

## Independent auditor's report

To the shareholders and Board of Directors of Bakai Bank Open Joint Stock Company

### *Opinion*

We have audited the financial statements of Bakai Bank Open Joint Stock Company (hereinafter – the Bank), which comprise the statement of financial position as of 31 December 2022, and the statement of profit and loss and other comprehensive income, statement of changes in equity 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 accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

### *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 in relation to the Bank 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 those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

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

- Allowance for expected credit losses

Note 4.4 of the financial statements discloses accounting policies and Note 38.1 discloses credit risk analysis.

The allowance for expected credit losses has been considered a key audit matter due to the significance of the loans as well as the subjectivity of the assumptions underlying the impairment assessment. The application of different judgements and assumptions could result in significant differences in the results of the allowance for expected credit losses, which could have a material impact on the Bank’s financial results.

Key areas of judgment included: the assessment of the business model within which the assets are held, the assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding, the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank’s expected credit loss model, the identification of exposures

with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With regard to the classification and measurement of financial assets and financial liabilities, our audit procedures included the following;

- We reviewed the classification and measurement of the Bank's financial assets and financial liabilities policies based on IFRS 9 and compared them with the requirements of IFRS 9;
- We assessed the design and tested the operational effectiveness of appropriate controls over the data used to determine the allowance for impairment, including transactional data obtained at loan origination, current internal credit quality assessments, other data related to the expected credit loss model;
- We assessed the design and operational effectiveness of appropriate controls over the expected credit loss model, including model construction and validation, ongoing monitoring/validation of model management and mathematical accuracy;
- We tested the appropriateness of the Bank's definition of a significant increase in credit risk and the basis for categorising exposures into different stages;
- For the forecast assumptions used by the Bank's management in their ECL calculations, we held discussions with management and validated the assumptions using publicly available information;
- We verified the completeness of loans and advances, off-balance sheet items, investment securities, funds in other financial institutions included in the ECL calculations as at 31 December 2020;
- We understood the theoretical soundness and tested the mathematical integrity of the models;
- We brought in our IT specialists in areas that required specialist knowledge (e.g. data reliability and the expected credit loss model);
- We verified the correctness of the opening balance sheet adjustments.
- We assessed the accuracy of the disclosures in the financial statements.

#### *Other questions*

The financial statements of the Bank for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on these financial statements on 17 March 2022.

#### *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 IFRSs, 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

## *Responsibilities Of Auditor's 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 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, 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 Bank'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 Bank'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 Bank 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Managing partner

Abduvaliev Zarylbek

Certified Accountant, FCCA 1365251

Qualification certificate of the auditor of the Kyrgyz Republic № 0066

Senior Auditor

Arzybaev Alibek

February 27, 2023

Kreston Bishkek LLC

License for auditing No 0025 series A issued by the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic.

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# Statement of profit and loss and other comprehensive income

In thousands of Kyrgyz soms		Year ended	Year ended
	Note	31 December 2022	31 December 2021
Interest and similar income	6	2,005,116	1,568,391
Interest and similar expense	6	(985,806)	(772,547)
<b>Net interest income</b>		<b>1,019,310</b>	<b>795,844</b>
Income from Islamic Finance	7	192,002	152,148
Islamic Finance expense	7	(6,825)	(4,288)
<b>Net income from Islamic Finance</b>		<b>185,177</b>	<b>147,860</b>
Fee and commission income	8	1,346,967	480,965
Fee and commission expense	8	(1,284,906)	(69,088)
<b>Net fee and commission income</b>		<b>62,061</b>	<b>411,877</b>
Net trading income	9	6,823,983	304,253
Other income	10	115,480	75,335
(Create) / restore provisions for credit losses	11	(459,733)	(86,803)
Provisions for receivables under Islamic finance	20	(10,678)	(34,860)
Provision for impairment losses on other property	24	(66,895)	(89,847)
Depreciation of property and equipment and intangible assets	22	30,625	-
Personnel expenses	12	(1,331,932)	(704,538)
Depreciation of property and equipment	22	(162,279)	(123,847)
Other expenses	13	(686,964)	(332,824)
<b>Profit before income tax</b>		<b>5,518,155</b>	<b>362,450</b>
Income tax expense	14	(658,271)	(37,367)
<b>Profit for the year</b>		<b>4,859,884</b>	<b>325,083</b>
Other comprehensive income			-
Items that will not be reclassified subsequently to profit or loss			
Gain on remeasurement of equity instruments measured at fair value through other comprehensive income		12,657	-
Total other comprehensive income		12,657	-
<b>Total comprehensive income for the year</b>		<b>4,872,541</b>	<b>325,083</b>
Earnings per share	15		
Basic		82.41	5.56

