Kompanion

ANNUAL REPORT 2011

БУДЬ ТОЙ ПЕРЕМЕНОЙ, КОТОРУЮ ХОЧЕШЬ ВИДЕТЬ В МИРЕ

BE THE CHANGE YOU WANT TO SEE IN THE WORLD

Kompanion was founded by MercyCorps

CONTENTS

KOMPANION IN BRIEF

Kompanion was established in 2004 through the consolidation of five Mercy Corps–affiliated microcredit agencies. We bring financial products primarily to rural clients who run small–holder farms or practice animal husbandry.

Kompanion's dual approach of providing micro–loans along with science–based support for agriculture and natural resource management helps to build healthy, financially stable livelihoods for our clients and their neighbors throughout Kyrgyzstan.

Mercy Corps, our founder, works worldwide amid disaster, conflict, chronic poverty and instability to unleash the potential of people who can win against nearly impossible odds. Kompanion represents the culmination of 15 years of Mercy Corps' work in microcredit in Kyrgyzstan. Mercy Corps intends to leave Kompanion as an enduring legacy to the people of Kyrgyzstan.

In 2004, Kompanion started with a customer base of 8,700 borrowers. Since then we've disbursed loans totaling about $382 million to 712,000 people. Our development programs and consultations in sustainable agriculture, livestock care and other related areas reach tens of thousands in all major urban and rural centers in Kyrgyzstan.

In addition to the integrated financial and community development services we offer, we are currently building an impact measurement system to better understand what we do right, and also where we can improve.

KOMPANION MISSION

To be the leading community development financial institution in Central Asia. Kompanion supports the strengthening and growth of communities by offering development products and services to entrepreneurs and individuals.

KOMPANION BOARD

Catherine Brown, Chairperson

Zhanna Zhakupova

Gail Ball

Evgenia Samarskaya

Robin Currey

Erkeaiym Bialieva

Steven W. Zimmerman

KOMPANION GOALS

- Foster the growth of micro– and small–businesses and promote social entrepreneurs so they are able to create opportunities for themselves and others;
- Lead social enterprise innovation in central Asia;
- Promote natural resources conservation and good management practices to our customers and communities;
- Measure success based on impact evaluation; and
- Help customers build healthy, financially stable communities.

Dear Colleagues,

In 2011, debate about microfinance's role in poverty alleviation accelerated. Reports in India and elsewhere portrayed microfinance as doing more harm than good. We are paying very close attention to the debate and trying to ensure that Kompanion remains focused on its mission, and its commitment to clients. **We do this because we know that microfinance can and does improve opportunity and livelihoods – something we highlight in the following pages.**

Kompanion's commitment is expressed not only in our development work but also in our efforts to promote client protection, including helping clients avoid the perils of over–indebtedness. We examine this issue in this report.

To many clients, Kompanion serves as a bridge to a more financially stable life. This social commitment is an intrinsic part of Mercy Corps' living legacy in Kyrgyzstan. In the following pages, we also speak with some of the individuals Mercy Corps and Kompanion jointly assisted after June 2010's communal violence in the south of the country.

In 2011 Kompanion expanded its geographic outreach to new areas of the country and doubled its investment in development activities, including training on best practices in sustainable agriculture and livestock care. We also lowered our rates, passing on operational efficiencies as savings to our clients.

In a growing and competitive market like Kyrgyzstan's, it is more important than ever to remain true to our roots as a social business. For the sake of the industry, the country, and most of all, our clients, we must continue to be responsible and transparent in our lending practices.

Understanding our impact and where we can improve is central to our mission. Thus, in 2011 we began designing an Impact Measurement System which will be fully operational in by the end of 2012.

We thank our investors, partners, staff, Board of Directors and founder for their invaluable support in our commitment to fulfill the potential of microfinance – to truly make a positive impact on the lives we serve.

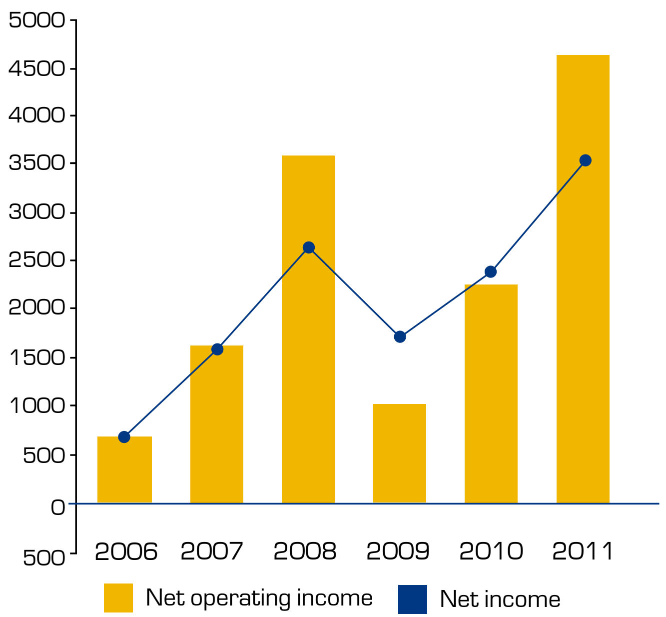
ULANBEK TERMECHIKOV
Chief Executive Officer
Kompanion

CATHERINE BROWN
Chairperson of the
Board of Directors
Mercy Corps Kyrgyzstan

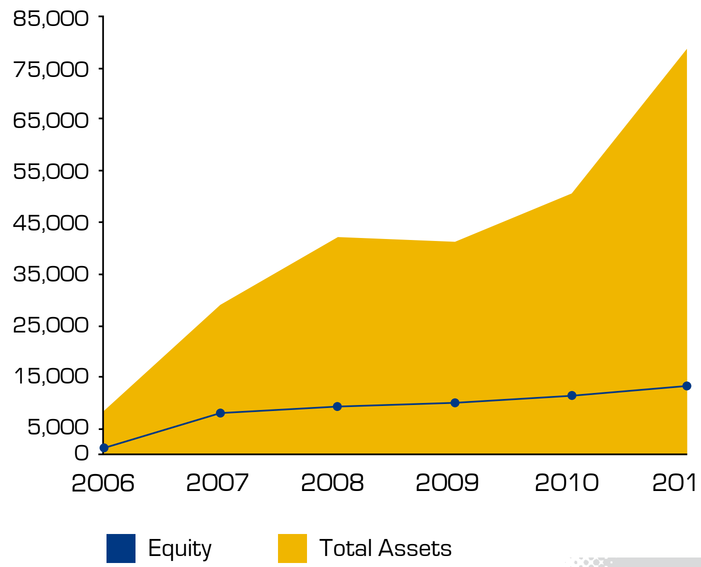
THE PATTERN OF STEADY GROWTH CONTINUED IN 2011

	2004	2005	2006	2007	2008	2009	2010	**2011**	**CAGR***
TOTAL CLIENTS	8,591	12,221	21,803	40,326	70,812	99,386	119,396	**137,310**	49%
LOAN PORTFOLIO (USD MLN)	3.2	3.8	7.1	21.6	28.4	30.5	41.6	**59.7**	52%
PORTFOLIO AT RISK	0.9%	0.8%	0.4%	0.2%	0.5%	0.5%	0.3%	**0.3%**	
# OF STAFF	151	138	173	503	801	835	929	**1,038**	32%
# OF OFFICES	32	29	42	56	81	82	92	**157**	26%

INCOME (000s USD $)



ASSETS (000s USD $)



*__CAGR – Compound Average Growth Interest Rate__, *calculated as ((Portfolio 2011 / Portfolio 2004)^(1/7)–1)*

DEVELOPMENT IN BRIEF

Our clients – and their neighbors – can access our development programs in two ways. First, through attending initiative trainings. These are multi–week planned courses on a range of sustainable development topics, from animal care to greenhouse planting. Second, our current clients can consult directly with our development specialists in Kompanion sub–offices.

