

MICROFINANCE COMPANY "SALYM FINANCE" OPEN JOINT-STOCK  
COMPANY

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING STANDARDS  
AT DECEMBER 31, 2020

AND  
INDEPENDENT AUDITOR'S REPORT

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# eMARKAAUDIT

INDEPENDENT AUDITOR'S REPORT  
HLB MARKA AUDIT LLC  
ON FINANCIAL STATEMENTS OF  
MICROFINANCE COMPANY "SALYMFINANCE" OPEN JOINT-STOCK COMPANY

**Shareholders**

**Microfinance Company "Salym Finance" Open Joint-Stock Company**

**Board of Directors**

**Microfinance Company "Salym Finance" Open Joint-Stock Company**

**Conclusion on findings of financial statements audit**

*Opinion*

We have audited the financial statements of Microfinance Company "Salym Finance" Open Joint-Stock Company (hereinafter referred to as the 'Company'), which include the Statement of financial position as of 31 December 2020, 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 2020, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (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/or 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.

*Matter of emphasis*

Matter of emphasis represents those issues that, in 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 the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

*Expected credit loss provisions under loans to customers*

Due to importance of the statement of financial position's line item "Loans to customers" and application by the Company's management of a professional judgment 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 assesses the reserves for ECL on a collective and individual basis and calculates default probability indicators, the amount exposed to default risk and the level of default losses for each loan or portfolio of loans.

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

The calculation of the reserve on an individual basis includes significant application of professional judgment, the use of assumptions and analysis of various factors, including financial indicators of counterparties, forecast cash flows and collateral value.

The Company's approach to credit risk management is presented in Note 32 "Risk management" of the financial statements. Data on the loans to customers and reserves under ECL are presented in Note 10 "Loans to customers" to the financial statements.

#### *Our methodology*

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

We analyzed the calculation of the reserve for ECL on a collective basis, including the selective verification of the source data and the assumptions used for the credit risk model, including internal credit ratings, as well as the classification of loans by stages of impairment.

For significant individually impaired loans, we analyzed on a sample basis the calculation of recoverable amount and ECL based on the scenarios of repayment of the debt determined by the Company and their probability, including assumptions of the Company about expected cash flows, including from 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 test basis, of controls over the process of assessing the expected credit losses on customer loans, including testing of controls for accounting for overdue debts.

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

#### ***Responsibilities of management of the Company and those charged with governance for the corporate management and 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, the management of the Company is responsible for assessing the ability of the Company to continue its business, for disclosing, as appropriate, information related to business continuity, and for preparing financial statements based on the going concern assumption, unless management intends to liquidate the Company, terminate her activity or when she does not have any other real alternative, other than liquidation or termination of activities.

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

#### ***Auditor's responsibilities/or 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 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 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.

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. 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 the officials responsible for the corporate management, 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 other institutional or regulative provisions***

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" Section 5, 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 2019, 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 affairs (files) of borrowers; monitoring the condition and quality

of assets; procedures for classifying assets and assessing the adequacy of reserves to cover potential losses and losses;  
 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 as follows:*

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 losses;

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 activities of the Company are carried out in accordance with the legislation of the Kyrgyz Republic and the National Bank of the Kyrgyz Republic;

The risk management in the Company is performed following 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 in monitoring the compliance with the established internal documents of the Company of risk values 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.01-16 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.-1850-3301-000 issued by the Kyrgyz Republic Ministry of Justice dated January 10, 2019;*

*38, Prokhorova Street, Bishkek,*

*The Kyrgyz Republic. Phone: (312) 32-05-75*



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

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

*[Handwritten signature]*

**T.I. Ashenov, Chief Specialist, Audit Team Leader**

**9 March 2021**

**9MARKA AUDIT**

**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 "Salym Finance" Open Joint-Stock Company for the year ended 31 December 2020.

The Microfinance Company "Salym Finance" Open Joint-Stock Company (hereinafter referred to as the 'Company') has prepared the accompanying statements. The Company's management recognizes its responsibility for the preparation and fair presentation of the financial statements that present fairly, in all material respects the financial position, results of operations, cash flows and changes in shareholders' equity, including adequate disclosures, for the year ended 31 December 2020 in accordance with the International Financial Reporting Standards (IFRS).

In preparing the financial statements, the management is responsible for selecting suitable accounting principles and applying them consistently, the use of reasonable and informed judgments and estimates, compliance with IFRS and the disclosure of all significant deviations from IFRS in the notes to the financial statements and the preparation of financial statements based on assumptions, that the Company will continue its business in the foreseeable future, except when it is inappropriate.

The management is also responsible for developing, implementing and maintaining an effective and sound system of internal control in the Company, maintenance of accounting systems, which allows at any time to prepare information with reasonable accuracy on the financial position of the Company and ensuring compliance of the financial statements with the requirements of IFRS, taking measures within its competence to safeguard the assets of the Company, as well as detecting and preventing fraud, errors and other irregularities.

On March 9, 2021, the management of the Company approved these financial statements for the year ended 31 December 2020.

  
**Management board Chairman**  
**M.T. Kuloy**



**9 March 2021**

**Statement of financial position**

As of 31 December 2020

(in thousands of Kyrgyz soms)

	Note	31 December 2020	31 December 2019
<b>Assets</b>			
Cash and cash equivalents	6	527,181	317,175
Mandatory reserves in the account at the NB.KR	7	54,000	17,000
Financial assets at fair value through profit or loss	8	27,533	12,913
Accounts with banks	9	189,376	151,607
Loans to customers	10	2,506,615	1,889,878
Other assets	11	11,019	3,781
PPE and intangible assets	12	<b>8,288</b>	6,967
Assets in the form of right of use	13	3,315	7,069
Non-current assets held for sale	14	26,664	26,855
<b>Total assets</b>		<b>3,353,991</b>	<b>2,433,245</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Due to banks and other financial institutions	15	1,762,998	1,536,462
Customers funds	16	1,024,338	367,914
Other loans			28,971
Bonds issued	17	61,120	122,886
Lease obligations	13	4,502	8,169
Current income tax liability	18	65	1,843
Deferred income tax liability	18	2,795	91
Other liabilities	19	32,224	<b>28,883</b>
<b>Total liabilities</b>		<b>2,888,042</b>	<b>2,095,219</b>
<b>Equity</b>			
Authorized (share) capital	20	250,000	250,000
Additional		50,000	
Retained earnings		165,949	88,026
<b>Total equity</b>		<b>465,949</b>	<b>338,026</b>
<b>Total liabilities and equity</b>		<b>3,353,991</b>	<b>2,433,245</b>

  
**M.T. Kulov**  
 Management board Chairman



  
 I Chief Accountant





Microfinance Company "Salym Finance" OJSC

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

	Note	2020	2019
Interest income	23	635,036	426,373
Interest expenses	23	(305,377)	(194,246)
<b>Net interest income before provision for impairment</b>		<b>329,659</b>	<b>232,127</b>
(Formation) / restoration of the allowance for impairment of assets for which interest is accrued	24	(77,792)	(24,420)
<b>Net interest income</b>		<b>251,867</b>	<b>207,707</b>
Gains / losses from operations with foreign currency	25	491	(489)
Commissions prud	26	(7,459)	(6,041)
Other income / expenses	27	145	(28)
(Formation) / restoration of provision for impairment of other assets	24	3,922	(9,627)
Operating expenses	28	(153,786)	(130,894)
<b>Profit before income tax</b>		<b>95,180</b>	<b>60,628</b>
Income tax expense	18	(12,256)	(7,652)
<b>Profit of the year</b>		<b>82,924</b>	<b>52,976</b>
<b>Other comprehensive income</b>			
<b>Total comprehensive income/ (loss)</b>		<b>82,924</b>	<b>52,976</b>

  
**M.T. Kulov**  
 Management board a,airnatJ



**Zh.Aac.** a  
 Chief Accountant



Microfinance Company "Salym Finance" OJSC

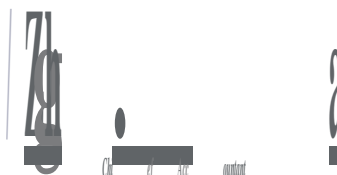
Statement of cash flows

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

	Note	2020	2019
<b>Cash flow from operating activities:</b>			
Interest received		536,397	414,558
Interest paid		(292,350)	(195,913)
Employee Benefits		(106,639)	(82,846)
Operating expenses		(50,754)	(41,456)
<b>Cash outflow from operating activities before changes in operating assets and liabilities</b>		<b>86,654</b>	<b>94,343</b>
Change in operating assets and liabilities (Increase) / decrease in operating assets:			
Net increase in loans to customers		(597,471)	(684,579)
(Increase) / decrease in operating liabilities:			
Customer funds		649,360	364,972
Net increase in other assets, net of other liabilities		(8,064)	2,187
<b>Net (outflow) / cash inflow from operating activities before tax</b>		<b>130,479</b>	<b>(223,077)</b>
Income tax paid		(13,907)	(7,217)
<b>Net (outflow) / cash inflow from operating activities</b>		<b>116,572</b>	<b>(230,294)</b>
<b>Cash flow from investing activities</b>			
Increase / (decrease) in deposits in commercial banks		80,790	(82,674)
Acquisition of PPE and intangible assets		(9,074)	(6,098)
<b>Net cash outflows from investing activities</b>		<b>71,716</b>	<b>(88,772)</b>
<b>Cash flow from financing activities</b>			
Bonds issued	17	27,486	50,000
Payments related to redemption of issued bonds		(106,863)	(103,616)
Issue of shares	20	50,000	50,000
Loans and borrowings received	15	874,100	1,090,443
Payments on loans received	15	(806,757)	(507,608)
Dividends paid	20	(5,001)	(2,499)
Lease Payments	13	(4,338)	(2,750)
<b>Net cash outflow / cash flows from financing activities</b>		<b>28,627</b>	<b>573,970</b>
The effect of exchange rate differences on cash and cash equivalents		(4,758)	4,450
Net increase in cash and cash equivalents		212,157	259,354
<b>Cash and cash equivalents at the beginning of the year</b>	6	<b>326,236</b>	<b>66,882</b>
<b>Cash and cash equivalents at the end of the year</b>	6	<b>538,393</b>	<b>326,236</b>

  
**M.T. Kulov**  
 Management board Chairperson  

Statement of changes in equity capital

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

	Authorize d (share) capital	Additional capital contributed by individuals and le al entities	Retained earnings	Total e9ui
<b>Balance as of 31 December 2018</b>	<b>100,000</b>		<b>137,549</b>	<b>237,549</b>
Issue of shares	150,000		(100,000)	50,000
Dividends			(2,499)	(2,499)
Total profit for 2019			52,976	52,976
<b>Balance as of 31 December 2019</b>	<b>250,000</b>		<b>882026</b>	<b>338,026</b>
Issue of shares		50,000		50,000
Dividends			(5,001)	(5,001)
Total profit for 2020			82,924	82,924
<b>Balance as of 31 December 2020</b>	<b>250,000</b>	<b>50,000</b>	<b>165,949</b>	<b>465,949</b>

  
**M.T. Kulov**  
 Management board Chairman



  
**Zb.A. Asyranis'ekova**  
 Chief Accountant



Notes to the financial statements

For the year ended 31 December 2020  
(in thousands of Kyrgyz soms)

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## 1. MAIN LINES OF BUSINESS

Microfinance Company "Sa lym Finance" OJSC ( herein after referred to as the "Company") was established in the form of a limited liability company in September 2007 based on a decision of the General Meeting of Founders. In 2011, the Company changed its name from MCC "Credit Systems" LLC to MCC "Salym Finance" LLC. In September 2012, the founders decided to reorganize the limited liability company into the open joint-stock company Microfinance Company "Salym Finance". On February 19, 2013, the Limited Liability Company was transformed into the Microfinance Company "Salym Finance" Open Joint-Stock Company.

The date of initial state registration of the Company with the Ministry of Justice of the Kyrgyz Republic is October 8, 2007. The last re-regis trat ion took place on August 8, 2018, registration number 58663-3301-OAO.

