2022 related to credit, operational, market, interest, legal risks and risk of the Company's liquidity loss complied with the internal documents of the Company.
  - We received the internal documents of the Company effective as at December 31, 2022 and during the year ended on this date which establish methods of identifying and managing significant credit, operational, market, interest, legal, and liquidity risks, and made sure that they are approved by the Company in accordance with the requirements and recommendations of the NBKR.
  - We received management letter on the results of the audit for the previous reporting year. We reviewed the issues indicated in the letter and assured that the Company's management took appropriate efforts for elimination of deficiencies in the system of internal controls. In case the same deficiency remains from previous years we include it into the management letter by the results of the audit for the current year with note "Recurring".
4. During examination of compliance of operations and procedures of the Company related to payments and settlements with the legislation of the Kyrgyz Republic and the regulatory requirements of the NBKR we established the following:  
Within a substantive testing of certain captions of the financial statements (loans issued, income and expenses) we made a statistical sample of transactions to test that:
- Hard copy payment documents correspond to the figures in the system.
  - Confidentiality and security matters during execution of electronic payments as well as the rules for storage and use comply with the requirements of the NBKR.
  - Payments are made on time.
  - The requirements for filling details of payment documents are appropriately executed.
5. With respect to compliance with the requirements of ISA regarding the responsibility of the Company's external auditor to review fraudulent activities and errors during the audit of the financial statements of the Company, we performed all audit procedures in accordance with IFRS and ISA which we considered necessary for expressing our opinion on the financial statements of the Company.

#### Other matters

The Company prepared financial statements in accordance with regulations of the International Financial Reporting Standards (the "IFRS") for the year ended December 31, 2022 for which we issued a audit report dated February 28, 2023 addressed to the Participants and Board of Directors of LLC "MCC "Bailyk Finance".



Kubat Aiymkulov

Certified accountant, FCCA  
Certificate of auditor of the Kyrgyz Republic No. A0069 dated October 19, 2009  
Audit Partner  
Director, Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC,  
License Series A No. 0049 dated July 1, 2011 issued by the State committee on review and regulation of the financial market of the Kyrgyz Republic

February 28, 2023  
Bishkek, the Kyrgyz Republic

# LLC "MICRO-CREDIT COMPANY "BAILYK FINANCE"

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of Kyrgyz Soms)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
Interest income	6	996,792	760,616
Interest expense	6	(429,533)	(289,499)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	6	567,259	471,117
Accrual of allowance for impairment losses on interest bearing assets	8	(23,962)	(33,064)
NET INTEREST INCOME		543,297	438,053
Commission income	7	54,913	67,207
Net loss on operations with financial instruments at FVTPL	9	(65,504)	(41,293)
Net loss on foreign exchange operations	10	(715)	(13,817)
Other income	11	(65,504)	(41,293)
NET NON-INTEREST INCOME		13,850	34,025
Operating expenses	12	(462,185)	(343,494)
PROFIT BEFORE INCOME TAX		94,962	128,584
Income tax expenses	13	(12,106)	(14,075)
NET PROFIT		82,856	114,509
TOTAL COMPREHENSIVE INCOME		82,856	114,509

On behalf of the Management:

  
Chinara Moldazhanova  
General Director

February 28, 2023  
Bishkek, the Kyrgyz Republic

  
Maya Dzhusupova  
Chief Accountant

February 28, 2023  
Bishkek, the Kyrgyz Republic

The notes on pages 12-58 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

# LLC "MICRO-CREDIT COMPANY" "BAILYK FINANCE"

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of Kyrgyz soms)