The accompanying notes N1-40 form an integral part of these financial statements

# Statement of financial position

In thousands of Kyrgyz soms	Note	31 December 2022	31 December 2021
<b>Assets</b>			
Cash and cash equivalents	16	31,493,551	6,883,213
Amounts due from other financial institutions	17	214,001	1,070,708
Derivative financial assets	18	28,820	2,944
Loans and advances to customers	19	14,414,880	12,729,479
Islamic finance receivables	20	1,303,307	1,066,625
Investment securities	21		
- Investment securities at fair value through other comprehensive income		88,600	44,300
- Investment securities at amortised cost		1,013,894	683,645
Property and equipment and intangible assets	22	2,286,347	1,699,428
Long-term assets available for sale	24	361,922	364,854
Other assets	25	929,801	380,298
<b>Total assets</b>		<b>52,135,123</b>	<b>24,925,494</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due to financial institutions	26	382,217	892,846
Other borrowed funds	27	3,232,814	3,130,200
Derivative financial liabilities	18	39,057	17,526
Amounts due to customers	28	38,791,246	16,362,999
Islamic finance commitments	29	308,241	255,928
Current income tax liabilities		67,789	13,877
Deferred income tax liabilities	14	171,617	21,340
Other liabilities	30	1,488,596	1,122,220
<b>Total liabilities</b>		<b>44,481,577</b>	<b>21,816,936</b>
<b>Equity</b>			
Share capital	31	2,771,743	2,771,743
Revaluation reserve for financial assets measured at fair value		19,780	7,123
Retained earnings		4,862,023	329,692
<b>Total equity</b>		<b>7,653,546</b>	<b>3,108,558</b>
<b>Total liabilities and equity</b>		<b>52,135,123</b>	<b>24,925,494</b>

The financial statements were approved and signed on February 27, 2023 by:

Nurgul Satarova  
Chairman of the Management Board



Aisuluu Sulaimanova  
Chief accountant

The accompanying notes N1-40 form an integral part of these financial statements

# Statement of changes in equity

In thousands of Kyrgyz soms

In thousands of Kyrgyz soms

	Share capital	Fair value reserve	Retained earnings	Total
Balance as of 31 December 2020	2,697,678	7,123	264,211	2,969,012
Increase in share capital	74,065	-	(74,065)	-
Dividends to shareholders	-	-	(185,537)	(185,537)
Transactions with the owners	74,065	-	(259,602)	(185,537)
Profit for the year	-	-	325,083	325,083
Total comprehensive income for the year	-	-	325,083	325,083
Balance as of 31 December 2021	2,771,743	7,123	329,692	3,108,558
Dividends to shareholders	-	-	(327,553)	(327,553)
Transactions with the owners	-	-	(327,553)	(327,553)
Profit for the year	-	-	4,859,884	4,859,884
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Gain on remeasurement of equity instruments measured at fair value through other comprehensive income	-	12,657	-	12,657
Total comprehensive income for the year	-	12,657	4,859,884	4,872,541
Balance as of 31 December 2022	2,771,743	19,780	4,862,023	7,653,546

The accompanying notes N1-40 form an integral part of these financial statements

# Statement of cash flows

In thousands of Kyrgyz soms

	31 December 2022	31 December 2021
<i>Cash flows from operating activities</i>		
Interest received	2,000,560	1,642,313
Interest paid	(1,037,067)	(761,959)
Islamic finance income received	188,414	154,109
Paid Islamic finance expenses	(19,743)	(3,013)
Commissions received	1,346,976	480,965
Commissions paid	(1,284,987)	(69,088)
Net income from foreign exchange revaluation of assets and liabilities not held for trading	5,112,637	303,482
Other income received	160,595	17,457
Net gains (payments) on operations with financial instruments at fair value through profit or loss	1,667,876	-
Salaries and bonuses paid	(1,331,977)	(690,426)
General administrative expenses paid	(526,870)	(310,554)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>6,276,414</b>	<b>763,286</b>
<i>(Increase)/decrease in operating assets</i>		
Derivative financial assets	(27,016)	4,539
Loans and advances to customers	(2,411,482)	(2,959,056)
Amounts due from other financial institutions	876,435	(10,527)
Other assets	(635,896)	188,305
<i>Increase/(decrease) in operating liabilities</i>		
Derivative financial liabilities	33,393	14,829
Amounts due to financial institutions	(36,555)	-
Amounts due to customers	22,472,231	4,696,464
Other liabilities	1,340,054	173,286
Net cash flow from/(used in) operating activities before income tax	27,887,578	2,871,126
Income tax paid	(454,000)	(38,100)
Net cash from/(used in) operating activities	27,433,578	2,833,026

In thousands of Kyrgyz soms

	31 December 2022	31 December 2021
<i>Cash flows from investing activities</i>		
Purchase of property and equipment and intangible assets	(1,616,967)	(557,164)
Proceeds from sale of property and equipment	1,139	43,716
Purchase of investment securities	(688,107)	(276,574)
Proceeds from sale and redemption of investment securities	314,983	239,452
Net cash from/(used in) investing activities	(1,988,952)	(550,570)
<i>Cash flow from financing activities</i>		
Dividend payments	(327,552)	(185,537)
Repayment of loans received from the NBKR	(473,701)	(25,000)
Repayment of other loans	(1,367,445)	(826,145)
Loans received from other borrowed funds	1,474,754	1,583,013
Net cash flow from/(used in) financing activities	(693,944)	546,331
Exchange differences on cash and cash equivalents	(135,962)	77,485
Net increase/decrease in cash and cash equivalents	24,614,720	2,906,272
Cash and cash equivalents at the beginning of the year	6,888,603	3,982,331
Cash and cash equivalents at the end of the year (Note 16)	31,503,323	6,888,603

## 2 Business environment in the Kyrgyz Republic

After the start of a special military operation in Ukraine by Russia in 2022 and subsequent imposition of international sanctions against Russia, the economy of the Kyrgyz Republic was also affected by a number of negative factors. These include significant exchange rate fluctuations, as well as fluctuations in international trade flows.

The Bank's management considers its current liquidity sufficient for sustainable operation. In addition, the Bank's management regularly monitors the Bank's liquidity position and intends to use appropriate liquidity instruments if the need arises.

The management of the Bank believes that the Bank will function and continue conducting operations in its foreseeable future, and therefore has prepared these financial statements based on the assumption of going concern. These financial statements do not include any adjustments that might be necessary if the Bank is unable to continue its operations on a going concern basis.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International