The Company operates on the basis of licenses issued by the National Bank of the Kyrgyz Republic:

- No. 006 dated March 1, 2013 as amended on May 28, 2019,
- No. 006/1 of September 24, 2014 for the right to conduct operations in foreign currency as amended on May 28, 2019.

The main activities of the Company are the provision of affordable microfinance services to the population to help overcome poverty, increase employment, and promote entrepre neurship and social mobilization of the Kyrgyz Republic.

The shareholders of the Company are individuals, citizens of the Kyrgyz Republic.

The Company is a member of the Association of Microfinance Organizations of Kyrgyzstan, a member of the Association of Financial and Credit Organizations and the Credit Infom,ation Bureau "Ishenim".

The Head office is located at Bishkek, Manas Ave., 40.

The Company has eighteen representative offices in various regions of the Kyrgyz Republic and a branch in Bishkek.

As of 31 December 2020, the Company's number of personnel was 176 (137 as at 31 December 2019).

## 2. ECONOMIC ENVIRONMENT THE COMPANY OPERATES IN

The Company's business depends considerably on the economy and financial market of the Kyrgyz Republic.

During 2020, the national political and economic environment showed serious changes that has impacted the Company's business activity.

In March 2020, the World Health Organization declared a COVID-19 virus pandemic. Most countries have imposed significant restrictions on travel and the movement of people and businesses. This has led to a significant decline in GDP in most countries. The Kyrgyz Republic has also introduced numerous measures to try to contain the spread and impact of COVID-19. In accordance with the introduction of the state of emergency in the Kyrgyz Republic, associated with the threat of the spread of coronavirus and the COVID-19 pandemic, as well as with the forced measure by the Government of the Kyrgyz Republic to close the external borders with neighboring states, which negatively affected the activities of entrepreneurs of the Kyrgyz Republic, in March-April, all non-profit organizations, markets, shops, shopping centers, etc. were closed for quarantine. Also, many organizations have released employees on vacation without salary maintenance.

The political crisis in the Kyrgyz Republic, which began in October 2020 and continues to the present, has added a negative impact on the economic situation:

- production and activity in many sectors of the economy declined;
- there was a sharp increase in prices for various goods;
- the som exchange rate has significantly decreased against the dollar and euro.

In order to support clients in the current economic conditions, the Company, on the recommendation of the National Bank of the Kyrgyz Republic, proposed to restructure existing loans in the form of an extension for at least three months.

The Company's management takes all necessary measures to ensure the sustainability of the Company's operations, support customers and employees, but the future impact of the current economic situation is difficult to predict, and the current expectations and estimates of management may differ from actual results.

### **3. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS**

The accounting policies and calculation methods used in the preparation of these financial statements are consistent with the accounting policies and methods used and described in the financial statements of the Company for the year ended December 31, 2020.

#### ***2.1. Declaration of conformity***

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

#### ***2.2. Presentation of currency for data of these financial statements***

The national currency of the Kyrgyz Republic is Kyrgyz som (hereinafter - 'som'). The som is the presentation currency for the purpose of these financial statements. All data presented in soms has been rounded to the nearest thousand soms.

#### ***3.3. Material accounting judgments and valuations***

The Company's management uses a number of valuations and assumptions regarding assets and liabilities and disclosures of contingent assets and liabilities at preparing these financial statements in accordance with requirements of IFRS. The factual results may differ from those evaluations.

Accounting estimates and their underlying assumptions are reviewed on a regular basis. Adjustments in accounting estimates are recognized in that reporting period when relevant accounting estimates were reviewed, if those adjustments affect indexes of only that period, or if they are recognized in that and following periods and if they affect current and future periods.

Presented below are the basic assumptions regarding the future and other basic sources of uncertainty in estimations at the end of the reporting period, which highly likely can lead to material adjustments of carrying value of assets and liabilities during the next fiscal year.

**Measurement of the valuation allowance for expected credit losses (ECL)** for financial assets, measured at amortized cost - this is an area which requires to use complicated models and material assumptions regarding future economic conditions and credit behavior (for example, probability of default of counterparties and arising losses). A number of material judgments are also necessary for application of accounting requirements to measure ECL, such as:

**Notes to the financial statements**

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

- Determination of criteria for significant increase of credit risk;
- Selection of appropriate models and assumptions for the measurement of ECL;
- Establishment of quantity and relative weights of probable future scenario for each type of product / market and relevant ECL; and also
- Formation of groups of similar financial assets for the purpose of measurement of ECL;
- Assessment of the quality of data and valuation models of assets expected to be received as a result of work to collect problem debts.

When assessing expected credit losses, the Company takes into account reasonable and confirmed information about current and forecasted future economic conditions. In this regard, the Company regularly updates macro-forecast scenarios used in determining the ECL.

***Ability to recover deferred tax assets***

The company regularly evaluates the recognition of deferred tax claims. A recognized deferred tax asset is the amount of income tax that may be offset against future income taxes and is recognized in the statement of financial position. Deferred tax assets are recognized for all reserves and accruals to the extent that the related tax benefit is probable. The determination of future taxable profit and the amount of tax benefits likely to be recoverable in the future is based on management expectations that are considered reasonable in the current environment.

**4. REVIEW OF SIGNIFICANT ASPECTS OF ACCOUNTING POLICY**

***Going concern***

In 2020, as compared with the previous year (subject to revaluation in accordance with IFRS 9), the total assets of the Company increased by 37.8% or by 920.74 thousand soms. Net profit increased by 56.3% and amounted to **82,924** thousand soms.

The management of the Company believes that the Company will operate and continue to conduct operations in the foreseeable future, and therefore has prepared these financial statements based on the principle of a continuously operating enterprise. These financial statements do not include any adjustments that might be necessary if the Company could not continue its activities on an ongoing basis.

***Foreign currency translation***

Transactions in foreign currencies are reflected at the rate of the the National Bank of the Kyrgyz Republic (NBKR) effective as of a transaction date. All exchange differences arising in operations with foreign currency are included in the statement of profit or loss and other comprehensive income at the exchange rate effective as of the transaction date.

The monetary assets and liabilities in the foreign currency are translated to soms at the official exchange rates of the National Bank of the Kyrgyz Republic as of a date of preparation of the reporting.

The official exchange rates were:

<b>Currency</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
USD	82.6498	69.6439
EUR	101.3204	77.9803
RUB	1.1188	1.125
KZT	0.1966	0.1828

**Notes to the financial statements**

For the year ended 31 December 2020

(in thousands of Kyrgyz somn)

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Presently, the Kyrgyz som is not a freely converted currency in countries beyond the boundaries of the **Kyrgyz Republic**.

*Cash and cash equivalents*

For the purposes of preparation of the Statement of financial position the cash and cash equivalents include the cash on hand and cash balances on the accounts with other banks of the Kyrgyz Republic.

As of the end of 2020, the Company does not have cash and cash equivalents in respect of which there are restrictions on their use.

*Statement of cash flows*

The accompanying cash flow statement has been prepared using the direct method.

In the statement of cash flows, the Company classifies:

- (a) cash payments in respect of the principal amount of the lease liability in finance activities;
- (b) cash payments of interest on a lease obligation using the requirements of IAS 7 "Statement of Cash Flows" for interest paid; and
- (c) short-term lease payments, low-cost asset lease payments and variable lease payments not included in the measurement of lease liabilities as part of operating activities.

***Financial instruments***

**Classification of financial assets**

At initial recognition a financial asset is classified as measured at amortized cost, fair value through the other comprehensive income (FVOCI) or at fair value through income or loss (FVIL).

A financial asset is measured at amortized cost if it is simultaneously meets two conditions and is not referred to a category measured at fair value through income or loss:

- (a) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and markup.

The financial assets are not reclassified after their initial recognition, except for the period after the change in the business model for managing financial assets. The Company evaluates the purpose of the business model, in which the asset is held at the portfolio level, on the basis of all relevant evidence of the activity that the Company intends to carry out to achieve the goal set for the portfolio available at the valuation date.

***Evaluation of business model***

The Company evaluates the objective of its business model, whose frame is to hold the asset at a level of portfolio of financial instruments, because this is the best way to manage the business and communication of information to the management. At the following information is to be considered:

Policies and objectives set out for that portfolio of financial assets, and also actions of those policies in practice. In particular, whether the management strategy is oriented on the receipt of contractual markup income, maintenance of defined pricing structure, assurance of maturities of financial assets for compliance with the maturities of financial liabilities used for financing of those assets, or realization of cash flows through trading by assets.

In what way the effectiveness of the portfolio is evaluated and in what way the information is communicated to the management of the Company.

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Risks affecting the effectiveness of that business model (and financial assets held within the framework of that business model) and how those risks are managed.

How are business managers rewarded (for example, does the consideration depend on the fair value of the assets they manage or the cash flows that they receive from the assets provided for in the contract).

***Contractual cash flows that are solely payments of principal and interest***

For the purposes of that evaluation "the principal" is designated as fair value of the financial asset at its initial recognition. "The margin" is designated as an imbursement for temporary cost of money, for a credit risk regarding the principal, left outstanding within a defined period of time, and for other main risks and costs attributable to financing (for example, a liquidity risk, and administrative costs), as well as the profit margin. In assessing whether the cash flows provided for in the contract are solely payments of the principal amount and interest on the outstanding part of the principal amount ("SPPI criterion"), the Company analyzes the contractual terms of the financial instrument. This includes an assessment of whether the financial asset contains a contractual condition that can change the timing or amount of cash flows stipulated by the contract so that the financial asset does not satisfy the analyzed requirement. During the assessment, the Company analyzes:

- conditional events that may change the timing or amount of cash flows;
- conditions having a lever effect (leverage);
- conditions for early repayment and extension of validity;
- conditions that limit the Company's claims to cash flows from specified assets - for example, financial assets without recourse;
- conditions that cause changes in compensation for the time value of money - for example, periodic revision of interest rates.

***Impairment of financial assets***

In accordance with IFRS 9, the Company applies a forward-looking approach that requires the recognition of "expected credit losses" (ECL).

Based on the forecasts, the Company estimated the expected credit losses associated with financial assets measured at amortised cost. The Company estimates expected credit losses and recognizes an estimated allowance for credit losses at each reporting date, the estimate of expected credit losses reflects:

- Impartial and weighted amount, by taking into account the probability, measured through the evaluation of a range of probable results;
- Temporary cost of money;
- Substantiated and supporting information on past events, current conditions and forecasting future economic conditions, available as of a reporting date without excess expenditure and efforts.

In accordance with IFRS 9 each asset shall be categorized depending on an amount of credit risks, namely as follows:

- Pt 5.5.5 of IFRS 9: if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses;
- Pt. 5.5.3 of IFRS 9: at each reporting date, the Bank shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

The parameter determining the increase in the credit risk of loans in the Company is the number of days of delay. According to paragraph 5.5.11 of IFRS 9, when information that is more prognostic than the status of late payments is not available without excessive costs or efforts, the Company uses information about late payments to determine whether the credit risk has increased significantly since initial recognition.

If the borrower's delay is more than 30 days, then the borrower is considered as having signs of a significant increase in credit risk, which is fully consistent Clause 5.5.11 of IFRS 9.



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Thus, stratification in the Company is carried out on the days of delay as follows:

- assets without delay in the amount of the principal and interest are referred to in Stratum I;
- assets for which payments are overdue from 1 day to 30 are in Stratum I;
- assets for which payments are overdue from 31 days to 60 are in Stratum 2;
- assets for which payments are overdue from 61 days to 90 are in Stratum 2; and
- assets for which payments are overdue by more than 90 days, or are defaulted due to other parameters, are referred to in Stratum 3.

The time horizon for calculating the ECL is determined by the stratum, namely:

- ECL for 12 months is calculated for assets allocated to Stratum I;
- ECL for the whole life of an asset is calculated for assets allocated to Stratum 2 and Stratum 3.

The amount of credit exposed to default risk for a period of 12 months (for Stratum I) is the gross carrying amount of the asset, i.e. the amount of the principal and accrued interest at the date of calculation of the ECL.

For Stratum 2 and 3, the defaulted amount is calculated over the entire life of the asset. It is assumed that the loan is repaid evenly by the borrower and the gross carrying amount is reduced at each time period.

