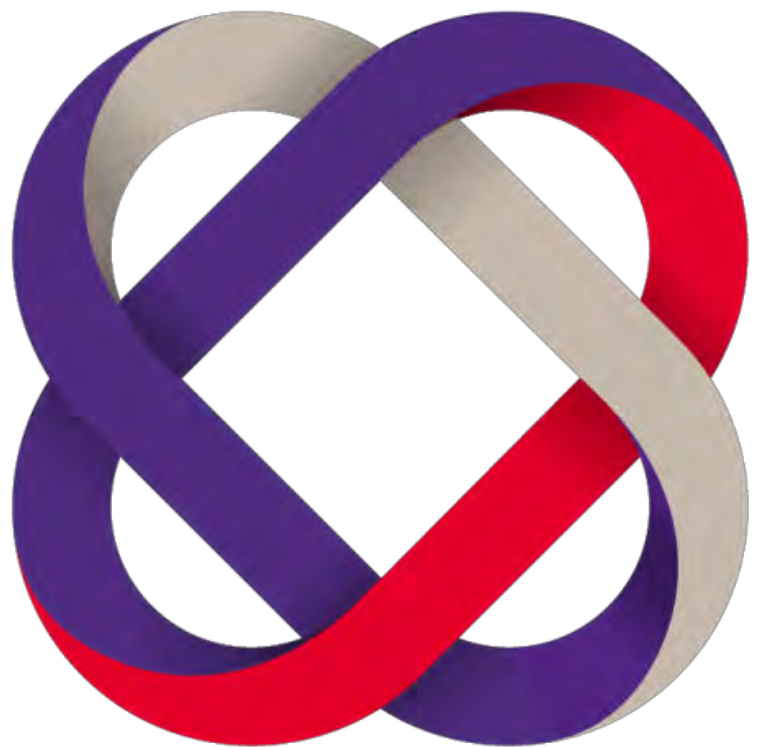


**Financial Statements
and Independent Auditor's Report
“Micro-lending company “Frontiers”
LLC**

31 December 2018



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Independent auditor's report

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To the Founder and Board of Directors of "Micro-lending company "Frontiers" LLC

Opinion

We have audited financial statements of "Micro-lending company "Frontiers" LLC (the "Company"), which comprise the statement of financial position as of 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- First time adoption of IFRS 9

Refer to note 4.5 of the financial statements for a description of the accounting policies and to note 32.1.1 for an analysis of credit risk.



The International Accounting Standards Board (IASB) issued IFRS 9 – “Financial Instruments” which replaces “IAS 39 – Financial Instruments”. The key changes arising from adoption of IFRS 9 are that the Company’s impairment losses are now based on expected losses rather than an incurred loss model, and the change in the classification and measurement of the Company’s financial assets and liabilities, which are detailed in Note 4.5 to the financial statements. There were no significant changes arising from the adoption of the hedge accounting requirements of IFRS 9.

As described in the notes to the financial statements, the financial assets have been classified and the impairment losses have been determined in accordance with IFRS 9 Financial Instruments. This was considered a key audit matter as IFRS 9 is a new and complex accounting standard which requires significant judgment to classify the financial assets as well as to determine the impairment reserve.

Key areas of judgment included: the assessment of the business model within which the assets are held, the assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding, the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Company’s expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

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

- We read the Company’s IFRS 9 based classification and measurement of financial assets and financial liabilities policy and compared it with the requirements of IFRS 9;
- We obtained an understanding and checked the Company’s business model assessment and the test on the contractual cash flows, which give rise to cash flows that are „solely payments of principal and interest” [SPPI test] performed by the Company’s consultant; and
- We checked the appropriateness of the opening balance adjustments.