Clients can also apply for discounted initiative–related loans once they are ready to apply what they've learned in the trainings.

INITIATIVE TRAINING ATTENDEES

3081 UNIQUE PARTICIPANTS

1648	ECO–GARDEN
1263	LIVESTOCK MANAGEMENT
63	GARDEN IN A BOX
59	CELLAR*
25	ECO–TOILET

*Cellars are where households store their harvests. good cellar management ensures household food security and keeps stock market–ready.

NUMBER OF VILLAGES BY INITIATIVE

96 TOTAL VILLAGES

42	ECO–GARDEN
42	LIVESTOCK MANAGEMENT
4	GARDEN IN A BOX
3	GREENHOUSES
3	CELLAR
2	ECO–TOILET

INITIATIVE LOANS

212 TOTAL RECIPIENTS

100	LIVESTOCK
86	ECO–GARDEN
18	ECO–STOVES (PLUS 3 KINDERGARDENS)
4	GREENHOUSES
4	GARDEN IN A BOX

REFLECTIONS ON A JOURNEY

Last year we profiled Gulhan Sadykova, a mother of eight who works in the small southern town of Bazaar Korgon. Gulhan had the opportunity to travel to Brussels as an invitee of Incofin, one of Kompanion's socially–oriented investors.

Gulhan said her inner world changed totally because of the trip – not only because of the chance to see new places she never thought she would see, and to meet new people from all walks of life, but also the chance to tell her own story. She had never given a public speech before her Incofin presentation.

As for life back home, 2011 was a very positive year, professionally and personally. In fact, Gulhan achieved her biggest dream – she finished building a house for herself and her family.

Gulhan has restored her life and built assets through careful and wise household financial management. She has been able to do this through a combination of debt and savings. She is a clear example of the positive benefits microcredit can have on a customer.

As Gulhan looks to the future, she has a few projects in mind: to enlarge her house, to pay for her daughters' marriage, and, eventually to save enough money to visit Mecca. And, Kompanion will continue to be her companion.

GULHAN HAS RESTORED HER LIVELIHOOD AND BUILT ASSETS THROUGH CAREFUL AND WISE HOUSEHOLD FINANCIAL MANAGEMENT.

Ayjamal

Dildorbek

Hamrohon

REBUILDING AFTER THE CRISIS

Two cafes looted and burned – one Uzbek, one Kyrgyz. Animals stolen. A husband injured. A school training seamstresses and mechanics burned to the ground. A wedding planner with no weddings to plan.

These are some of the experiences of those affected by violence in Kyrgyzstan in June 2010. As we reported in these pages last year, in the immediate aftermath, Kompanion worked with its founder Mercy Corps to provide debt restructuring and, in some cases, equity grants to those affected by the violence. Now after almost two years, we visited recipients of the grants to see how things are going.

Ayjamal runs a *magazin* – a general store where she sells everything from food to cleaning supplies. She apologizes for the mess as she is headed to the bazaar soon. After her business was destroyed, neither she nor her husband worked for three months. It was the grant money they relied on to keep going and start to rebuild. Now business is good.

Dildorbek used to be a wedding planner before the events of 2010, but business was, not surprisingly, depressed after the violence. With his grant, Dildorbek started a bird breeding business that quickly grew into a full service pet shop. But now, Dildorbek is in an entirely new sector. He sold all his birds and pet supplies and invested in computer equipment. He laughingly compares his new trade to the pet business: computers, though troublesome, tend to die less often. He sells time on the internet, and for gaming, copies CDs, and prints and formats documents.

He says business is going well – and everyone in the neighborhood knows where to find him, despite his unmarked door.

Hamrohon and his wife Tavakel train students for certification in automotive repair and sewing. Their apprentices, who take initial courses of about 3 months duration, serve clients directly as they learn their trade.

In 2010, their entire building was burned – only the ground beneath it remained. The starting capital to rebuild everything came from Kompanion's grant. Today they have six employees and 25 students.

Most agree that the business environment is challenging, but in 2011 things started to normalize.

Ayparcha makes vibrant, decorative cloth pillows called *toshok*, which people sit on while eating and relaxing at home.

With her grant, she purchased a sewing machine and new materials. Although business was difficult, Ayparcha kept building it, in part with loans from Kompanion, so that "now we are standing strong on our feet."

"WE ARE STANDING STRONG ON OUR FEET."

Ayparcha's neighbor, Torgondu , lost her cafe in the violence. For her, recovery has been slower. When the violence ended, she had only her bathrobe, and her husband was injured. Her cafe was looted and the few animals she kept at that time were stolen. Though she has received assistance from other sources, "Kompanion was here first."

With her grant, she invested in four sheep. Through selling and reinvesting, she now has twenty. Now, she says, "We just hope for peace."

A return to normalcy has also been slow for Baktiar, who runs a cafe with his family. Everything was burned in 2010 and has had to be rebuilt – sometimes literally: instead of buying chairs and tables, the family built them. Though generally business is going well, it still hasn't recovered to what it was before.

There is no magic solution to rebuilding after crisis. That is why Kompanion's community involvement includes providing support immediately.

Ayparcha

Torgondu

Baktiar

PARALLEL LOANS AND OVER–INDEBTEDNESS: VIEWS FROM TWO BORROWERS

Seilkan is a trader in Osh bazaar – she mainly sells candy. She has taken loans from large microfinance institutions in Kyrgyzstan including Kompanion. Currently Seilkan has outstanding loans from different institutions. She said only once has she been late with a payment. That was many years ago – and it hasn't happened since. She said her current two loans are not only manageable, but necessary for her business. "30,000 KGS only buys 10 boxes of candy, and my turnover is much higher than that. I need the two loans in order to buy the stock to keep the business running."

Seilkan said her best advice to people taking out their first loan is to "direct your money to your business, not your daily expenses." She also told us that when adding new products to her store, she always starts small – scaling up only when its clear there is demand.

But over–indebtedness is a real problem, and while Seilkan is managing her multiple loans, many people are not. Venera was a successful exporter and felt that taking out multiple loans supported the seemingly unending growth in her business. But things changed and now she's selling groceries in a Bishkek bazaar. "You can't imagine how much debt I have," she softly declares. "Every week there is a payment due."