For the correct determination of the amount subject to default, the following information must be taken into account:

- The term of the loan;
- A variety of payment schedules by type of loans issued;

The probability of default is calculated using the method of Markov chains, namely stochastic matrices of transitions of loans by state - the number of days of delay. The transition matrix clearly describes the migration of loans by days of delay for the considered time period.

When determining the forecast probability of default, IFRS 9 requires consideration of the future macroeconomic situation. For these purposes a one-factor Merton model was chosen. For regression purposes, macroeconomic indicators were selected based on scientific studies of the probability of defaults in developing and developed countries. The most significant macroeconomic indicators are:

- real GDP;
- unemployment rate;
- consumer price index;
- US dollar to Kyrgyz som exchange rate.

Losses in the event of default are calculated on the basis of the Company's data on collateral for assets. The discount rate is necessary to determine the time value of money, that is, to calculate the present value of the value in case of impairment. Due to the fact that the main activity of the Company is the issuance of loans, the most accurate assessment of the time value of money for the Company is possible when applying the average interest rate on the loan products of the Company at the settlement date.

The market value of the collateral is adjusted taking into account decreasing ratios to obtain collateral value. Reducing ratios include various types of costs for the maintenance of collateral, temporary depreciation for the period of sale of the property, costs associated with the sale of property, and adjustments for the liquidity of the property.

To determine the likelihood of default on bank accounts, the management of the Company decided to use the external rating of the international rating agency Moody's.

*Derecognition of financial assets*

The Company directly decreases the gross carrying value of a financial asset, if the Company does not have any reasonable expectancy regarding the repayment of financial assets in full amount or partially. The writing-off is an event leading to derecognition.

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The Company derecognizes a debt in the following cases:

- a) The Company has right to demand regarding benefits, stipulated by a contract (repayment of a debt by a borrower, taking into possession the property provided as security for a financing);
- b) Expiration of effective period for rights to demand;
- c) Refusal from the rights to demand.

If it is impracticable to repay debts by borrowers, they are written-off against the accrued reserve for expected credit losses. The written-off contracts are accounted for during five years on the ad hoc records and the Company takes all possible actions to recover the debt. Upon the expiry of five years, the debt is written-off on the off records.

#### *Classification of financial liabilities*

The Company classifies financial liabilities as subsequently measured at amortized cost using the effective interest method.

#### *Initial and subsequent measurement of financial liabilities*

As of a date of initial recognition financial liabilities are measured at fair value increasing applying to financial instruments that are not in a category of measured at fair value through income or loss on corresponding costs, which are directly referred to the acquisition on a transaction or issue of the financial liability.

The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, with the exception of:

- a) financial liabilities at fair value through profit or loss, including derivatives, which are subsequently measured at fair value;
- b) financial liabilities that arise when the transfer of a financial asset does not meet the requirements for derecognition or when the principle of accounting for continuing involvement is applied;
- c) financial guarantee contracts measured at fair value at initial recognition; subsequently, bank measures this estimated liability at the higher of the following two amounts.:
  - the amount of the allowance for losses; and
  - the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

#### *Offsetting of financial instruments*

Offsetting of financial assets and liabilities with total reflection when, and only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. It usually is not performed with respect to master netting agreements, and the related assets and liabilities are recognized in the statement of financial position in the total amount.

#### *Derivative financial instruments*

In the ordinary course of business, the Company enters into agreements on various derivative financial instruments, including swaps and agreements with banks on raising financing in a functional currency for a specified period against a pledge of funds in foreign currency. The Company uses derivative financial instruments, including currency swaps, to manage currency risk. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Fair value is estimated based on quoted market prices or pricing models that take into account current market and contract prices of underlying instruments and other factors. Derivatives are accounted for as assets when their fair value is positive and as liabilities when it is negative. In the

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statement of financial position, derivatives are included in financial assets and liabilities at fair value through profit or loss. Gains and losses arising from such instruments are recognized in net loss from financial assets at fair value through profit or loss in the statement of profit or loss and other comprehensive income.

#### *Loans to customers*

Loans granted to customers that meet the SPPI test are withheld in order to obtain the contractual cash flows and are carried at amortized cost. The impairment of loans measured at amortized cost is determined using the forecast model of expected credit losses described in the "Financial assets" section.

#### *Property, plant and equipment and intangible assets*

The property, plant and equipment and intangible assets are reflected at carrying value that is a historical cost less accumulated depreciation and impairment losses. The historical cost comprises the acquisition cost, including any direct costs, attributable to preparing to services.

Expenses of repair and technical maintenance are included in the statement of profit or loss and other comprehensive income as they arise. Income and losses arising as a result of retirement of fixed assets are measured based on their carrying value and are accounted for at computing the amount of income/(loss).

The PPE depreciation is charged using the straight-line method, based on the estimated useful lives of each group of the assets.

<b>PPE group</b>	<b>Useful life</b>
Buildings	50 years
Structures	20 years
Equipment other than computers	3 years
Special equipment	3 years
Furniture	3 years
Computer equipment	3 years
Transport	5 years

An intangible asset is initially measured and recorded at cost, which includes the purchase price, including import duties and non-refundable purchase tax, as well as the directly attributable costs of preparing the asset for its intended use. The costs of creating an intangible asset are recognized in the statement of profit or loss and other comprehensive income at the time they arise and should not be recognized as an intangible asset.

Following acquisition, an intangible asset is carried at cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs of an intangible asset are recognized as an expense and recognized in the statement of profit or loss and other comprehensive income, unless these costs allow the asset to create future economic benefits in excess of the originally defined standards.

The amortized cost of an intangible asset is distributed on a systematic basis over its useful life of not more than 20 years.

Profit or loss from the liquidation or disposal of fixed assets and intangible assets is defined as the difference between the proceeds from their sale and the carrying amount, and are included in the Statement of profit or loss and other comprehensive income.

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*Impairment of PPE and illta llg ibl e assets*

The fixed assets and intangible assets are reviewed for their impa irme nt in case of arising events or liabilities showing that the carrying value cannot be compensated. In the case when a carrying value exceeds its estimated refundable cost, its cost immediate ly decreases to reduced amount. The useful life period and carrying value of fixed assets are annually revised and, where applicable, adjusted on a prospective basis.

*Assets in the form of rights of use and lease obligatio lls*

Starting January 1, 2020, a lessee recognizes a lease as an asset in the form of a right of use and a corresponding liab ility on the date the leased asset is available for use by the Company. Each rental payment is allocated between the liability and financial expenses. Finance costs are recognized in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period. An asset in the form of a right of use is amortized on a straight-line basis over the shorter of the terms, useful life of the asset and the lease term.

Assets in the form of a right of use are disclosed in the line "Assets in the form of a right of use" in the statement of financial position, lease obligations are disclosed in the line "Liabilities for lease" in the statement of financial position. Finance expenses are disclosed in the line "Inte rest expenses calculated at the effective interest rate" in the statement of profit or loss and other comprehensive income, depreciation of assets in the form of right of use is disclosed in the line "Operating expenses" in the statement of profit or loss and other comprehensive income, The total cash outflow from lease obligations is disclosed in the section "Cash from financing activities" in the cash flow statement.

Assets and liabilities arising from leases are initially measured at current present value. Lease obligations include the net present value of the following lease payments:

- fixed payments (including direct fixed payments);
- variable rental payments, which depend on the interest rate;
- payment of penalties for early termination of the lease, if the lease term reflects the tenant's potential exercise of the option to terminate the leaseahead of time.

Lease payments are disco unted using the lessee's interest rate on raising additional borrowed funds, which is the rate that the lessee will have to pay in order to raise the funds necessary to obtain an asset of a similar value in a similar economic environment with similar conditions.

Assets in the form of a right of use are measured at historical cost, which includes the following components:

- the amount of the initial value of the lease obiigation;
- any lease payments made at or before the date of the lease;
- any initial direct costs incurred by the lessee and
- estimated recovery costs.

Payments related to short-term leases and leases of low-value assets are recognized evenly as expenses in profit or loss. A short-term lease is a lease with a rental period of twelve months or less.

*Long-term assets lteld for sale*

As long-term assets held for sale, the pledged property transferred to the ownership of the Company is recognized. These assets are classified as held for sale if their carrying amount is highly probable to be recovered thro ugh the sale and not through their subsequent use. Relevan t asset sales transact ions should generally be completed within one year from the date of classification of assets as held for sale. Ln accordance with the requirements of the Natio nal Bank ofthc Kyrgyz Republic, this classification includes assets sold by installments, for which the buyer's contributions do not exceed 25% of the value of the property sold.

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Non-current assets held for sale are carried at fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than the carrying amount, an impairment loss is recognized in the statement of profit or loss and other comprehensive income as loss from operations with assets held for sale. Any subsequent increase in fair value less costs to sell is recognized in an amount not exceeding the accumulated impairment losses that were previously recognized for the related asset.

### *Other assets*

Other assets of the Company include both financial assets (accounts receivable) and non-financial (advance tax payments, advances paid, inventories, etc.).

At initial recognition, other assets are measured at cost.

Subsequently, other assets are carried at recoverable amount, which is determined as the higher of the two values: fair value less costs to sell and value in use. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses for other assets are recognized in profit or loss.

### *Taxation*

#### *Sales tax*

Costs and assets are recognized net of sales tax, unless:

- sales tax arising from the purchase of assets or services is not refunded by the tax authority; in this case, sales tax is recognized accordingly as part of the cost of acquiring the asset or part of an expense item;
- accounts receivable and payable are recorded taking into account the amount of sales tax.

The net amount of sales tax reimbursed by or paid to the tax authority is included in receivables and payables as reflected in the statement of financial position.

*Income tax* is the sum of the current and deferred tax.

*The amount of income tax expense in the current period* is determined taking into account the amount of taxable profit received for the year. Taxable income differs from net profit recognized in profit or loss, since it does not include items of income or expense that are taxable or deductible for tax purposes in other years, and also excludes items that are not taxable and not taken into account for tax purposes. The Company accrues income tax expenses at official rates effective at the reporting date.

***Deferred tax represents tax*** claims or income tax liabilities and is recognized using the balance sheet method of accounting for liabilities with respect to temporary differences between tax accounting data and those included in the financial statements. Deferred tax liabilities are generally recognized for all temporary differences that increase taxable profits, and deferred tax liabilities are recorded taking into account the likelihood of future taxable profits from which temporary differences taken for tax purposes can be deducted.

***Carrying amount*** of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that the tax benefit will be sufficient to fully or partially recover the asset.

Deferred tax assets and liabilities should be measured at the tax rates that are expected to apply during the period the asset is sold or the liability is settled based on tax rates (and tax laws) that are current or substantive at the end of the reporting period. Current and deferred tax assets and liabilities are measured using current tax rates (and applicable tax laws).

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Deferred taxes are recognized in profit or loss, unless they are related to items directly attributable to equity, in which case deferred taxes are also recognized in equity.

#### *Liabilities from financial institutions and customers*

Amounts due to credit institutions and customers are initially recognized at fair value. Subsequently, amounts due to credit institutions and customers are carried at amortized cost, and the corresponding difference between the cost and the repayment value is recognized in profit or loss over the life of the loan using the effective interest method.

#### *Provisions*

Provisions are recognized if the Company, as a result of a certain event in the past, has legal or practical obligations, the settlement of which is highly likely to require an outflow of resources embodying future economic benefits, and which can be estimated with a sufficient degree of reliability.

#### *Authorized (share) capital*

Ordinary shares are recognized in equity. Costs of services paid to third parties directly related to the issue of new shares, with the exception of business combinations, are recorded in equity as a decrease in the amount received as a result of this issue.

Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

#### *Dividends*

Dividends are recognized as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Information on dividends is disclosed in the financial statements if they were recommended before the reporting date, and also recommended or declared after the reporting date, but before the date of approval of the financial statements for issue.

#### *Benefits to employees*

Employee benefits include salaries, vacation pay, and other benefits recognized at the time the employee benefits and benefits are accrued.