	Notes	December 31, 2022	December 31, 2021
<b>ASSETS</b>			
Cash and cash equivalents	14	166,257	151,995
Deposits and cash in banks	15	30,600	42,667
Loans to customers	16	3,207,301	2,514,242
Financial instruments at fair value through profit or loss	17	91,405	26,111
Property, equipment and intangible assets	18	38,434	30,712
Right-of-use assets	19	52,075	67,293
Deferred tax assets	13	12,365	2,501
Other assets	20	38,193	11,550
<b>TOTAL ASSETS</b>		<b>3,636,630</b>	<b>2,847,071</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Borrowings	21	2,833,888	2,207,610
Subordinated loan	22	93,507	-
Lease liabilities	19	58,741	72,550
Advances received from customers		45,758	34,443
Other liabilities	23	52,961	35,049
		<b>3,084,855</b>	<b>2,349,652</b>
<b>EQUITY</b>			
Share capital	24	250,000	250,000
Retained earnings		301,775	247,419
		<b>551,775</b>	<b>497,419</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,636,630</b>	<b>2,847,071</b>

On behalf of the Management:

  
**Chinara Moldazhanova**  
General Director

February 28, 2023  
Bishkek, the Kyrgyz Republic

  
**Maya Dzhusupova**  
Chief Accountant

February 28, 2023  
Bishkek, the Kyrgyz Republic

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# LLC "MICRO-CREDIT COMPANY "BAILYK FINANCE"

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of Kyrgyz Soms)

	Notes	Share capital	Retained earnings	Total Equity
Balance at January 1, 2021		188,993	193,917	382,910
<b>Comprehensive income</b>				
Profit		-	114,509	114,509
<b>Total comprehensive income</b>		-	114,509	114,509
<b>Transactions with participants</b>				
Increase in share capital	24	61,007	(61,007)	-
<b>Total transactions with Participants</b>		61,007	(61,007)	-
Balance at December 31, 2021		250,000	247,419	497,419
<b>Comprehensive income</b>				
Profit		-	82,856	82,856
<b>Total comprehensive income</b>		-	82,856	82,856
<b>Transactions with participants</b>				
Dividends paid	24	-	(28,500)	(28,500)
<b>Total transactions with participants</b>		-	(28,500)	(28,500)
Balance at December 31, 2022		250,000	301,775	551,775

On behalf of the Management:

  
Chinara Moldazhanova  
General Director

February 28, 2023  
Bishkek, the Kyrgyz Republic

  
Maya Dzhusupova  
Chief Accountant

February 28, 2023  
Bishkek, the Kyrgyz Republic

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# LLC “MICRO-CREDIT COMPANY“BAILYK FINANCE”

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022 *(in thousands of Kyrgyz soms)*

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		970,555	746,272
Interest paid		(395,182)	(286,717)
Commission received	7	54,913	67,207
Other cash receipts	11	25,156	20,181
Loss on foreign currency transactions	10	(194)	(1,464)
Payments on operations with financial instruments	9	(62,331)	(53,835)
Operating expenses paid		<u>(414,792)</u>	<u>(310,827)</u>
Cash flow from operating activities before changes in operating assets and liabilities		<u>178,125</u>	<u>180,817</u>
<b>Changes in operating assets and liabilities:</b>			
Deposits and cash in financial institutions		12,067	(1,150)
Loans to customers		(690,784)	(877,709)
Financial instruments at fair value through profit or loss		(68,467)	13,564
Other assets		(26,755)	20,538
Borrowers' prepayments		11,315	2,970
Other liabilities		<u>10,612</u>	<u>10,102</u>
Cash outflow from operating activities before income tax paid		<u>(573,887)</u>	<u>(650,868)</u>
Income tax paid		<u>(14,709)</u>	<u>(14,992)</u>
Net cash outflow from operating activities:		<u>(588,596)</u>	<u>(665,860)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets	18	<u>(34,293)</u>	<u>(27,098)</u>
Net cash outflow from investing activities		<u>(34,293)</u>	<u>(27,098)</u>