> "DIRECT YOUR MONEY TO YOUR BUSINESS, NOT YOUR DAILY EXPENSES."

It is clear how overwhelming this situation is to Venera and her family. She said loan officers did ask her about her debt levels, but her business was doing well at the time she took out the loans and she said her cash flow could comfortably support the debt. She now feels she was overconfident. "People are always optimistic, and we never expect the worst case scenario. Now I'm a different person – I do anticipate that things might go wrong."

Venera says she would advise people considering loans to plan ahead carefully, and to be realistic both about their current situation and about how things might change in the future. "We are all running after money... thinking about money. We forget about being human." While Venera has plans to go to Russia and work, she says she doesn't want to run out on her debts, and feels she must show her children how to act responsibly. "I'm not the only one in this situation," she says. Currently, Kompanion is working with Venera on a debt restructure which includes debt relief.

WHAT WE'RE DOING

OVER–INDEBTEDNESS IS A PROBLEM. ONE OF KOMPANION'S LOAN OFFICERS: "HIGH DEBT LEVELS ARE MUCH MORE NOTICEABLE THAN THREE YEARS AGO. NOW WE ENCOUNTER WHOLE GROUPS WITH MULTIPLE LOANS, WHICH WE NEVER SAW BEFORE."

Kompanion took action in 2011 – and will take further action in 2012 – to address this problem:

- We conducted a roundtable on over–indebtedness – asking the best loan officers from each region to discuss over–indebtedness and solutions.
- We negotiated a better price from the credit bureau and now pull credit reports on every borrower.
- We placed an internal limit on the number of loans per person, capping it at 3 loans or no more than 300,000 KGS in total.
- We created a pamphlet for clients with information about the dangers of over–indebtedness.
- We pledged to uphold the SMART campaign and incorporated client protection principles in our work plans and audit programs.
- In 2012, Kompanion will have a SMART audit.
- In 2012, we will complete a training of trainers – for credit administrators and key loan officers in every branch – on recognizing over–indebtedness and better understanding our clients' financial lives. Our loan officers will then pass this knowledge on to clients.

KOMPANION FINANCIAL GROUP
MICROFINANCE CLOSED JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011**

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Kompanion Financial Group Microfinance Closed Joint Stock Company and its subsidiaries ("the Group") as at 31 December 2011, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Kyrgyz legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2011 were approved by the Group's management on 30 March 2012.

On behalf of the Management:

Ulanbek Termechikov
Chief Executive Officer

30 March 2012
Bishkek, Kyrgyz Republic

Ainura Bakirova
Chief Accountant

30 March 2012
Bishkek, Kyrgyz Republic

The notes on pages 8–39 form an integral part of these financial statements.

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte & Touche, LLC
504 room, 109/1
Turusbekova Street,
Bishkek, 720001, Kyrgyz Republic

Tel: +996 (312) 39 40 80
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www.deloitte.kg

To the Board of Directors of Kompanion Financial Group Microfinance Closed Joint Stock Company.

We have audited the accompanying consolidated financial statements of Kompanion Financial Group Microfinance Closed Joint Stock Company and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche

30 March 2012
Bishkek, Kyrgyz Republic

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousand of KGS)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest income	3, 20	1,192,950	889,321
Interest expense	3	(243,973)	(167,114)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		**948,977**	**722,207**
Provision for impairment losses on interest bearing assets	4	(27,057)	(108,009)
NET INTEREST INCOME		**921,920**	**614,198**
Net (loss)/gain on operations with financial assets at fair value through profit or loss		(102,144)	48,117
Net foreign exchange gain/(loss)	5	15,172	(85,983)
Provision for impairment losses on other assets	4	(4,145)	(4,126)
Fee and commission expense		(5,951)	(3,910)
Other (expense)/income	20	(7,589)	12,463
NET NON-INTEREST EXPENSE		**(104,657)**	**(33,439)**
OPERATING INCOME		**817,263**	**580,759**
OPERATING EXPENSES	6, 20	**(627,263)**	**(462,773)**
PROFIT BEFORE INCOME TAX		**190,000**	**117,986**
Income tax expense	7	(24,554)	(16,760)
NET PROFIT		**165,446**	**101,226**
TOTAL COMPREHENSIVE INCOME		**165,446**	**101,226**

On behalf of the Management:

Ulanbek Termechikov
Chief Executive Officer

30 March 2012
Bishkek, Kyrgyz Republic

Ainura Bakirova
Chief Accountant

30 March 2012
Bishkek, Kyrgyz Republic

The notes on pages 8-39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
(in thousand of KGS)

	Notes	31 December 2011	31 December 2010
ASSETS:			
Cash	8	1	-
Due from banks and other financial institutions	9, 20	402,623	200,299
Financial assets at fair value through profit or loss	12	112,247	105,031
Loans to customers	10	2,678,322	1,866,135
Property, equipment and intangible assets	11	201,632	128,996
Other assets	13	43,808	54,712
TOTAL ASSETS		**3,438,633**	**2,355,173**
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and other financial institutions	14	2,308,825	1,452,498
Subordinated debt	16	283,630	286,917
Income tax liabilities	7	3,564	6,981
Other liabilities	15	146,693	78,304
TOTAL LIABILITIES		**2,742,712**	**1,824,700**
EQUITY:			
Share capital	18	530,400	265,000
Non-controlling interest	17	2	-
Reserves	22	92,568	-
Retained earnings		72,951	265,473
TOTAL EQUITY		**695,921**	**530,473**
TOTAL LIABILITIES AND EQUITY		**3,438,633**	**2,355,173**

On behalf of the Management:

Ulanbek Termechikov
Chief Executive Officer

30 March 2012
Bishkek, Kyrgyz Republic

Ainura Bakirova
Chief Accountant

30 March 2012
Bishkek, Kyrgyz Republic

The notes on pages 8-39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousand of KGS)

	Share capital	Retained earnings	Reserves	Non-controlling interest	Total equity
AS AT 31 DECEMBER 2009	**265,000**	**177,510**	**–**	**–**	**442,510**
Dividends paid	–	(13,263)	–	–	(13,263)
Profit and total comprehensive income	–	101,226	–	–	101,226
AS AT 31 DECEMBER 2010	**265,000**	**265,473**	**–**	**–**	**530,473**
Issue of ordinary shares	265,400	(265,400)	–	–	–
Profit and total comprehensive income	–	165,446	–	–	165,446
Creation of reserves (Note 22)	–	(92,568)	92,568	–	–
Non-controlling interests arising on the establishment of Subsidiary (Note 17)	–	–	–	2	2
AS AT 31 DECEMBER 2011	**530,400**	**72,951**	**92,568**	**2**	**695,921**

On behalf of the Management:

Ulanbek Termechikov
Chief Executive Officer

30 March 2012
Bishkek, Kyrgyz Republic

Ainura Bakirova
Chief Accountant

30 March 2012
Bishkek, Kyrgyz Republic

The notes on pages 8-39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousand of KGS)