#### *Pension obligations*

In accordance with the requirements of the legislation of the Kyrgyz Republic, the Company withholds the amount of pension contributions from the salaries of employees and transfers them to state pension funds. Current contributions made by the employer are calculated as a percentage of current total employee benefits. Such expenses are recognized in the period to which the related employee benefits relate. Upon retirement, all pension payments are made by the aforementioned pension funds.

#### *Contingent liabilities*

Contingent liabilities are not recognized in the statement of financial position, but disclosed in the financial statements, unless an outflow of funds from their repayment is unlikely. A contingent asset is not recognized in the statement of financial position, but disclosed in the financial statements when an inflow of economic benefits is probable.

## Notes to the financial statements

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### *Recognition of income and expenses*

Interest income and expense calculated using the effective interest method. Interest income and expense are recognized on financial instruments measured at amortized cost on an accrual basis using the effective interest method. This method takes into account all payments received or paid between the parties to the transaction as part of interest income or expense and as an integral part of the effective interest rate, transaction costs, premiums or discounts.

Payments that are an integral part of the effective interest rate include commission fees received or paid by the Company related to the creation or acquisition of a financial asset or the issuance of a financial liability, for example, fees for assessing creditworthiness, evaluating and registering guarantees or collateral, negotiating terms tool for processing transaction documents.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, with the exception of:

- financial assets that have become impaired loans (stage 3), for which interest income is calculated by applying the effective interest rate to their amortized cost (net of allowance for expected credit losses (ECL));
- financial assets that have been acquired or issued impaired, for which the effective interest rate with the adjustment for creditworthiness applicable to the amortized cost is applied.

***Borrowing costs*** that are directly attributable to the acquisition, construction or creation of assets, which take a considerable time to prepare for their planned use or sale, are included in the cost of such assets until they are ready for the planned use or sale.

Income received as a result of temporary investment of the borrowed funds until they are spent on the acquisition of qualifying assets is deducted from the cost of borrowing.

All other borrowing costs are recognized in profit or loss as incurred.

## **5. TRANSITION ON NEW OR REVISED STANDARDS AND INTERPRETATIONS, RECLASSIFICATIONS**

The revised standards listed below became mandatory for the Company on January 1, 2020, but did not have a significant impact on the Company:

- Basic Interest Rate Reform-Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to the Financial Reporting Framework (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of Materiality-Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of Business-Amendments to IFRS 3 (issued on 22 October 2018 and effective for annual periods beginning on or after 1 January 2020).

The revised standards listed below became mandatory for the Company on June 1, 2020, but did not have a significant impact on the Company:

- Lease benefits related to COVID-19-Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

A number of new standards and clarifications have been published that are mandatory for annual periods beginning on or after January 1, 2021, and that the Company has not yet adopted ahead of schedule.

- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).

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- Amendments to IAS 17 and amendments to IAS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The adoption of the other new accounting policies listed below is not expected to have a material impact on the Company:

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, and narrow-scope amendments to IAS 16, IAS 37 and IFRS 3: Annual Improvements to IFRS 2018-2020 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- "Basic Interest Rate Reform" - Phase Two amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

**6. CASH AND CASH EQUIVALENTS**

	31 Dec. 2020	31 Dec. 2019
Cash on hand	136,530	1,456
Cash in bank	324,780	324,780
<u>Impairment allowance</u>	<u>(11,212)</u>	<u>(9,061)</u>
<b>Total</b>	<b>527,181</b>	<b>317,175</b>

The table below provides an analysis of changes in reserves for ECL for the year ended December 31, 2019:

	2020
<b>ECL provision as at 31 Dec. 2018</b>	<b>1,731</b>
Formation / (recovery) of provisions	7,330
<b>ECL provision as at 31 Dec. 2019</b>	<b>9,061</b>
Formation/ (recovery) of provisions	2,151
<b>ECL provision as at 31 Dec. 2020</b>	<b>11,212</b>

The internal rating of commercial banks in which funds are placed corresponds to level B2.

An analysis of cash by maturity and by currency is presented in Note 32. The estimated fair value of cash and the fair value measurement used are presented in Note 30.

**7. MANDATORY RESERVES IN THE ACCOUNT AT THE NBKR**

Microfinance organizations that attract deposits are required to keep an interest-free cash deposit (required reserve) with the National Bank of the Kyrgyz Republic, the amount of which depends on the amount of funds attracted by the organization. The requirements of the National Bank of the Kyrgyz Republic provide for restrictions on the possibility of the Company withdrawing this deposit.

**8. FINANCIAL ASSETS ESTIMATED AT FAIR VALUE THROUGH PROFIT OR LOSS**

Derivative financial instruments are used by the Company primarily for hedging purposes. The tables below show the fair value of derivative financial instruments recognized in assets or liabilities and their nominal values. The nominal value reflected on a gross basis represents the value of the underlying asset of



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the derivative instrument or the nominal value to which the rate is applied and serves as the basis for assessing changes in the value of derivatives. The nominal value indicates the volume of transactions that have not been settled at the end of the reporting period and does not reflect the value of market or credit risk.

The table below shows the fair value of derivative financial instruments that are included in assets or liabilities and their nominal value. Derivative financial instruments are presented on a net basis in the statement of financial position.

	<b>31 Dec. 2020</b>		
	<b>Face value</b>	<b>Asset</b>	<b>Liability</b>
Currency SWOPs	534,533	541,356	513,823

	<b>31 Dec. 2019</b>		
	<b>Face value</b>	<b>Asset</b>	<b>Liability</b>
Currency SWOPs	273,988	289,022	276,109

**9. ACCOUNTS WITH BANKS**

	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Time deposits in commercial banks with a maturity of more than 90 days		34,823
Deposits in commercial banks limited to use (Note 15)	195,079	120,552
<u>Impairment allowance</u>	<u>(5,703)</u>	<u>(3,768)</u>
<b>Total funds in banks</b>	<b>189,376</b>	<b>151,607</b>

As of December 31, 2020, there are no funds placed on interbank deposits with commercial banks (31.12.2019: 34,823 thousand soms were placed on interbank deposits with two banks).

Deposits with commercial banks that are restricted to use are collateral for loans (Note 15) and a guarantee payment in the amount of USD 7,500 placed with "Bakay Bank" OJSC in accordance with Agency Agreement No. 54 dated November 20, 2013. Within the framework of this agency agreement, the Company, as an agent of JSC "Bakay Bank", accepts and disburses funds through international fast money transfer systems.

The table below provides an analysis of changes in the estimated reserves for ECL for the year ended December 31, 2020:

	<b>Time deposits with commercial banks with a maturity of more than 90 days</b>	<b>Restricted deposits with commercial banks</b>	<b>Total</b>
<b>ECL provision as at 31 Dec. 2018</b>	<b>1,227</b>	<b>1,333</b>	<b>2,560</b>
Formation / (recovery) of provisions	(822)	2,030	1,208
<b>ECL provision as at 31 Dec. 2019</b>	<b>405</b>	<b>3,363</b>	<b>3,768</b>
Formation / (recovery) of provisions	(405)	2,340	1,935

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	Time deposits with commercial banks with a maturity of more than 90 <u>days</u>	<b>Restricted deposits with commercial banks</b>	<b>Total</b>
<b>ECL provision as at 31 Dec. 2018</b>	<b>1,227</b>	<b>1,333</b>	<b>2,560</b>
Formation / (recovery) of provisions	(822)	2,030	1,208
<b>ECL <u>provision</u> as at 31 Dec. 2020</b>		<b>5,703</b>	<b>5,703</b>

An analysis of the funds held in banks by maturity, by currency, as well as an analysis of interest rates is presented in Note 32. The estimated fair value of amounts due from banks, as well as the fair value measurement used, are presented in Note 30.

**10. LOANS TO CUSTOMERS**

	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Corporate loans		3,521
Loans to individuals	2,606,062	1,435,076
Small business loans	24,019	501,358
<b>Loans before impairment losses</b>	<b>2,630,081</b>	<b>1,939,955</b>
Allowance for impairment losses	(123,466)	(50,077)
<b>Loans, net of <u>impairment</u> losses</b>	<b>2,506,615</b>	<b>1,889,878</b>

The table below shows the breakdown of the loans by industry areas:

	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Consumer loans	279,168	280,483
[industry	33,721	22,539
Agriculture	494,541	337,121
Construction and Mortgages	1,112,650	817,471
Trade and commerce	368,726	236,825
Transport	152,753	110,476
Services	188,522	135,040
<b>Loans before impairment losses</b>	<b>2,630,081</b>	<b>1,939,955</b>
Provision for impairment losses	(123,466)	(50,077)
<b>Loans less <u>impairment</u> losses</b>	<b>2,506,615</b>	<b>1,889,878</b>

The loans granted to customers include accrued but unpaid interest in the amount of 131,354 thousand soms and 32,145 thousand soms, as of December 31, 2020 and 2019, respectively, as well as loan arrears are shown less unamortised fee and commission income in the amount of 24,957 thousand soms and 22,653 thousand soms as of December 31, 2020 and 2019, respectively.

The business loans are represented by loans to individual entrepreneurs. Lending is carried out for current purposes: replenishment of working capital, acquisition of movable and immovable property, expansion and consolidation of business, etc. The loans are granted for a period of up to three years. The source of repayment of the loans is the cash flow generated by the current production and financial activities of the borrower.

The consumer loans are loans issued to individuals for current needs that are not related to the acquisition, construction and reconstruction of real estate. These loans include loans for urgent needs, for the purchase of cars and other purposes.

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Loans in the amount of 2.181 million soms are collateral under assignment agreements concluded with local commercial banks and international financial institutions (see Note 15).

The table below provides information on the quality of loans to customers measured at amortised cost as at 31 December 2020. The amounts presented reflect the gross carrying amount of financial assets by the measurement stages used to calculate the impairment.

	ECL within L2 months	ECL within total term - non-impaired loans	ECL within total term - impaired loans	Total
<b>Loans to small and medium-sized businesses (business loans)</b>				
January I, 2020	487,617	7,126	10,137	504,880
assets recognized in the period	347,837	6,554	7,844	362,235
moving to Stratum I	(77,423)	3,826	11,174	(62,423)
moving to Stratum 2	3,991	(6,842)	(4,541)	(7,392)
moving to Stratum 3	19,478	2,654	1,157	23,289
assets repaid, except written off	(58,053)	(10,114)	(5,447)	(73,614)
Write-off			(3,454)	(3,454)
	<b>723,447</b>	<b>3,204</b>	<b>16,870</b>	<b>743,521</b>
<b>Consumer loans</b>				
January I, 2020	264,252	4,778	11,454	280,484
assets recognized in the period	115,411	4,947	17,514	137,872
moving to Stratum I	(54,711)	451	(5,421)	(59,681)
moving to Stratum 2	2,681	(4,651)	(763)	(2,733)
moving to Stratum 3	1,547	1,082	(1,397)	1,232
assets repaid, except written off	(69,317)	(4,142)	(1,674)	(75,133)
Write-off			(2,672)	(2,672)
	<b>259,863</b>	<b>2,465</b>	<b>17,041</b>	<b>279,369</b>
<b>Housing</b>				
January I, 2020	798,839	9,100	9,531	817,470
assets recognized in the period	500,732	3,611	16,113	520,456
moving to Stratum I	(95,414)	7,988	(1,396)	(88,822)
moving to Stratum 2	(76,172)	(7,736)	(215)	(84,123)
moving to Stratum 3	6,947	(3,261)	1,384	5,070
assets repaid, except written off	{385,243}	(5,124)	(2,337)	(392,704)
Write-off			(5,534)	(5,534)
	<b>749,689</b>	<b>4,578</b>	<b>17,546</b>	<b>771,813</b>
<b>Agro loans</b>				
January I, 2020	327,088	3,432	6,601	337,121
assets recognized in the period	329,451	8,354	20,456	358,261
moving to Stratum I	(66,233)	(6,324)	(2,741)	(75,298)
moving to Stratum 2	(26,798)	(233)	(1,247)	(28,278)
moving to Stratum 3	8,789	4,517	574	13,880
assets repaid, except written off	(95,265)	(7,335)	(5,838)	(108,438)
Write-off			(2,707)	(2,707)
	<b>477,032</b>	<b>2,411</b>	<b>15,098</b>	<b>494,541</b>
<b>Mortgage loans</b>				
January I, 2020				
assets recognized in the period	324,761	5,124	10,952	340,837
moving to Stratum I	(5,468)	(8,741)	(4,176)	(18,385)
moving to Stratum 2	8,227	2,697	(1,364)	9,560
moving to Stratum 3	3,104	3,979	1,742	8,825