With respect to impairment methodology, our audit procedures comprised the following;

- We read the Company’s IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9;
- We assessed the design and tested the operating effectiveness of relevant controls over the data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model;
- We assessed the design and tested the operating effectiveness of relevant controls over the expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy;
- We checked the appropriateness of the Company’s determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages;
- For a sample of exposures, we checked the appropriateness of the Company’s staging;
- We assessed and tested the material modeling assumptions as well as overlays with a focus on the key modeling assumptions adopted by the Company and sensitivity of the provisions to changes in modeling assumptions;
- For forward looking assumptions used by the Company’s management in its ECL calculations, we held discussions with management and corroborated the assumptions using publicly available information;
- We examined a sample of exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis;

- We checked the completeness of loans and advances, off balance sheet items, investment securities, placements and other financial assets included in the ECL calculations as of 31 December 2018; We understood the theoretical soundness and tested the mathematical integrity of the Models;
- For data from external sources, we understood the process of choosing such data, its relevance for the Company, and the controls and governance over such data;
- We involved our IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model);
- We checked the appropriateness of the opening balance adjustments.

We assessed the accuracy of the disclosures in the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

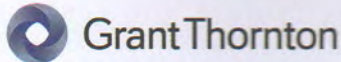
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Armen Vanyan.



Armen Vanyan
Director/ Partner
Qualification certificate of the auditor
Series A No. 0264 dated July 11, 2016

17 April 2019
Bishkek

Grant Thornton LLC
License for auditing
State Service for Regulation and Supervision of
the Financial Market under the Government
of the Kyrgyz Republic, on May 3, 2013

Statement of profit or loss and other comprehensive income

In thousands of kyrgyz soms	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Interest and similar income	7	106,396	113,288
Interest and similar expense	7	(25,156)	(24,248)
Net interest income		81,240	89,040
Net losses from operations in foreign currencies	8	(14)	(260)
Share of results of associates	19	24,470	15,688
Other income	9	1,151	999
Recovery of provision on interest bearing assets	10	1,009	3,614
Recovery/(impairment charge) of provision for other assets	21	(140)	827
Staff costs	11	(28,284)	(27,572)
Depreciation and amortization	20	(194)	(219)
Other expenses	12	(7,554)	(8,786)
Operating profit		71,684	73,331
Income tax expense	13	(7,263)	(7,450)
Profit for the year		64,421	65,881
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	19	(6,064)	(12,255)
Income tax relating to items that will not be reclassified	13	606	1,226
Total comprehensive income for the year		58,963	54,852

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 64.

Statement of financial position

In thousands of kyrgyz soms

	Notes	As of 31 December 2018	As of 31 December 2017
ASSETS			
Cash and cash equivalents	14	1,891	119,432
Amounts due from banks	15	80,492	80,631
Derivative financial assets	16	4,051	1,144
Loans and advances to customers	17	627,836	421,188
Investment securities			
- Investments available for sale	18	-	41,159
- Investments held to maturity	18	-	10,431
- Investment securities at amortised cost	18	51,398	-
Investment in associate	19	127,441	109,307
Property, equipment and intangible assets	20	424	397
Foreclosed assets	21	3,212	2,791
Other assets	22	433	164
TOTAL ASSETS		897,178	786,644
LIABILITIES AND EQUITY			
LIABILITIES			
Borrowed funds from Government*	23	41,857	65,809
Borrowed funds from financial institutions	24	216,393	138,818
Derivative financial liabilities	16	4,767	1,262
Current income tax liabilities		1,367	1,507
Deferred income tax liabilities	13	4,910	2,968
Other liabilities	25	5,634	5,652
TOTAL LIABILITIES		274,928	216,016
EQUITY			
Charter capital	26	175,000	175,000
Share premium in associate		10,147	10,706
Foreign currency translation reserve		(32,197)	(26,739)
General reserves		5,000	5,000
Retained earnings		464,300	406,661
TOTAL EQUITY		622,250	570,628
TOTAL LIABILITIES AND EQUITY		897,178	786,644

The financial statements were approved on 17 April 2019 by:

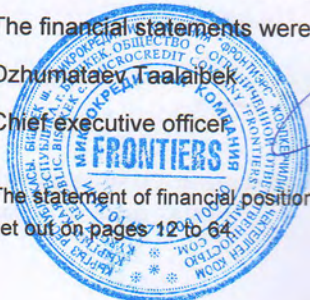
Dzhumataev Taalaibek

Chief executive officer

Suleimanova Bermet

Chief accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 64



Statement of changes in equity

In thousands of kyrgyz soms

	Charter capital	Share premium in associate	Foreign currency translation reserve	General reserves	Retained earnings	Total
Balance as of 1 January 2017	175,000	12,415	(15,710)	5,000	347,307	524,012
Dividends to founder	-	-	-	-	(8,236)	(8,236)
Transactions with owners	-	-	-	-	(8,236)	(8,236)
Profit for the year	-	-	-	-	65,881	65,881
Other comprehensive income:						
Changes in share premium in associate	-	(1,709)	-	-	1,709	-
Exchange differences on translating foreign operations	-	-	(12,255)	-	-	(12,255)
Income tax relating to items that will not be reclassified	-	-	1,226	-	-	1,226
Total comprehensive income for the year	-	(1,709)	(11,029)	-	67,590	54,852
Balance as of 31 December 2017	175,000	10,706	(26,739)	5,000	406,661	570,628
Impact of adopting IFRS 9 (note 6)	-	-	-	-	395	395
Restated balance at 1 January 2018	175,000	10,706	(26,739)	5,000	407,056	571,023
Dividends to founder	-	-	-	-	(7,736)	(7,736)
Transactions with owners	-	-	-	-	(7,736)	(7,736)
Profit for the year	-	-	-	-	64,421	64,421
Other comprehensive income:						
Changes in share premium in associate	-	(559)	-	-	559	-
Exchange differences on translating foreign operations	-	-	(6,064)	-	-	(6,064)
Income tax relating to items that will not be reclassified	-	-	606	-	-	606
Total comprehensive income for the year	-	(559)	(5,458)	-	64,980	58,963
Balance as of 31 December 2018	175,000	10,147	(32,197)	5,000	464,300	622,250

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 64.

Statement of cash flows

In thousands of kyrgyz soms

	Year ended 31 December 2018	Year ended 31 December 2017
Interest received	103,500	108,139
Interest paid	(24,044)	(24,265)
Commissions received	5,062	3,640
Commissions paid	(1,551)	(1,240)
Net losses from foreign currency translation	(14)	(411)
Other income	1,136	660
Salary and bonuses to employees and remunerations to Board of directors	(28,031)	(26,769)
Administrative expenses	(7,536)	(8,431)
Cash flows from operating activities before changes in operating assets and liabilities	48,522	51,323
<i>(Increase)/decrease in operating assets</i>		
Derivative financial assets	2,140	3,733
Amounts due from banks	-	(70,223)
Loans and advances to customers	(205,203)	156,780
Other assets	(269)	877
<i>Increase in operating liabilities</i>		
Other liabilities	(2,487)	841
Net cash flow from operating activities before income tax	(157,297)	143,331
Income tax paid	(4,900)	(6,991)
Net cash from(used in) operating activities	(162,197)	136,340
Cash flows from investing activities		
Purchase of investment securities	-	(49,990)
Purchase of property and equipment	(221)	(223)
Net cash used in investing activities	(221)	(50,213)
Cash flow from financing activities		
Repayment of borrowings	53,162	(54,059)
Dividends paid	(7,736)	(8,236)
Net cash used in financing activities	45,426	(62,295)

In thousands of kyrgyz soms	Year ended 31 December 2018	Year ended 31 December 2017
Net increase/(decrease) in cash and cash equivalents	(116,992)	23,832
Cash and cash equivalents at the beginning of the year	119,432	95,217
Exchange differences on cash and cash equivalents	(546)	383
Cash and cash equivalents at the end of the year (Note 14)	1,894	119,432

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 64.