	Notes	Year ended 31 Dec 2011	Year ended 31 Dec 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		190,000	117,986
Adjustments for:			
Provision for impairment losses on interest bearing assets		27,057	108,009
Provision for impairment losses on other assets		4,145	4,126
Provision/(recovery) for vacations and bonuses		37,438	(2,577)
Foreign exchange loss/(gain)		(16,151)	85,557
Net loss/(gain) of financial assets at fair value through profit or loss		102,144	(48,117)
Depreciation and amortization		34,501	18,113
Gain on disposal of property, equipment and intangible assets		(29)	(270)
Net change in accrued interest income and expense		6,719	(17,168)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**385,824**	**265,659**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks and other financial institutions		4,642	(13,626)
Loans to customers		(847,063)	(607,409)
Financial assets at fair value through profit or loss		(102,036)	(13,231)
Other assets		6,759	(43,369)
Increase in operating liabilities			
Other liabilities		33,162	25,785
CASH OUTFLOW FROM OPERATING ACTIVITIES BEFORE TAXATION		**(518,712)**	**(386,191)**
Income tax paid		(27,971)	(5,873)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(546,683)**	**(392,064)**

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM INVESTMENT ACTIVITIES:			
Purchase of property, equipment and intangible assets		(108,863)	(29,951)
Proceeds on sale of property, plant and equipment		1,757	621
NET CASH OUTFLOW FROM INVESTMENT ACTIVITIES		**(107,106)**	**(29,330)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		1,758,202	825,115
Repayments of borrowings		(895,051)	(483,328)
Dividends paid		(2,211)	(11,052)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**860,940**	**330,735**
Effect of changes in foreign exchange rate on cash and cash equivalents		(3,331)	(5,422)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**203,820**	**(96,081)**
CASH AND CASH EQUIVALENTS, AT THE BEGINNING OF THE YEAR	8	**186,407**	**282,488**
CASH AND CASH EQUIVALENTS, AT THE END OF THE YEAR	8	**390,227**	**186,407**

Interest paid and received by the Group during the year ended 31 December 2011 amounted to KGS 262,481 thousand and KGS 1,204,739 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2010 amounted to KGS 169,121 thousand and KGS 908,496 thousand, respectively.

On behalf of the Management:

Ulanbek Termechikov
Chief Executive Officer

30 March 2012
Bishkek, Kyrgyz Republic

Ainura Bakirova
Chief Accountant

30 March 2012
Bishkek, Kyrgyz Republic

The notes on pages 8–39 form an integral part of these financial statements.

1. ORGANISATION

Kompanion Financial Group Microfinance Closed Joint Stock Company ("the Group") was established in the Kyrgyz Republic in 2004 as Kompanion Financial Group Micro Credit Limited Liability Company. On 9 April 2010, the Group was reorganized into a Closed Joint Stock Company. On 29 April 2010, the Group was re-registered at the Ministry of Justice of the Kyrgyz Republic under certificate #21732-3300-AO. On 25 November 2011, the Group was re-registered at the Ministry of Justice of the Kyrgyz Republic under certificate #21732-3300-3AO. The main activity of the Group is granting microcredit loans to individuals and legal entities.

The Group is registered and located at 2/1 Jukeeva-Pudovkina St., Bishkek, Kyrgyz Republic.

The Group's operations are administered in the head office, which is located in Bishkek. As at 31 December 2011 and 2010, the Group had 13 and 12 branches in the Kyrgyz Republic, respectively.

As at 31 December 2011 and 2010, the Group had 1,075 and 929 employees, respectively.

The sole owner of the Group is an international non-governmental organization Mercy Corps ("the Founder") with headquarters in Portland, Oregon, USA and Edinburgh, Scotland.

These financial statements were approved by the management of the Group on 30 March 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousands of KGSs ("KGS"), unless otherwise stated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group maintains its accounting records in accordance with Kyrgyz legislation which stipulates preparation of financial statements in conformity with IFRS.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 23.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement ofcomprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Kompanion Financial Group Microfinance Closed Joint Stock Company ("the Company") and entities (including special purpose entities) controlled by the Company (its subsidiaries) ("the Group"). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately within equity in the consolidated statement of financial position from parent shareholders' equity.

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of revenue – other

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of comprehensive income over the remaining period of

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the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided or received.

Financial instruments

The Group recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the consolidated statement of comprehensive income.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in the consolidated statement of comprehensive income. Fair value is determined in the manner described in Note 21.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days, which may be converted to cash within a short period of time and thus are considered liquid.

Loans and receivables

Due from banks and other financial institutions, loans to customers, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short–term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re–organisation; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Write–off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated statement of comprehensive income in the period of recovery.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated statement of comprehensive income.

On derecognition of a financial asset other than it is entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in the consolidated statement of comprehensive income. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Other financial liabilities

Other financial liabilities, including due to banks and other financial institutions, and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statement of comprehensive income.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including swaps and back–to–back loans. 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. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in net (loss)/gain from financial assets and liabilities at fair value through profit or loss in the consolidated statement of comprehensive income.

Loans to customers

Loans to customers are non–derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement comprehensive income according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets, and is designed to write off assets over their useful economic lives. Depreciation and amortization is calculated on a straight line basis at the following annual prescribed rates:

Buildings	2%
Vehicles	10–17%
Furniture and office equipment	20%
Computer equipment	20%
Intangible assets	20%

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Capital expenditures for leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in the consolidated statement of comprehensive income, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operating taxes

The Kyrgyz Republic also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of comprehensive income.

Due to banks and other financial institutions and subordinated debt

Due to banks and other financial institutions and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings, using the effective interest method.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies

In preparing the consolidated financial statements, transactions in currencies other than the entity›s functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in the consolidated statement of comprehensive income in the period in which they arise.

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2011	31 December 2010
KGS/USD	46.4847	47.0992
KGS/EUR	60.0652	61.7949

Share capital

Share capital is recognized at historical cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Retirement obligations

In accordance with the requirements of the Kyrgyz legislation certain percentages of pension payments are withheld from total disbursements to staff to be transferred to state pension fund, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the state pension fund.

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The Group also has pension arrangement that provides for defined amount to be paid each year to the special fund. Upon retirement eligible employees would receive pension benefits from this fund in accordance with the amount accumulated in this fund.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment losses of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Kyrgyz Republic and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2011 and 2010, gross loans to customers totalled KGS 2,821,542 thousand and

KGS 1,971,993 thousand, respectively, and allowance for impairment losses amounted to

KGS 143,220 thousand and KGS 105,858, thousand respectively.

Adoption of new and revised standards

The Group has adopted the following new or revised standards and interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee (the IFRIC) which became effective for the Group's annual financial statement for the year ended 31 December 2011:

- IFRS 7 "Financial Instruments: Disclosures" — amendments resulting from May 2010 Annual Improvements to IFRSs: clarification of disclosures and release of requirement for disclosure regarding restructured loans;
- IAS 24 "Related Party Disclosures" — (as revised in 2010) modifies the definition of a related party and simplifies disclosures for government–related entities.