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	ECL within 12 months	ECL within total term - non-impaired loans	ECL within total term - impaired loans	Total
	327,088	3,432	6,601	337,121
<b>Total loans</b>	<b>1,877,796</b>	<b>24,436</b>	<b>37,723</b>	<b>1,939,955</b>

*Allowance for loan impairment*

The table below provides an analysis of changes in reserves for ECL on the loans granted to customers, measured at amortized cost, for 2020:

	ECL within 12 months	ECL within total term - non-impaired loans	ECL within total term - impaired loans	Total
<b>Loans to small and medium-sized businesses (business loans)</b>				
January I, 2020	5,824	1,160	5,215	12,199
moving to Stratum I	(4,216)	(3,621)	(8,453)	(16,290)
moving to Stratum 2	5,036	1,402	4,517	10,955
moving to Stratum 3	1,894	942	6,460	9,296
Accrual	7,980	3,778	5,455	17,213
Write-off			(261)	(261)
	<b>16,518</b>	<b>3,661</b>	<b>12,933</b>	<b>33,112</b>
<b>Consumer loans</b>				
January I, 2020	3,670	1,168	7,185	12,023
moving to Stratum I	(3,117)	(1,476)	(4,198)	(8,791)
moving to Stratum 2	4,451	624	1,125	6,200
moving to Stratum 3	524	214	2,314	3,052
Accrual	4,346	1,163	6,526	12,035
Write-off			(533)	(533)
	<b>9,874</b>	<b>1,693</b>	<b>12,419</b>	<b>23,986</b>
<b>Housing</b>				
January I, 2020	9,876	1,492	5,307	16,675
moving to Stratum I	(10,214)	913	(7,441)	(16,742)
moving to Stratum 2	4,471	1,261	3,247	8,979
moving to Stratum 3	2,691	(2,947)	5,305	5,049
Accrual	10,503	1,915	8,375	20,793
Write-off			(1,024)	(1,024)
	<b>17,327</b>	<b>2,634</b>	<b>13,769</b>	<b>33,730</b>
<b>Agro loans</b>				
January 1, 2019	4,318	764	4,098	9,180
moving to Stratum I	(3,541)	(1,321)	(9,651)	(14,513)
moving to Stratum 2	247	326	9,423	9,996
moving to Stratum 3	696	697	3,160	4,553
Accrual	5,267	1,931	8,056	15,254
Write-off			(650)	(650)
	<b>6,987</b>	<b>2,397</b>	<b>14,436</b>	<b>23,820</b>
<b>Mortgage loans</b>				
January I, 2020				
assets recognized in the period	(415)	364	1,541	1,490
moving to Stratum 1	(1,776)	(288)	(2,242)	(4,306)

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	ECL within 12 months	ECL within total term - non-impaired loans	ECL within total term - impaired loans	Total
moving to Stratum 2	600	(581)	1,053	1,072
moving to Stratum 3	4,716	1,157	4,689	10,562
Accrual				
Write-off	<b>3,125</b>	<b>652</b>	<b>5,041</b>	<b>8,818</b>
<b>Total ECL</b>	<b>53,831</b>	<b>11,037</b>	<b>58,598</b>	<b>123,466</b>

The table below provides an analysis of changes in provisions for ECL on loans to customers measured at amortised cost for 2019:

	ECL within 12 months	ECL within total term - non-impaired loans	ECL within total term - impaired loans	Total
<b>Loans to small and medium-sized businesses (business loans)</b>				
January 1, 2019	3,177	436	3,821	7,434
moving to Stratum 1	(714)		(128)	<b>(842)</b>
moving to Stratum 2	383	(4)	<b>(438)</b>	(59)
moving to Stratum 3	(639)	343	1,197	901
Accrual	3,617	385	1,406	5,408
Write-off			(643)	(643)
	<b>5,824</b>	<b>1,160</b>	<b>5,215</b>	<b>12,199</b>
<b>Consumer loans</b>				
January 1, 2019	3,573	603	2,803	6,979
moving to Stratum 1	(613)	(141)	(75)	(829)
moving to Stratum 2	256	(5)	<b>(89)</b>	162
moving to Stratum 3	(1,469)	(306)	2,441	666
Accrual	1,923	1,017	3,441	6,381
Write-off			(1,336)	(1,336)
	<b>3,670</b>	<b>1,168</b>	<b>7,185</b>	<b>12,023</b>
<b>Housing</b>				
January 1, 2019	5,096	365	3,166	8,627
moving to Stratum 1	(1,266)	(87)	(512)	(1,865)
moving to Stratum 2	389		(50)	339
moving to Stratum 3	(772)	(151)	2,449	1,526
Accrual	6,429	1,365	564	8,358
Write-off			(310)	(310)
	<b>9,876</b>	<b>1,492</b>	<b>5,307</b>	<b>16,675</b>
<b>Agro loans</b>				
January 1, 2019	2,567	355	2,389	5,311
moving to Stratum 1	(737)	(102)	(68)	(907)
moving to Stratum 2	196	(37)		159
moving to Stratum 3	<b>(584)</b>	(151)	1,482	747
Accrual	2,876	699	(509)	3,066
Write-off			804	804
	<b>4,318</b>	<b>74</b>	<b>4,098</b>	<b>9,180</b>
<b>Total ECL</b>	<b>23,688</b>	<b>4,584</b>	<b>21,805</b>	<b>50,077</b>

*By terms of late payments*

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The table below provides an analysis of loans measured at amortized cost and the allowance for the loan portfolio impairment by maturity as at December 31, 2020:

	Business	Consumer	Housing	Agro	Mortgage	Total
Non-performing loans	613,270	209,113	656,847	428,797	304,324	2,212,351
Impairment allowances	(11,470)	(4,068)	(12,351)	(7,388)	(5,611)	<b>(40,888)</b>
Loans with a delay of payment from 1 to 30 days	99,304	40,135	82,371	<b>44,817</b>	30,558	297,185
Impairment allowances	(5,742)	(2,974)	(5,439)	(3,849)	(1,858)	(19,862)
Loans with a delay of payment from 30 to 60 days	7,795	7,318	13,301	6,959	4,176	39,549
Impairment allowances	(2,069)	(2,243)	(3,967)	(2,467)	(729)	(11,475)
Loans with a delay of payment from 60 to 90 days	6,659	3,463	4,917	3,658	1,003	19,700
Impairment allowances	(3,097)	(1,496)	(2,247)	(1,937)	(279)	(9,056)
Loans with a delay of payment over 90 days	16,493	19,340	14,377	10,310	776	61,296
Impairment allowances	(10,734)	(13,205)	(9,726)	(8,179)	(341)	(42,185)
<b>Total loans</b>	<b>710,409</b>	<b>255,383</b>	<b>738,083</b>	<b>470,721</b>	<b>332,019</b>	<b>2,506,615</b>

The table below provides an analysis of loans measured at amortized cost and the provision for loan impairment by maturity as at 31 December 2019:

	Business	Consumer	Housing	Agro	Total
Non-performing loans	455,951	249,531	768,917	317,140	1,791,539
Impairment allowances	(5,193)	(3,662)	(9,601)	(4,250)	(22,706)
Loans with a delay of payment from 1 to 30 days	34,471	17,218	37,048	11,596	100,333
Impairment allowances	(1,218)	(933)	(2,049)	(591)	(4,791)
Loans with a delay of payment from 30 to 60 days	4,590	2,858	3,423	1,776	12,647
Impairment allowances	(965)	(726)	(752)	(539)	(2,982)
Loans with a delay of payment from 60 to 90 days	2,426	1,821	975	1,007	6,229
Impairment allowances	(849)	(946)	(345)	(368)	(2,508)
Loans with a delay of payment over 90 days	7,442	9,056	7,107	5,602	29,207
Impairment allowances	(3,974)	(5,756)	<b>(3,928)</b>	(3,432)	(17,090)
<b>Total loans</b>	<b>492,681</b>	<b>268,461</b>	<b>800,795</b>	<b>327,941</b>	<b>1,889,878</b>

### Collateral analysis

The following table contains an analysis of collateral for loans issued to customers, net of allowance for impairment, by type of collateral as of December 31, 2020:

	31 Dec. 2020	Share of loan portfolio, %	31 Dec. 2020	Share of loan portfolio, %
Residential Properties	1,134,836	45.24%	897,994	47.52%
Movable property	31,711	1.27%	18,666	0.99%
Other security	4,416	0.18%	8,318	0.44%
Without collateral	1,335,652	53.29%	964,900	51.06%

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	31 Dec. 2020	Share of loan portfolio, %	31 Dec. 2020	Share of loan portfolio, %
<b>Total loans</b>	<b>2,506,615</b>	<b>100.00 %</b>	<b>1,889,878</b>	<b>100.00%</b>

An analysis of the loans to customers by maturity, by currency, as well as an analysis of interest rates is presented in Note 32. The estimated fair value of the loans to customers as well as the used fair value measurements, are presented in Note 30. Information on transactions with related parties is presented in Note 29.

### 11. OTHER ASSETS

	31 Dec. 2020	31 Dec. 2019
<b>Other financial assets</b>		
Remittance receivables	5,406	
Other receivables	914	109
Cash transfer receivables	6	2
Other financial assets		5
<b>Total other financial assets</b>	<b>6,326</b>	<b>116</b>
<b>Other non-financial assets</b>		
PPE prepayment	1,321	1,298
Prepayment for services and stocks	2,644	2,143
Inventories in stock	673	143
Prepayment for taxes (excluding income tax)	53	67
Staff accounts receivable	2	14
<b>Total other non-financial assets</b>	<b>4,693</b>	<b>3,665</b>
<b>Total other assets</b>	<b>11,019</b>	<b>3,781</b>

Maturity analysis of the other assets appears in Note 32.

### 12. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Furniture and equipment	Computer equipment	Development of leased property	IA	Transp ort	Total
<b>Historical cost</b>						
Balance at 01.01.20	6,818	7,587	1,538	424		<b>16,367</b>
Acquired in current year	1,478	1,790	511	137	1,403	<b>5,319</b>
Balance at 31.12.20			(160)			<b>(160)</b>
<b>Accumulated depreciation</b>						
Balance at 01.01.20	8,296	9,377	1,889	561	1,403	<b>21,526</b>
Accumulated depreciation for the year	(4,488)	(3,615)	(917)	(380)		<b>(9,400)</b>
Balance at 31.12.20	(1,444)	(2,147)	(278)	(47)	(23)	<b>(3,939)</b>
<b>Carrying amount</b>			IOI			<b>101</b>
<b>Balance at 31.12.20</b>	<b>(5,932)</b>	<b>(5,762)</b>	<b>(1,094)</b>	<b>(427)</b>	<b>(23)</b>	<b>(13,238)</b>
<b>Historical cost</b>						
Balance at 01.01.19	<b>2,364</b>	<b>3,618</b>	<b>798</b>	<b>134</b>	<b>1,380</b>	<b>8,288</b>
Acquired in current year						
Disposed in current year	4,821	3,873	1,151	424		<b>10,269</b>
Balance at 31.12.19	1,997	3,714	387			<b>6,098</b>

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	Furniture and equipment	Computer equipment	Development of leased property	IA	Transp Ort	Total
<b>Accumulated depreciation</b>	<b>6,818</b>	7,587	1,538	424		<b>16,367</b>
Balance at 01.01.19						
Accumulated depreciation for the year	(3,468)	(2,335)	(695)	(346)		<b>(6,844)</b>
Disposed in current year	(1,020)	(1,280)	(222)	(34)		<b>(2,556)</b>
Balance 31.12.19	<b>(4,488)</b>	(3,615)	(917)	(380)		<b>(9,400)</b>
<b>Car ing amount</b>						
<b>Balance at 31.12.19</b>	<b>2,330</b>	<b>3,972</b>	<b>621</b>	<b>44</b>		<b>6,967</b>

The totally amortized property, plant and equipment as at 31 December 2020 and 2019, amounted to 6,712 thousand soms and 5,557 thousand soms respectively.