# LLC "MICRO-CREDIT COMPANY" "BAILYK FINANCE"

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2022	For the year ended December 31, 2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Paid dividends	24	(28,500)	-
Proceeds from borrowings	21	1,944,700	1,716,009
Repayment of borrowings	21	(1,350,161)	(1,096,578)
Proceeds from subordinated loan	22	93,975	-
Repayment of lease liabilities		(19,413)	(14,261)
Net cash inflow from financing activities:		640,601	605,170
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		17,712	(87,788)
Effect of foreign exchange translation difference on cash and cash equivalents		(3,450)	1,580
CASH AND CASH EQUIVALENTS, at the beginning of the year	14	151,995	238,203
CASH AND CASH EQUIVALENTS, at the end of the year	14	166,257	151,995

On May 24, 2021, based on decisions of the participants of the Company, the authorized capital of the Company was increased from 188,993 thousand soms to 250,000 thousand soms by allocating part of the retained earnings for 2020 in the amount of 61,007 thousand soms.

On behalf of the Management:

  
Chinara Moldazhanova  
General Director

February 28, 2023  
Bishkek, the Kyrgyz Republic



  
Maya Dzhusupova  
Chief Accountant

February 28, 2023  
Bishkek, the Kyrgyz Republic

The notes on pages 12-58 form an integral part of the financial statements. The independent auditor's report is on pages 3-6.

# LLC "MCC "BAILYK FINANCE"

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022 (in thousands of Kyrgyz soms)

Financial Statements as of December 31, 2022 (Form No. 1) prepared in accordance with the Regulations "On Requirements for Financial Reporting and Information Presentation by Non-Bank Financial and Credit Organizations Operating in Accordance with Islamic Principles of Banking and Finance or Having an "Islamic Window".

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
A current account in a commercial bank intended for Islamic financing (Note 14)	10,019	2,142
Financing provided by the client under the Murabaha agreement (Note 16)	254,153	307
Allowance on impairment of financing	(7,110)	(3)
Other assets	2,113	-
<b>TOTAL ASSETS</b>	<b>259,175</b>	<b>2,446</b>
<b>LIABILITIES</b>		
Other liabilities	6,092	-
<b>TOTAL LIABILITIES</b>	<b>6,092</b>	<b>-</b>
<b>EQUITY</b>		
Share capital	227,662	2,447
Accumulated income/ (loss)	25,421	(1)
<b>TOTAL EQUITY</b>	<b>253,083</b>	<b>2,446</b>
<b>TOTAL LIABILITY AND EQUITY</b>	<b>259,175</b>	<b>2,446</b>

Profit or loss statement for the year ending December 31, 2022 (Form No. 2), prepared in accordance with the Regulations "On the Requirements for Financial Reporting and Presentation of Information by Non-Bank Financial and Credit Organizations Operating in Accordance with Islamic Principles of Banking and Financing or Having an "Islamic Window."

	December 31, 2022	For the period from December 8, 2021 to December 31, 2021
Income from Murabaha	34,973	2
General allowance for impairment losses on financing	(7,185)	(3)
<b>Net income</b>	<b>27,788</b>	<b>(1)</b>
Operating and administrative expenses	(605)	-
<b>Net operating loss</b>	<b>27,183</b>	<b>(1)</b>
Charity and zakiat expenses	-	-
Income tax	(1,761)	-
<b>Net loss</b>	<b>25,422</b>	<b>(1)</b>



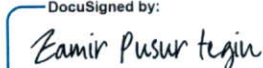
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In the name of Allah, the Most Gracious, the Most Merciful!

## Conclusion of the Shariah Board

We, Pusur tegin Zamir, Kalimullina Madina Emirovna, Ajimamatov Zailabidin Kasymovich, being members of the Shariah Board of the "MCC "Bailyk Finance", LLC ("Company"), confirm that the operations of the Company, which carries out according to Islamic principles of financing, in 2022 were carried out in accordance with the principles of Shariah.

On behalf of the Sharia Board:

DocuSigned by:  
  
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Pusur tegin Zamir  
Chairman of the Sharia Board:

February 28, 2023  
Bishkek, the Kyrgyz Republic