The adoption of the new or revised standards did not have any effect on the financial position or performance of the Group, and all have been retrospectively applied in compliance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", unless otherwise noted.

New and revised IFRS in issue but not yet effective

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" — amendments enhancing disclosures about transfers of financial assets [1];
- IFRS 9 "Financial Instruments" [6]
- IFRS 10 "Consolidated Financial Statements" [3];
- IFRS 11 "Joint Arrangements" [3];
- IFRS 12 "Disclosure of Interest in Other Entities" [3];
- IFRS 13 "Fair Value Measurement" [2];
- IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented [4];
- IAS 12 "Income Taxes" — Limited scope amendment (recovery of underlying assets) [5];
- IAS 27 – reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011) [3];
- IAS 28 – reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011) [3];
- IAS 32 "Financial Instruments: Presentation" and IFRS 7 – amendments which provide clarifications on the application of the offsetting rules and disclosure requirements[7].

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1 Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

3 Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).

4 Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.

5 Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.

6 Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

7 Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements – for annual periods beginning on or after 1 January 2013.

Amendments to IFRS 7 – The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS 8 with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before July 1, 2011. The Group does not expect this amendment to have a material effect on its financial position or results of operations.

IFRS 9 – issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability›s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability›s credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

The Group management anticipate that IFRS 9 that will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 10 Consolidated Financial Statements – replaces all of the guidance on control and consolidation in IAS 27 and SIC–12 by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (ie whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, the single definition of control, accompanied by extensive application guidance, is based on whether an investor has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements – replaces IAS 31 with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the 'jointly controlled assets' classification exists no more).

- In recognising their rights and obligations arising from the arrangement, the parties should no longer focus on the legal structure of the joint arrangement, but rather on how rights and obligations are shared by them.
- A joint operation gives parties to the arrangement direct rights to the assets and obligations for the liabilities. Thus, a joint operator recognises its interest based on its involvement in the joint operation (ie based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement. A party to a 'joint operation' recognises assets, liabilities, revenues and expenses arising from the arrangement.
- A joint venture gives the parties rights to the net assets or outcome (profit or loss) of the arrangement. Joint ventures are accounted for using the equity method in accordance with IAS 28 "Investments in Associates". Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. A party to a 'joint venture' recognises an investment.

IFRS 12 Disclosure of Interests in Other Entities – requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Thus, IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 28.

IAS 27 (2011) Separate Financial Statements – includes the provisions on separate financial statements that are left almost unchanged after the control provisions of IAS 27 have been replaced with the new IFRS 10.

IAS 28 (2011) Investments in Associates and Joint Ventures – now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

The Group does not expect the above amendments to have a material effect on its financial position or results of operations.

IFRS 13 Fair Value Measurement – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- defines fair value;
- sets out in a single IFRS a framework for measuring fair value;
- requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share–based payment transactions within the scope of IFRS 2 "Share–based Payment", leasing transactions within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

The Group is currently assessing the impact of the amended standard on its financial statements.

Amendments to IAS 32 Financial Instruments: Presentation – provide clarifications on the application of the offsetting rules, and focus on four main areas:

- the meaning of 'currently has a legally enforceable right of set–off'
- the application of simultaneous realisation and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

The respective amendments to the disclosure requirements in IFRS 7 *Financial Instruments: Disclosure* require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set–off associated with an entity›s recognised financial assets and recognised financial liabilities, on the Group›s financial position.

The Group is considering the impact of these amendments on the financial statements and the timing of their application.

3. NET INTEREST INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
INTEREST INCOME COMPRISES:		
Interest income on assets recorded at amortized cost comprises:		
– interest income on unimpaired financial assets	1,191,033	886,080
– interest income on individually impaired financial assets	1,917	3,241
TOTAL INTEREST INCOME	**1,192,950**	**889,321**
Interest on loans to customers, including:		
Group loans	1,172,051	873,133
Individual loans	4,137	2,214
Interest on due from banks and other financial institutions	11,068	11,592
Interest on investments held to maturity	383	–
Other interest income	5,311	2,382
TOTAL INTEREST INCOME ON FINANCIAL ASSETS RECORDED AT AMORTIZED COST	**1,192,950**	**889,321**
INTEREST EXPENSE COMPRISES:		
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expenses on due to banks and other financial institutions	214,114	134,054
Interest expense on subordinated debt	29,859	33,060
TOTAL INTEREST EXPENSE ON FINANCIAL ASSETS RECORDED AT AMORTIZED COST	**243,973**	**167,114**
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	**948,977**	**722,207**

Group loans are unsecured loans granted to groups of borrowers who sign loan agreements with joint responsibility to repay the loan.

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4. ALLOWANCE FOR IMPAIRMENT LOSSES

	Loans to customers	Due from banks and other financial institutions	Financial assets at fair value through profit or loss	Total
31 DECEMBER 2009	**70,112**	**–**	**–**	**70,112**
Provision	42,306	14,250	51,453	108,009
Write-off assets	(6,560)	–	–	(6,560)
31 DECEMBER 2010	**105,858**	**14,250**	**51,453**	**171,561**
Provision/(recovery of provision)	46,018	(2,500)	16,461	27,057
Write-off assets	(8,656)	–	–	(8,656)
31 DECEMBER 2011	**143,220**	**11,750**	**34,992**	**189,962**

	Other assets
31 DECEMBER 2009	**213**
Additional provision recognized	4,126
Write-off assets	(75)
31 DECEMBER 2010	**4,264**
Additional provision recognized	4,145
Write-off assets	(88)
31 DECEMBER 2011	**8,321**

5. NET FOREIGN EXCHANGE GAIN/(LOSS)

	Year ended 31 December 2011	Year ended 31 December 2010
Gain/(loss) from revaluation of financial assets and liabilities	16,151	(85,558)
Dealing, net	(979)	(425)
TOTAL NET FOREIGN EXCHANGE GAIN/(LOSS)	**15,172**	**(85,983)**

Derivative financial instruments are used by the Group for trading purposes and to provide economic hedges against exposures to fluctuations in foreign currency exchange rates (Note 23).