The intangible assets are software.

### 13. ASSETS IN THE FORM OF RIGHT OF USE

The carrying amount of the assets in the form of a right of use and lease obligations held by the Company and its changes during the period is presented below:

	Assets in the form of <u>right of use</u>	Lease <u>liability</u>
<b>January 1, 2020</b>	<b>7,069</b>	<b>8,169</b>
Newly acquired		
Depreciation expense	(3,754)	
Interest expense		671
Payments		(4,338)
<b>December 31, 2020</b>	<b>3,315</b>	<b>4,502</b>
<b>January 1, 2019</b>	<b>3,111</b>	<b>3,111</b>
Newly acquired	7,008	7,007
Depreciation expense	(3,050)	
Interest expense		801
Payments		(2,750)
<b>December 31, 2019</b>	<b>7,069</b>	<b>8,169</b>

### 14. ASSETS HELD FOR SALE

	31 Dec. 2020	31 Dec. 2019
Assets accepted for repayment of funds issued to customers	39,188	45,452
Less <u>impairment</u> allowance	(12,524)	(18,597)
<b>Total non-current assets held for sale</b>	<b>26,664</b>	<b>26,855</b>

The table below provides an analysis of changes in the impairment provisions for 2020:

	Assets accepted for repayment of funds issued to customers



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	Assets accepted for repayment of funds issued to customers
<b>Provision for ECL as of December 31, 2019</b>	18,597
Formation / (recovery) of reserves	(6,(173)
<b>Provision for ECL as of December 31, 2020</b>	<b>12,524</b>

15. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 31 December 2020	At 31 December 2020
<b>Funds of banks and financial institutions at amortized cost:</b>		
Loans from local commercial banks	381,749	496,840
Loans from local financial institutions	90,376	97,892
Loans from foreign financial institutions	1,290,873	941,730
<b>Total funds of banks and financial institutions</b>	<b>1,762,998</b>	<b>1,536,462</b>

To finance its investment activities, the Company has signed a number of loan agreements with foreign banks and financial institutions. According to the terms of these agreements, the Company must comply with such covenant standards as maintaining financial stability, fulfilling payment obligations, no encumbrance and legal proceedings for a number of assets, cross-default and some others. In 2019, the Company complied with all covenant standards.

As at 31 December 2020, the loans received from local commercial banks and financial institutions include accrued interest expense in the total amount of KGS 3,684 thousand (31 December 2019: KGS 4,459 thousand).

As at 31 December 2020, the loans received from foreign banks and financial institutions include accrued interest expense in the total amount of USO 246 thousand (31 December 2019: USO 121 thousand).

The loans from local commercial banks and other financial institutions are secured by cash in the amount of USO 2,355 thousand (equivalent to KGS 195,079 thousand) (Note 9). The loans from foreign financial institutions are secured by the loan portfolio in the amount of KOS 2.181 million (Note 10).

Changes in the loans during 2020 and 2019 are presented in the tables below:

	1 Jan. 2020	Cash flows		Noncash flows		31 Dec. 2020
		Cash inflow	Repayment	Changes in accrued remuneration	FX rate change	
Loans	1,536,462	874,100	(806,757)	107,849	51,344	1,762,998

	1 Jan. 2019	Cash flows		Noncash flows		31 Dec. 2019
		Cash inflow	Repayment	Changes in accrued remuneration	FX rate change	
Loans received	902,862	1,090,443	(453,329)	2,139	(5,653)	1,536,462

Analysis of the funds of banks and other financial institutions by maturity, by currency, as well as an analysis of interest rates is presented in Note 32.

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16. CUSTOMERS FUNDS

	31 Dec. 2020	31 Dec. 2019
Time deposits of individuals	998,383	264,890
Time deposits of legal entities	25,955	102,124
Guarantee collateral value		900
<b>Total customer accounts</b>	<b>1,024,338</b>	<b>367,914</b>

The customer accounts include accrued and unpaid interest in the amount of 10,006 thousand soms.

The distribution of the time deposits by industry is shown below:

	31 Dec. 2020	31 Dec. 2019
Individuals	998,383	264,890
Trade	22,425	100,668
Investment fund	3,283	1,406
Financial company	247	50
<b>Total customer accounts</b>	<b>1,024,338</b>	<b>367,014</b>

The estimated fair value of customer accounts and the used fair value measurements are disclosed in Note 30. An analysis of customer accounts by currency structure and maturity is presented in Note 32.

Information on transactions with related parties is presented in Note 29.

17. BONDS ISSUED

	31 Dec. 2020	31 Dec. 2019
Bonds issued	61,120	122,886
<b>Issued debt securities</b>	<b>61,120</b>	<b>122,886</b>

Composition of the issued debt securities is as follows:

Emission	Date of emission	Repayment date	Face value	Contract coupon rate in%	Carrying amount at 31.12.2020
First	August 28, 2015	August 28, 2017	75,000,000	18%	
Second	October 27, 2016	October 27, 2019	75,000,000	<b>18%</b>	
Third	September 25, 2017	September 25, 2019	25,000,000	16%	
Fourth	November 13, 2017	November 13, 2020	75,000,000	15%	
Fifth	May 17, 2019	May 17, 2022	50,000,000	15%	49,193
Sixth	December 1, 2020	December 1, 2023	100,000,000	15%	11,927
<b>Total</b>					<b>61,120</b>

The bonds issued in 2020 represent interest-bearing securities issued by the Company, nominated in Kyrgyz soms with a maturity of 36 months. The interest rate on these securities is 15%.

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The estimated fair value of debt securities issued, as well as the used fair value measurements, are presented in Note 30. Analysis of issued debt securities by currency structure and maturity is presented in Note 32.

**18. INCOME TAX**

The main components of income tax expense for the reporting years ended December 31, 2020 and December 31, 2019:

	<b>2020</b>	<b>2019</b>
<i>Current income tax</i>		
Current income tax payments	(9,552)	(6,935)
<i>Deferred income tax</i>		
Associated with the occurrence and reduction of <u>temporary</u> differences	(2,704)	(717)
<b>Income tax expenses</b>	<b>(12,256)</b>	<b>(7,652)</b>

Reconciliation between the income tax expense and accounting profit multiplied by the income tax rate applicable in the reporting years ended December 31, 2020 and 2019.

	<b>2020</b>	<b>2019</b>
Profit/ loss before tax	95,180	60,628
Income tax at current rate	(9,518)	(6,063)
Effect of constant differences	(34)	(872)
Effect of <u>temporary</u> differences	(2,704)	(717)
<b>Income tax expenses</b>	<b>(12,256)</b>	<b>(7,652)</b>

The tax assets/(liabilities) are presented in the financial statements as follows:

	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Current income tax liability	(65)	(1,843)
Deferred tax assets/ (liabilities)	(2,914)	(91)

Tax effect of the temporary differences as at December 31, 2020 and 2019 presented as follows:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net value</u>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
PPE and intangible assets	564	392			564	392
Loans and advances to customers	1,121	906			1,121	906
Cash and cash equivalents	570	377			570	377
Bank funds			(5,903)	(3,038)	(5,903)	(3,038)
Assets in the form of right of use minus lease obligations	119	701			119	701
Provisions for accrued leave	734	571			734	571
<b>Total deferred tax assets/ liabilities</b>	<b>3,108</b>	<b>2,947</b>	<b>(5,903)</b>	<b>(3,038)</b>	<b>(2,795)</b>	<b>(91)</b>

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The deferred tax change during 2020:

	Balance as of December 31, 2020	Reflected in income {expense} 2020	Balance as of December 31, 2020
PPE and intangible assets	392	172	564
Cash and cash equivalents	906	215	1,121
Bank funds	377	193	570
Loans to customers	(3,038)	(2,865)	(5,903)
Assets in the form of right of use	701	(582)	119
Provisions for accrued leave	571	163	734
	<b>{91}</b>	<b>2,704}</b>	<b>2,795</b>

19. OTHER LIABILITIES

	31 Dec. 2020	31 Dec. 2019
<b>Other financial liabilities</b>		
Property repurchase	9,610	9,369
Refunds to borrowers	9,052	9,096
Trade payables	1,056	648
Unclear amount	102	
Association contributions		44
Other financial liabilities	796	813
<b>Total other financial liabilities</b>	<b>20,616</b>	<b>19,970</b>
<b>Other non-financial liabilities</b>		
Vacation reserve	5,773	4,188
Premium reserve	1,568	1,524
Budget liabilities (excluding income tax)	4,267	3,201
<b>Total other non-financial liabilities</b>	<b>11,608</b>	<b>8,913</b>
<b>Total other liabilities</b>	<b>32,224</b>	<b>28,883</b>

Analysis of other liabilities by currency structure and maturity is presented in Note 32.

20. EQUITY (SHARE) CAPITAL

The declared equity issued and fully paid-in includes the following components:

	31 Dec. 2020			31 Dec. 2019		
	Shares quant.	Face value, KGS	Sum, 000'KGS	Shares quant.	Face value, KGS	Sum, 000'KGS
Authorized capital	250,000	1,000	250,000	250,000	1,000	250,000
Additional capital	50,000	1,000	50,000			
<b>Total equi</b>	<b>250,000</b>		<b>250,000</b>	<b>250,000</b>		<b>250,000</b>

All of the ordinary shares have a par value of 1,000 soms per share. Each share grants the right to one vote.

On March 25, 2020, the General Meeting of Shareholders was held, where it was decided to distribute the profit according to the accounting data according to the requirements of the NBKR in 2019 in the amount of 42,451,348.36 soms:

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- for the payment of dividends of 11.78% of the profit in the amount of 5,001 thousand soms,
- leave at the disposal of the Company and send 37,451 thousand soms to the retained earnings.

At the extraordinary general meeting of shareholders of June 19, 2020, it was decided to increase the number of outstanding shares of the Company from 250,000 to 300,000 by issuing 50,000 preferred shares in the amount of 50,000 thousand soms. In this regard, on November 4, 2020, the State Service for Regulation and Supervision of the Financial Market under the Government of the Kyrgyz Republic decided to register a report on the results of the public offer of the Company's preferred shares.

## 21. INCOME PER SHARE

In 2020, the Company, based on its performance, received net profit of 82,805 thousand soms.

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares during the year.

	2020	2019
Net profit attributable to shareholders (in thousand soms)	82,805	52,976
Weighted average number of ordinary shares outstanding (pcs)	102,192	102,192
<b>Basic earnings per share (in soms per share)</b>	<b>810.3</b>	<b>518.4</b>

## 22. CONTINGENT LIABILITIES AND EVALUATION RESERVES

### *Litigation*

During the year, the Company participated in a number of lawsuits (as a plaintiff) that arose in the ordinary course of its business. According to the management, at present there are no pending lawsuits or other claims, the completion of which could have a material adverse effect on the results of the financial and economic activities and the financial position of the Company, or which would not have been accrued or disclosed in these financial statements.

### *Tax legislation*

According to the Company's management, as of December 31, 2020, the relevant provisions of the legislation were integrated correctly, and the probability of maintaining the position of the Company in connection with tax legislation is high, except as otherwise provided or described in these financial statements.

### *Insurance*

As at December 31, 2020, the Company did not have insurance coverage for its assets and activities and for its public obligations and other risks subject to insurance. Since the absence of insurance in itself does not mean a decrease in the value of an asset or the occurrence of obligations, provisions were not provided for in the financial statements for uncertain losses.