(in thousand of KGS)

6. OPERATING EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Salary and bonuses	358,318	266,564
Contributions to Social Fund of Kyrgyz Republic	51,041	46,196
Depreciation and amortization	34,501	18,113
Rent of premises	29,398	25,899
Transportation costs	29,370	26,625
Security	28,352	24,638
Communication, mail and courier expenses	15,910	7,643
Professional services	13,883	5,116
Property and equipment maintenance	13,090	3,042
Business trips and representative expenses	8,146	6,277
Advertising and subscription costs	5,603	3,681
Stationery	5,270	4,276
Utilities	4,423	2,744
Staff training	2,890	1,619
Taxes, other than income tax	664	345
Charity and sponsorship	324	1,139
Other expenses	26,080	18,856
TOTAL OPERATING EXPENSES	**627,263**	**462,773**

7. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations in the Kyrgyz Republic, which may differ from International Financial Reporting Standards. For the years ended 31 December 2011 and 2010 the income tax rate was 10%.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2011 and 2010 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2011 and 2010 comprise:

	31 December 2011	31 December 2010
DEFERRED INCOME TAX ASSETS:		
Deferred income	35,414	24,231
Vacation provision	17,953	4,678
Premiums provision	17,108	3,800
Bonuses provision	8,893	7,528
Other provisions	–	172
TOTAL DEFERRED INCOME TAX ASSETS	**79,368**	**40,409**
DEFERRED INCOME TAX LIABILITIES:		
Property, equipment and intangible assets	88,787	47,741
TOTAL DEFERRED INCOME TAX LIABILITIES	**88,787**	**47,741**
Net deferred income tax liabilities at the statutory rate (10%)	942	733
NET DEFERRED INCOME TAX LIABILITIES	**942**	**733**

(in thousand of KGS)

The reconciliation between tax expenses and accounting profit for the years ended 31 December 2011 and 2010 are disclosed as follows:

	Year ended 31 December 2011	Year ended 31 December 2010
PROFIT BEFORE INCOME TAX	**190,000**	**117,986**
Tax at the statutory tax rate	19,000	11,799
Tax effect of permanent differences	5,554	6,222
INCOME TAX EXPENSE	**24,554**	**16,760**
Current income tax expense	24,345	18,021
Deferred income tax expense/(benefit)	209	(1,261)
INCOME TAX EXPENSE	**24,554**	**16,760**

	2011	2010
DEFERRED INCOME TAX LIABILITIES		
Beginning of the year	733	1,994
Increase/(decrease) of deferred income tax for the year	209	(1,261)
END OF THE YEAR	**942**	**733**

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax liability	2,622	6,248
Deferred tax liability	942	733
TOTAL INCOME TAX LIABILITY	**3,564**	**6,981**

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows is composed of the following items:

	31 December 2011	31 December 2010
Cash	1	–
Due from banks (with a maturity of less than 3 months)	390,226	186,407
TOTAL CASH AND CASH EQUIVALENTS	**390,227**	**186,407**

9. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2011	31 December 2010
RSK Bank, OJSC	131,083	66,872
Demir Kyrgyz International Bank, CJSC	108,474	61,002
Kyrgyz Investment and Credit Bank, CJSC	70,033	53,507
UniCreditBank OJSC	58,117	2,861
Asian Credit Fund MCF, LLP	24,147	23,817
Bakai Bank, OJSC	20,000	–
Zalkar Bank, OJSC	1,211	4
Commercial Bank Kyrgyzstan OJSC	956	848
Aiyl Bank, OJSC	285	–
BTA Bank CJSC	60	–
Kazkommertsbank Kyrgyzstan, OJSC	3	124
Manas Bank, OJSC	2	2
Bank Asia, OJSC	2	6
Ecoislamicbank, OJSC	–	4
Amanbank, OJSC	–	13
Frontiers, CJSC	–	5,489
TOTAL DUE FROM BANKS	**414,373**	**214,549**
Less allowance for impairment loss	(11,750)	(14,250)
TOTAL DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS	**402,623**	**200,299**

As at 31 December 2011 and 2010, due from banks includes accrued interest of KGS 689 thousand and KGS 859 thousand, respectively.

10. LOANS TO CUSTOMERS

	31 December 2011	31 December 2010
Originated loans	2,821,542	1,971,993
Less allowance for impairment losses	(143,220)	(105,858)
TOTAL LOANS TO CUSTOMERS	**2,678,322**	**1,866,135**

As at 31 December 2011 and 2010, accrued interest income included in loans to customers amounted to KGS 51,638 and 41,143 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2011 and 2010 are disclosed in Note 4.

As at 31 December 2011 and 2010, loans to customers comprised of the following products:

	31 December 2011	31 December 2010
Group loans	2,805,660	1,953,961
Individual loans	15,882	18,032
	2,821,542	**1,971,993**
Less allowance for impairment losses	(143,220)	(105,858)
TOTAL LOANS TO CUSTOMERS	**2,678,322**	**1,866,135**

Group loans are unsecured loans granted to groups of borrowers who sign loan agreements with joint responsibility to repay the loan.

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The Group provides loans to customers for development of small businesses.

	31 December 2011	31 December 2010
Unsecured loans – group loans	2,806,116	1,953,961
Loans secured by various collateral – individual loans	11,698	11,901
Unsecured loans – individual loans	3,728	6,131
	2,821,542	**1,971,993**
Less allowance for impairment losses	(143,220)	(105,858)
TOTAL LOANS TO CUSTOMERS	**2,678,322**	**1,866,135**

	31 December 2011	31 December 2010
ANALYSIS BY SECTOR:		
Agriculture	2,313,664	1,272,150
Trade	451,447	548,872
Services	28,216	92,872
Manufacturing	28,215	47,493
Others	–	10,606
	2,821,542	**1,971,993**
Less allowance for impairment losses	(143,220)	(105,858)
TOTAL LOANS TO CUSTOMERS	**2,678,322**	**1,866,135**

As at 31 December 2011 and 2010, the entire loan portfolio of KGS 2,821,542 and KGS 1,971,993 thousand was disbursed to customers operating in the Kyrgyz Republic, which represents a significant geographical concentration and credit risk exposure.

As at 31 December 2011 and 2010, the Group had taken possession of collateral it held as security of KGS 356 thousand and KGS 242 thousand, respectively.

(in thousand of KGS)

11. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Leasehold improve-ments	Furniture and office equipment	Computer equipment	Vehicles	Intangible assets	Construction in progress	Total
AT COST									
31 DECEMBER 2009	–	**60,601**	**684**	**20,382**	**27,232**	**21,475**	**18,274**	**270**	**148,918**
Additions	–	1,178	656	4,882	5,991	1,969	15,273	2	29,951
Disposals	–	–	(3)	(738)	(1,498)	–	–	–	(2,239)
Transfers	–	7	–	223	(223)	–	–	(7)	–
31 DECEMBER 2010	**–**	**61,786**	**1,337**	**24,749**	**31,502**	**23,444**	**33,547**	**265**	**176,630**
Additions	1,364	21,468	542	4,060	9,307	8,907	63,215	–	108,863
Disposals	–	–	(288)	(482)	(1,273)	(2,548)	–	–	(4,591)
Transfers	–	(4,029)		4,244	(215)	–	–	–	–
31 DECEMBER 2011	**1,364**	**79,225**	**1,591**	**32,571**	**39,321**	**29,803**	**96,762**	**265**	**280,902**
Accumulated depreciation and amortization									
31 DECEMBER 2009	**–**	**(1,633)**	**(408)**	**(7,467)**	**(10,945)**	**(4,732)**	**(6,224)**	**–**	**(31,409)**
Charge for the year	–	(1,343)	(463)	(4,203)	(5,422)	(2,285)	(4,397)	–	(18,113)
Disposals	–	–	3	513	1,372	–	–	–	1,888
Transfers	–	–	–	(11)	11	–	–	–	–
31 DECEMBER 2010	**–**	**(2,976)**	**(868)**	**(11,168)**	**(14,984)**	**(7,017)**	**(10,621)**	**–**	**(47,634)**
Charge for the year	–	(1,468)	(492)	(5,069)	(12,556)	(5,741)	(9,175)	–	(34,501)
Disposals	–	–	288	265	1,168	1,144	–	–	2,865
Transfers	–	188	–	(285)	97	–	–	–	–
31 DECEMBER 2011	**–**	**(4,256)**	**(1,072)**	**(16,257)**	**(26,275)**	**(11,614)**	**(19,796)**	**–**	**(79,270)**
NET BOOK VALUE									
31 DECEMBER 2010	**–**	**58,810**	**469**	**13,581**	**16,518**	**16,427**	**22,926**	**265**	**128,996**
31 DECEMBER 2011	**1,364**	**74,969**	**519**	**16,314**	**13,046**	**18,189**	**76,966**	**265**	**201,632**

As at 31 December 2011 and 2010, the Group did not have property and equipment that was pledged as collateral.
As at 31 December 2011 and 2010, property and equipment included fully depreciated equipment with an initial cost of KGS 30,028 thousand and KGS 76 thousand, respectively.
As at 31 December 2011 and 2010, intangible assets comprised of software.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2011			31 December 2010		
	Nominal value	Net fair value		Nominal value	Net fair value	
Derivative financial instruments		**Assets**	**Liabilities**		**Assets**	**Liabilities**
Foreign exchange swap contracts, gross	1,435,689	147,239	–	1,582,312	156,484	–
Less allowance for impairment losses		(34,992)	–		(51,453)	–
		112,247	**–**		**105,031**	**–**

As at 31 December 2011 and 2010, the Group placed US Dollar denominated non-interest deposits, foreign currency swaps amounting to KGS 1,435,689 thousand (30,885 thousand US Dollars) and KGS 1,582,312 thousand (33,595 thousand US Dollars), respectively.

The loans and foreign currency swaps in KGS from the same banks were received in the amount of KGS 1,288,450 thousand and KGS 1,425,828 thousand.

In addition to foreign currency swap agreements, derivative financial instruments include back-to-back loans, which in substance represent foreign currency swap arrangements. Back-to-back loans are agreements with commercial banks under which the Group receives a loan in KGS and places a deposit with the same bank for the equivalent (or higher) amount of USD as collateral for the loan received. Upon maturity of the loan the Group repays KGS loan and receives back the amount of deposited USD.

(in thousand of KGS)

13. OTHER ASSETS

	31 December 2011	31 December 2010
OTHER FINANCIAL ASSETS		
Spot financial instruments	464	–
Accounts receivable	190	5,025
	654	**5,025**
OTHER NON-FINANCIAL ASSETS		
Prepayments for services and property	26,035	34,971
Prepayments on taxes other than income tax	10,833	10,386
Prepaid expenses	8,178	3,212
Inventory	5,066	4,781
Foreclosed property	356	242
Other	1,007	359
	51,475	**53,951**
Less allowance for impairment losses	(8,321)	(4,264)
TOTAL OTHER ASSETS	**43,808**	**54,712**

14. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Counterparty	Currency	Interest rate	Maturity date	31 Dec 2011	31 Dec 2010
European Bank for Reconstruction & Development	KGS	3m t- bills of the Ministry of Finance of KR + 2%	31/03/2014	157,307	–
Oikocredit	KGS	6m t- bills of the Ministry of Finance of KR + 4%	22/11/2013	152,691	93,491
DWM Asset Management (SNS Institutional Microfinance Fund)	USD	6.5%	31/03/2014	140,557	–
Incofin Investment Management (Rural Impulse Fund)	USD	7.00%	18/08/2014	118,248	–
responsAbility (responsAbility Global)	USD	7.25%	08/06/2013	116,724	
Blue Orchard Finance S.A. (Dexia Microcredit Fund)	USD	9.00%	24/04/2012	106,361	143,700
Blue Orchard Finance S.A. (SICAV-SIF)	USD	6.90%	17/10/2014	93,447	–
Incofin Investment Management (VDK Spaarbank)	USD	7.00%	14/05/2013	93,156	–
Incofin Investment Management (Rural Impulse Fund)	USD	8.00%	18/08/2012	90,701	91,444
Blue Orchard Finance S.A. (Dexia Microcredit Fund)	USD	6.80%	19/02/2013	71,511	94,198
European Bank for Reconstruction and Development	KGS	3m t-bills of the Ministry of Finance of KR + 4%	31/03/2014	71,448	–
Blue Orchard Finance S.A. (Dexia Microcredit Fund)	USD	6.80%	19/03/2013	71,078	72,464
Oikocredit	KGS	6 months treasury bills of the Ministry of finance of KR + 4%	05/09/2014	70,977	–
European Bank for Reconstruction and Development	KGS	3m t-bills of the Ministry of Finance of KR + 4%	31/03/2014	70,929	–

(in thousand of KGS)

14. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Counterparty	Currency	Interest rate	Maturity date	31 Dec 2011	31 Dec 2010
Deutsche Bank	USD	7.00%	05/11/2013	70,470	71,150
Triodos Investment Management (Tranche 2)	USD	7.25%	31/03/2014	69,203	–
Triodos Investment Management (Tranche 2)	USD	7.25%	31/03/2014	69,203	–
Symbiotics (Wallberg Invest S.A. and EMF Microfinance Fund)	USD	8.00%	20/08/2012	47,822	48,408
Symbiotics (Dual Return Fund)	USD	8.00%	25/08/2012	47,770	48,408
Incofin Investment Management (Rural Impulse Fund)	USD	7.00%	08/09/2013	47,123	–
Symbiotics (Finethic Microfinance)	USD	7.25%	27/11/2012	46,824	–
Symbiotics	USD	7.25%	03/06/2012	46,764	47,379
Symbiotics (Dual Return Fund)	USD	7.50%	06/12/2012	46,716	–
Blue Orchard Finance S.A. (Dexia Microcredit Fund)	USD	9.00%	20/06/2012	46,612	72,309
responsAbility (Res_Natixis Impact)	USD	7.00%	20/12/2013	46,575	
Symbiotics	USD	7.00%	12/05/12	36,402	36,684
Symbiotics (EMF Microfinanse Fund)	USD	7.00%	19/05/12	36,355	36,684
Symbiotics	USD	7.75%	26/05/12	35,118	35,579
Frontiers	KGS	19.00%	07/05/12	25,330	–
Symbiotics (Wallberg Invest S.A)	USD	6.60%	17/02/12	24,584	24,911
responsAbility (Credit Suisse Microfinance)	USD	6.60%	17/02/12	23,798	24,134
Symbiotics (EMF Microfinanse Fund)	USD	6.60%	17/02/12	23,798	24,134
responsAbility (responsAbility SICAV)	USD	6.60%	17/02/12	23,798	24,134
European Bank for Reconstruction and Development	USD	5.25%+6 month LIBOR	24/04/2012	23,498	72,952
ResponsAbility (responsAbility SICAV)	USD	7.25%	08/06/13	23,345	–
European Bank for Reconstruction and Development	KGS	3 months treasury bills of the Ministry of finance of KR + 2%	31/03/14	22,582	–
Oikocredit	USD	6 months treasury bills of the Ministry of finance of KR + 4%	13/09/11	–	14,326
responsAbility (SICAV)	USD	9.50%	19/05/11	–	11,868
responsAbility (Credit Suisse Microfinance)	USD	9.50%	20/05/11	–	59,340
Symbiotics (Finethik Microfinance)	USD	9.50%	23/05/11	–	35,604
Symbiotics (Dual Return Fund)	USD	9.50%	31/05/11	–	35,604
Incofin Investment Management (Rural Impulse Fund)	USD	9.50%	19/08/11	–	90,107
Microcredit Enterprises	USD	9.50%	30/09/11	–	72,327
Symbiotics	USD	7.75%	26/05/12	–	11,860
Symbiotics	USD	7.75%	27/05/12	–	59,299
Total due to banks and other financial institutions				**2,308,825**	**1,452,498**