## 23. NET INTEREST INCOME

	2020	2019
Interest income:		
<i>Interest income on financial assets carried at amortized cost</i>		

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	2020	2019
Loans to customers	634,302	422,663
Bank funds		1,769
Other interest income	734	1,941
<b>Total interest income</b>	<b>635,036</b>	<b>426,373</b>
<b>Interest expense:</b>		
<i>Interest expense on financial liabilities carried at amortized cost</i>		
Loans to banks and financial institutions	(183,503)	(135,243)
Customer funds	(80,299)	(10,113)
Bonds issued	(17,692)	(28,270)
Other loans	(1,724)	(8,260)
Other interest expenses		(21)
	<b>(283,218)</b>	<b>(181,907)</b>
<i>Interest expense on jiliallca/ liabilities carried at fair value</i>		
Derivative financial instruments	(21,488)	(11,538)
	<b>(21,488)</b>	<b>(11,538)</b>
Lease interest	<u>(671)</u>	<u>(801)</u>
<b>Total interest expense</b>	<b><u>(305,377)</u></b>	<b><u>(194,246)</u></b>
<b>Net interest income before provision for impairment</b>	<b>329,659</b>	<b>232,127</b>

#### 24. IMPAIRMENT ALLOWANCE

Information on the movement of reserves for impairment of assets for which interest is accrued is presented as follows:

	Funds in banks	Loans to customers	Total assets for which interest is accrued
<b>Balance at 31.12.2019</b>	(3,768)	(50,077)	(53,845)
accruals	(1,935)	(75,857)	(77,792)
writing-off /recovery		2,468	2,468
<b>Balance at 31.12.2020</b>	<b><u>(5,703)</u></b>	<b><u>(123,466)</u></b>	<b><u>(129,169)</u></b>

Information on the movement of reserves for impairment of other assets is presented in the table below:

	Cash and cash equivalents	Assets accepted for repayment of funds issued to customers	Total other assets
<b>Balance at 31.12.2019</b>	(9,061)	(18,597)	(27,658)
accruals /recovery	(2,151)	6,073	3,922
writing-off			
<b>Balance at 31.12.2020</b>	<b><u>(11,212)</u></b>	<b><u>(12,524)</u></b>	<b><u>3,730</u></b>

#### 25. FOREIGN CURRENCY TRANSACTIONS NET INCOME

	2020	2019
Gain (loss) on revaluation of financial assets and liabilities	7,512	165
Gains less losses on <u>foreign exchange</u> transactions	<u>(7,021)</u>	<u>(654)</u>
<b>Total</b>	<b>491</b>	<b>(489)</b>

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**26. COMMISSIONS PAID**

	2020	2019
Commission for cashing out	(2,705)	(2,743)
Commission expenses on services received for the purchase and sale of bonds	(1,552)	(1,212)
Commission for repayment	(1,847)	(1,171)
Fees paid to banks	(1,344)	(871)
Other commission expenses	(11)	(44)
<b>Total</b>	<b>(7,459)</b>	<b>(6,041)</b>

**27. OTHER INCOME/EXPENSES**

	2020	2019
Fee and commission income for bank services for transfer operations	79	22
Commission income for bank services on issued guarantees	347	16
Income (loss) from the sale of fixed assets (balance)	(426)	(14)
Other income	145	3
<b>Total</b>	<b>145</b>	<b>3</b>

**28. OPERATING EXPENSES**

	2020	2019
Employee remuneration	82,595	68,519
Contributions to the Social Fund at the expense of the employer	14,541	11,873
Taxes other than income tax	8,851	7,333
Rental expenses for fixed assets	9,596	7,308
Expenses for maintenance and maintenance of fixed assets, including current repairs	3,614	3,211
Depreciation of right-of-use assets	3,754	3,050
Depreciation of property, plant and equipment and intangible assets	3,939	2,556
Security and alarm costs	3,356	2,393
Stationery and office supplies	1,760	2,273
Advertising and marketing expenses	2,724	2,241
Debt repayment expenses	1,803	2,047
Representation expenses	1,745	1,960
Communication services	2,535	1,727
Remuneration of the Board of Directors	1,633	1,715
Expenses for driver services and reception services	1,586	1,663
Vacation reserve expenses	1,345	1,489
Membership fees	1,180	1,354
Audit expenses and consulting services	656	1,192
Fuel and lubricants expenses	1,084	1,146
Travel expenses	600	1,081
Expenses for CIB "Ishenim" services	1,262	1,045
Notary and legal services	491	715
Premium reserve expense	82	670
Training	494	630

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	2020	2019
Public utilities	654	472
Social Fund reserve	235	388
Publication and subscription costs	78	123
CoUection	138	98
Expenses for maintaining and maintaining the register of shareholders	77	34
Charity work	655	45
Other administrative exeenses	723	543
<b>Total</b>	<b>153,786</b>	<b>130,094</b>

## 29. RELATED PARTY TRANSACTIONS

For the purpose of compiling these financial statements, parties are considered to be related if one of them has the ability to control the other or can have a significant influence on the other party's financial and operational decisions, as set out in Standard 24 "Related Party Disclosures". When considering relationships with all related parties, the content of such relationships is taken into account, and not only their legal mode.

The shareholders and head of the Company are the related parties.

In the normal course of business, the Company conducted transactions with related parties. These operations included the provision of loans and attraction of loans and deposits.

Below are the balances at the end of the year on transactions with the related parties, and the results of operations in 2020 and 2019:

	2020		2019	
	000'KGS	avg. interest rate	000'KGS	avg. interest rate
<b>Statement of financial position</b>				
<b>Assets</b>				
Loans to customers	8,636	20.58%	397	21.68%
Impairment reserves	(222)		(6)	
<b>Liabilities</b>				
Other borrowings			16,126	12.61%
<u>Deosits</u>	8,080	12.88%	1,064	12.22%
<b>Statement of profit or loss and other comprehensive income</b>				
Interest income			201	89
Interest expense			6,421	5,450
<u>Recovery/ (formation) of <u>erovision</u> for <u>imeairment</u></u>			102	2

The total amount of remuneration paid to the management of the Company and reflected in the financial statements under "Operating expenses" is presented as follows:

	2020	2019
Management board	5,323	5,296
Board of Directors	1,633	1,715



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**30. FINANCIAL INSTRUMENTS FAIR VALUE**

**Fair value** represents a volume of consideration in a transaction with an asset or liability between knowledgeable, independent parties acting on a voluntary basis. The best evidence of fair value is the market price of a financial instrument.

The estimated fair value of financial instruments was calculated by the Company based on available market information (if any) and appropriate valuation techniques. However, in order to interpret market information in order to determine fair value, professional judgment is necessary. Despite the fact that the Kyrgyz Republic has been assigned investment-grade ratings, the country's economy continues to show some of the characteristic features inherent in developing countries, and economic conditions continue to limit the volume of activity in the financial markets. Market quotes may be outdated or reflect the cost of sales at low prices and therefore not reflect the fair value of financial instruments. In determining the fair value of financial instruments, management uses all available market information.

The fair value measurement is analyzed and allocated to the levels of the fair value hierarchy as follows:

Level 1	Valuation is based on quoted price (non-adjusted) in active markets for identical assets and liabilities.
Level 2	The valuation is based on valuation methods taking into account significant direct (such as prices) or indirect influence (from price analysis) of observed data on assets and liabilities

Level 3 Valuation is not based on observable market data (unobservable data)  
 The management uses professional judgment to allocate financial instruments to the levels of the fair value hierarchy. If the fair value measurement uses observable data that require significant adjustments, then this estimate is at Level 3. The significance of the inputs used is measured for the entire fair value measurement.

**Regular fair value measurements**

The hierarchy levels for the instruments by which regular fair value measurements are classified are set out below:

31 Dec. 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets valued at FVELC		27,533		27,533

31 Dec. 2019	Level 1	Level 2	Level 3	Total
<b>Financial assets:</b>				
Financial assets valued at FVELC				

The fair value of cash and cash equivalents and cash balances with other banks, including the National Bank of the Kyrgyz Republic (NBKR), is their carrying amount.

The estimated fair value of loans to customers is determined based on discounting the expected future cash flows receivable.

The estimated fair value of customer funds raised for a specified period, as well as bank accounts and deposits, is determined based on discounting future cash flows from principal and interest payments.

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When applying the cash flow discounting method, future cash flows are projected based on management's best estimates, and the corresponding market rate for similar instruments at the reporting date is used as the discount rate.

The table below provides an analysis of the fair value of financial instruments not measured at fair value as at December 31, 2020, by level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total FV	Total carrying amount
<b>Assets</b>					
Cash and cash equivalents	527,181			527,181	527,181
Mandatory reserves in the account at the NBKR	54,000			54,000	54,000
Bank funds		189,376		189,376	189,376
Loans to customers		2,506,615		2,506,615	2,506,615
<b>Liabilities</b>					
Due to banks and other financial institutions			1,762,998	1,762,998	1,762,998
Customer funds			1,024,338	1,024,338	1,024,338
Bonds issued			61,120	61,120	61,120

At December 31, 2019:

	Level 1	Level 2	Level 3	Total FV	Total carrying amount
<b>Assets</b>					
Cash and cash equivalents	317,175			317,175	317,175
Mandatory reserves in the account at the NBKR	17,000			17,000	17,000
Bank funds		151,607		151,607	151,607
Loans to customers		1,889,878		1,889,878	1,889,878
<b>Liabilities</b>					
Due to banks and other financial institutions			1,536,462	1,536,462	1,536,462
Customer funds			367,914	367,914	367,914
Other loans			28,971	28,971	28,971

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**31. CAPITAL MANAGEMENT**

The authorized capital of the Company was formed in the amount of KGS 250.0 million with the regulatory requirement of the National Bank of the Kyrgyz Republic established for microfinance companies engaged in deposit taking operations to generate capital in the amount of KOS 100.0 million.

The company is required to maintain an equity ratio of at least 8%. In fact, this indicator as of December 31, 2020 amounted to 950.41.

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### 32. RISK MANAGEMENT

The Company conducts a function of the risk management regarding the financial risk (credit, liquidity, interest rate, operational and legal risks). The main objective of the financial risk management function is to determine risk limits and further ensure compliance with the established limits. Assessment of the accepted risk also serves as the basis for the optimal distribution of capital, taking into account the risk of pricing operations and evaluating performance. Management of operational and legal risks should ensure the reliable functioning of internal policies and procedures in order to minimize operational and legal risks.

#### *Rules and procedures of the Company on the risk management*

The Company's risk management policy is aimed on the determination, analyses and risk management the Company imposed, on establishment of limits of risks and appropriate controls, and also on permanent assessment of risk level for their compliance with the established limits. The policy and procedures on risk management are regularly revised with the purpose to reflect changes in the market situation, offered goods and services and arising best practices.

The General Meeting of Shareholders, being the supreme governing body, makes decisions regarding the conclusion of transactions by the Company, provided that the transaction amount is 50 or more percent of the Company's net assets as of the date of the decision to make such a transaction, to pledge and alienate the property of the Company, to receive the Company loans (loans).

The Board of Directors agrees to conclude major transactions, the amount of which is from 20 to 50 percent of the net assets.

The Chairman of the Management board carries out general risk management and monitoring of compliance with applicable laws, as well as monitoring the use of general principles and methods for the detection, assessment, management and provision of information.

Company employees manage risks as part of their functional responsibilities.

The following describes the principles and procedures used by the Company to manage major risks, and describes the main measures aimed at improving the effectiveness and quality of risk management.

#### *Credit risk*

The Company assumes credit risk, namely the risk that the borrower will not be able to fully repay the debt by the due date. The credit policy of the Company is approved by the Board of Directors. The amount of the loan provided to the borrower is limited by its solvency and depends on the value of the issued security.

The company constantly monitors credit risks. In order to monitor credit risk, the credit officers of the Company analyse the business and financial performance of the client. All information about significant risks in relation to customers with deteriorating creditworthiness is communicated to the management of the Company and analysed by it. The management monitors and subsequently analyses the past due balances.

In addition to the analysis of individual clients, the Company evaluates the loan portfolio as a whole in relation to the concentration of loans and market risks. The company independently conducts collateral assessment in accordance with the developed methods. An analysis of the concentration of credit risk in respect of loans to customers is presented in Note 8 "Loans to customers".

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The maximum level of credit risk to which the Company is exposed as at December 31, 2020 and 2019 presented as follows:

31 Dec. 2020	Maximum credit risk	Set-off Amount	Net exposure after credit	Security	Net credit risk after offsetting and accounting for collateral
Loans to customers	2,506,615		2,506,615	(2,516,809)	(10,194)

31 Dec. 2019	Maximum credit risk	Set-off Amount	Net exposure after credit	Security	Net credit risk after offsetting and accounting for collateral
Loans to customers	1,889,878		1,889,878	(2,239,794)	(349,916)

### Interest rate risk fluctuation concerning cash flows

The Company assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the interest margin level, however, in case of unexpected changes in interest rates, the interest margin may also decrease or cause losses.

In the event of an increase in interest rates, the cost of funds raised by the Company may increase faster and more than the profitability of placed funds, which will lead to a decrease in financial results and interest margins, and, conversely, in the case of lower rates, the return on working assets may decrease faster and more than the cost attracted funds.

The purpose of managing this type of market risk is to reduce the impact of changes in interest rates on net interest income. In order to manage interest rate risk, the Director of the Company sets limits on the acceptable level of divergence in the revaluation of interest rates and monitors compliance with the established limits.

The table below provides an analysis of the effective average interest rates on loans applied during the year. The analysis was prepared based on weighted average interest rates.

	31 Dec. 2020		31 Dec. 2019	
	USD	KGS	USD	KGS
<b>Interest assets</b>				
Bank funds			4.7	
Financial assets at fair value through profit or loss	5.5		4.9	
Loans to customers	21.9	39.9	18.5	30.1
<b>Interest liabilities:</b>				
Due to banks and other financial institutions	8.7	15.8	8.9	15.7
Customer funds	6.6	13.6	5.0	13.3
Shareholder loans			9.8	13.9
Other loans				14.5
Bonds issued		16.7		16.2

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Sensitivity analysis of the estimated net interest income and equity of the Company for the year to changes in market interest rates (compiled on the basis of a simplified scenario of parallel reduction or growth of yield curves by 100 basis points) is presented in the following table:

	31 Dec. 2019		31 Dec. 2018	
	Net interest income	Own funds	Net interest income	Own funds
Parallel increase of 100 basis points	500	424	532	483
Parallel decrease of 100 basis points	(500)	(424)	(532)	(483)

### Currency risk

The Company has significant amounts of loans in foreign currencies, and is thus exposed to the risk of changes in the exchange rate. The Company's assets and liabilities denominated in foreign currencies cause exposure to the risk of changes in the exchange rates.

	KGS	Currency				31 Dec. 2020 total
		USD 1 USD = KGS	EUR 1 EUR = KGS	RUB 1 RUB = KGS	KZT 1 KZT = KGS	
		82.6498	101.3204	1.1188	0.1966	
<b>Assets</b>						
Cash and cash equivalents	173,198	352,453	498	952	80	527,181
Mandatory reserves in the account at the NBKR	54,000					54,000
Bank funds		189,376				189,376
Derivative financial asset	(513,823)	541,356				27,533
Loans and advances to customers	2,139,214	367,401			-	2,506,615
Other assets	3,315					3,315
<b>Total assets</b>	10,971	48				11,019
<b>Liabilities:</b>	<b>1,866,875</b>	<b>1,450,634</b>	<b>498</b>	<b>952</b>	<b>80</b>	<b>3,319,039</b>
Bank loans						
Customer funds	466,190	1,296,808			-	1,762,998
Other loans	857,145	167,193			-	1,024,338
Bonds issued	61,120					61,120
Lease obligations	4,502					4,502
Other liabilities	32,216	8				32,224
<b>Total liabilities</b>	<b>1,421,173</b>	<b>1,464,009</b>			-	<b>2,885,182</b>
<b>Open currency position</b>	<b>445,702</b>	<b>{13,375}</b>	<b>498</b>	<b>952</b>	<b>80</b>	<b>433,857</b>
<b>Factual value (%)</b>	<b>95.68%</b>	<b>{2.87}%</b>	<b>0.11%</b>	<b>0.20%</b>	<b>0.02%</b>	

	KGS	Currency				31 Dec. 2019 total
		USD 1 USD = soms	EUR 1 EUR = soms	RUB 1 RUB = soms	KZT 1 KZT = som	
		69.6439	77.9803	1.125	0.1828	
<b>Assets</b>						
Cash and cash equivalents	109,833	207,237	98	3	4	317,175

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	KGS	Currencl'.				31 Dec. total
		USD 1 USD= 69.6439 soms	EUR 1 EUR = 77.9803 soms	RUB 1 RUB= 1.125 soms	KZT 1 KZT= 0.1828 som	
Mandatory reserves in the account at the NBKR	17,000					17,000
Bank funds	9,673	140,557	32	1,338	7	151,607
Derivative financial asset	(276,109)	289,022				12,913
Loans and advances to customers	1,524,791	365,087			-	1,889,878
Other assets	116					116
<b>Total assets</b>	<b>1,385,304</b>	<b>1,001,903</b>	<b>130</b>	<b>1,341</b>	<b>11</b>	<b>2,388,689</b>
<b>Liabilities:</b>						
Bank loans	594,899	941,563			-	1,536,462
Customer funds	352,663	15,251				367,914
Other loans	20,611	8,360				28,971
Bonds issued	122,886					122,886
Lease obligations	8,169					8,169
Other liabilities	19,807	163				19,970
<b>Total liabilities</b>	<b>1,119,035</b>	<b>965,337</b>			<b>-</b>	<b>2,084,372</b>
<b>Open currencl' position</b>	<b>266,269</b>	<b>36,566</b>	<b>130</b>	<b>1,341</b>	<b>11</b>	<b>304,317</b>
<b>Factual value{%</b>	<b>78.77%</b>	<b>10.82%</b>	<b>0.04%</b>	<b>0.40%</b>	<b>0.00%</b>	

Sensitivity analysis of the Company's net income and equity for the year to changes in foreign exchange rates (based on the positions in effect as of December 31, 2020 and 2019, and a simplified scenario of a 10% decline or increase in the US dollar against KGS) is presented as follows.

	31 Dec. 2020		31 Dec. 2019	
	Profit/loss	Capital of rep. date	Profit/loss	Capital of rep. date
10% US dollar appreciation against som	2,954	1,982	2,127	1,934
10% depreciation of the US dollar against som	(2,954)	<u>(1,982)</u>	(2,127)	<u>(1,934)</u>

**Liquidity risk**

Liquidity risk arises when the maturity requirements for active operations do not coincide with the maturities for passive operations. The company is exposed to risk due to the daily need to use the available funds, when the maturity of loans, which are settled in cash, is due. The liquidity risk is managed by the Chief Accountant. The liquidity risk management policy includes the following:

- daily measurement and monitoring of inflows and outflows of funds, as well as quarterly monitoring of gaps in the maturities of the assets and liabilities of the Company to control the daily need for liquidity and ensure fulfilment of obligations;
- analysis of the structure and assessment of the stability of borrowed funds;
- cost of resources;
- borrowing in the money market;
- asset quality assessment.

The position on the liquidity of the Company as of December 31, 2020 is as follows:

Microfinance Company "Salym Finance" OJSC

Notes to the financial statements

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

	Up to 1 month	1-3 month	3 month-	1 year -	Over5 years	Term undetermi ned	31 Dec. 2020
<b>ASSETS</b>							
Financial assets at fair value through profit or loss			27,533				27,533
Loans to customers	137,047	21,394	353,713	1,710,230	284,231	-	2,506,615
<b>Total interest accrued assets</b>	<b>137,047</b>	<b>21,394</b>	<b>381,246</b>	<b>1,710,230</b>	<b>284,231</b>	<b>-</b>	<b>2,534,148</b>
Cash and cash equivalents	527,181						527,181
Mandatory reserves in the account at the NBKR						54,000	54,000
Bank funds				189,376			189,376
Other assets	6,377	673	3,969				11,019
Fixed and intangible assets				8,288			8,288
Assets in the form of right of use			3,315				3,315
Non-current assets held for sale				26,664			26,664
<b>TOTAL ASSETS</b>	<b>670,605</b>	<b>22,067</b>	<b>388,530</b>	<b>1,934,558</b>	<b>284,231</b>	<b>54,000</b>	<b>3,353,991</b>
<b>LIABILITIES</b>							
Funds of banks and other financial and credit institutions	23,991		-	1,739,007		-	1,762,998
Customer funds	10,007	2,312	98,647	913,372		-	1,024,338
Bonds issued	39,614	1,533	19,973				61,120
Lease obligations			4,502				4,502
<b>Total interest accrued liabilities</b>	<b>73,612</b>	<b>3,845</b>	<b>123,122</b>	<b>2,652,379</b>		<b>-</b>	<b>2,852,958</b>
Current income tax liability		65					65
Deferred income tax liability		2,914					2,914
Other liabilities	4,267	1,954	7,341	18,662			32,224
<b>Total liabilities</b>	<b>77,879</b>	<b>8,778</b>	<b>130,463</b>	<b>2,671,041</b>		<b>-</b>	<b>2,888,161</b>
Difference between assets and liabilities as% of <u>capital</u>	592,726 127.24%	13,289 2.85%	258,067 55.40%	-736,483 -158.10%	284,231 61.02%	54,000 11.59%	

As of 31 December 2019:

	Up to 1 month	1-3 month	3 month- 1 year	1 year- 5 years	Over5 years	Term undetermi ned	31 Dec. 2019
<b>ASSETS</b>							
Bank funds			44,794				44,794
Financial assets at fair value through profit or loss	4,411	5,500	3,002				12,913

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For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

	Up to 1 month	1-3 month	<sup>3</sup> monu- 1 year	1 year- 5 years	Over5 years	Term undeter- mined	31 Dec. 2019
Loans to customers	89,793	193,080	654,448	904,841	47,716		1,889,878
<b>Total interest accrued assets</b>	<b>94,204</b>	<b>198,580</b>	<b>702,244</b>	<b>904,841</b>	<b>47,716</b>	-	<b>1,947,585</b>
Cash and cash equivalents	317,175						317,175
Mandatory reserves in the account at the <b>NBKR</b>						17,000	17,000
Bank funds				106,813			106,813
Other assets	178	143	3,460				3,781
Fixed and intangible assets					6,967		6,967
Assets in the form of right of use	307	622	2,850	3,290			7,069
Non-current assets held for sale				26,855			26,855
<b>TOTAL ASSETS</b>	<b>411,864</b>	<b>199,345</b>	<b>708,554</b>	<b>1,041,799</b>	<b>54,683</b>	<b>17,000</b>	<b>2,433,245</b>
<b>LIABILITIES</b>							
Due to banks and other financial institutions	40,549	102,022	672,671	721,220			1,536,462
Customer funds	2,204	112,013	24,412	229,285			367,914
Other loans	2,931	10,839	15,201				28,971
Bonds issued	117		72,444	50,325			122,886
Lease obligations	320	1,740	2,877	3,232			8,169
<b>Total interest accrued liabilities</b>	<b>46,121</b>	<b>226,614</b>	<b>787,605</b>	<b>1,004,062</b>		-	<b>2,064,402</b>
Current income tax liability		1,843					1,843
Deferred income tax liability				91			91
Other liabilities	3,150	1,600	5,712	18,421			28,883
<b>Total liabilities</b>	<b>49,271</b>	<b>230,057</b>	<b>793,317</b>	<b>1,022,574</b>		-	<b>2,095,219</b>
Difference between assets and liabilities as % of capital	362,593 107.27%	(30,712) (9.09)%	(84,763) (25.08)%	19,225 5.69%	54,683 16.18%	17,000 5.03%	

According to the management of the Company, the coincidence or controlled mismatch of the maturities of assets and liabilities is a fundamental issue. As a rule, there is no complete coincidence on the indicated positions in financial organizations, as transactions often have indefinite maturities and various nature. Mismatch of these positions potentially increases profitability, along with this increases the risk of loss. The maturities of assets and liabilities are important factors in assessing the liquidity of the Company and its risks in case of changes in interest rates.

**Geographical concentration**

The Company operates within the territory of the Kyrgyz Republic only.



**Notes to the financial statements**

For the year ended 31 December 2020

(in thousands of Kyrgyz soms)

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**33. EVENTS AFTER THE REPORTING DATE**

After the date of approval of the financial statements, no any events have occurred that may impact the figures indicated in the financial statements.

  
M.T. Kulov  
**Management board Chairman**



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*Chief Accountant*