As at 31 December 2011 and 2010, due to banks and other financial institutions include accrued interest amounting to KGS 35,464 thousand and KGS 26,132 thousand, respectively.

As at 31 December 2011 and 2010, due to banks and other financial institutions include deferred commission paid on origination of loans amounting to KGS 7,799 thousand and KGS 4,011 thousand, respectively.

The Group is required to comply with financial covenants in relation to borrowed funds disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2011 and 2010.

(in thousand of KGS)

15. OTHER LIABILITIES

	31 December 2011	31 December 2010
OTHER FINANCIAL LIABILITIES		
Accounts payable for services and goods	**1,571**	**4,354**
OTHER NON-FINANCIAL LIABILITIES		
Deferred income	35,374	24,231
Provision for vacation and bonuses to employees	49,696	16,006
Provision for court filings	20,000	–
Taxes payable, other than income tax	15,694	15,459
Short-term liabilities within Community Development Initiative project	10,188	12,031
Provision for pension scheme	3,748	–
Dividends payable	–	2,211
Other	10,422	4,012
	145,122	**73,950**
TOTAL OTHER LIABILITIES	**146,693**	**78,304**

16. SUBORDINATED DEBT

Counterparty	Currency	Maturity date year	Interest rate %	31 Dec 2011	31 Dec 2010
Deutsche Bank	USD	31/12/2014	10.50%	283,630	286,917

As at 31 December 2011 and 2010, subordinated debt to Deutsche Bank included accrued interest expense amounting to KGS 2,541 and 2,502 thousand, respectively.

As at 31 December 2011 and 2010, subordinated debt to Deutsche Bank include deferredcommission paid on origination of loans amounting to KGS 1,125 thousand and 1,530 thousand, respectively.

17. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 Dec 2011	31 Dec 2010
MCC Kompanion Invest, LLC	Alternative financing	Kyrgyzstan	99.99%	–
MCC Kompanion, LLC	Microlending	Tajikistan	90%	–

MCC Kompanion Invest, LLC
MCC Kompanion Invest, LLC obtained certificate of state registration in Ministry of Justice of the Kyrgyz Republic on 1 November 2011 and certificate from the National Bank of the KR on 21 November 2011.

MCC Kompanion, LLC
MCC Kompanion,LLC obtained certificate of state registration in Tax authorities of the Republic of Tajikistan on 18 July 2011. The license of the National Bank of Tajikistan has not been obtained as at 31 December 2011 by MCC Kompanion,LLC.

Non-controlling interests
During 2011, the Group disclosed non-controlling interest in its subsidiary MCC Kompanion Invest.
Non-controlling interests comprise:

	Year ended 31 Dec, 2011	Year ended 31 Dec, 2010
Balance at beginning of year	–	–
Share of profit for the year	–	–
Non-controlling interests arising on establishment of subsidiary	2	–
Balance at end of year	**2**	**–**

(in thousand of KGS)

18. SHARE CAPITAL

As at 31 December 2011 and 2010, the Group's authorized and paid share capital amounted to

KGS 530,400 thousand and KGS 265,000 thousand, respectively.

During 2011, the Group reinvested retained earnings in the amount of KGS 265,400 to share capital.

During 2010, the Group declared and paid to the Group's Founder dividends in the amount of KGS 13,263 thousand and KGS 11,052 thousand, respectively.

19. FINANCIAL COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2011 and 2010, the Group had no material commitments for capital expenditure.

Operating lease commitments

As at 31 December 2011 and 2010, the Group had no material commitments under non-cancellable operating leases.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. As at 31 December 2011 the Group's management estimates contingent liabilities in the amount of KGS 60,000 thousand for possible future court claims against the Group. As at 31 December 2011 provision for such court claims was recognized in the amount of KGS 20,000 thousand (Note 15). Management believes that disclosure of full information as required by IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" may prejudice the position of the Group in such disputes, and decides not to disclose as permitted by IAS 37.

Taxes

Commercial legislation of the Kyrgyz Republic and countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Operating environment

The Group's principal business activities are within Kyrgyz Republic. Emerging markets such as Kyrgyz Republic are subject to different risks than in more developed markets, including economic, political and social, and legal and legislative risks. As has

happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kyrgyz Republic and its economy in general.

Laws and regulations affecting businesses in Kyrgyz Republic continue to change rapidly. Tax, currency and customs legislation within Kyrgyz Republic are subject to varying interpretations, and other legal and

fiscal impediments contribute to the challenges faced by entities currently operating in Kyrgyz Republic. The future economic direction of Kyrgyz Republic is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with development in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kyrgyz Republic's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

20. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is paid to the substance of the relationship rather than only their legal status. The Group had the following transactions outstanding with related parties:

	31 December 2011		31 December 2010	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Due from banks and other financial institutions	23,793	402,623	23,817	200,299

Included in the consolidated statement of comprehensive income for the years ended 31 December 2011 and 2010 there are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	3,754	1,192,950	516	889,321
Operating expenses	11,784	(633,214)	(600)	(462,773)
Other (expense) income	–	(7,589)	11,796	12,463
KEY MANAGEMENT PERSONNEL COMPENSATION				
– short term employee benefit	10,880	409,359	11,956	312,760

(in thousand of KGS)

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The Group uses the following hierarchy in analysis of financial instruments that are measured subsequent to initial recognition at fair value, based on the degree to which the fair value is observable:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value.

The table below summarizes the Group's financial assets held at fair value by valuation methodology at 31 December 2011 and 2010, respectively:

Category as per the statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Internal models (unobservable inputs) (Level 3)	31 December 2010 Total
ASSETS:					
Financial assets at fair value through profit or loss	Foreign exchange contracts	–	112,247	–	112,247

Category as per the statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Internal models (unobservable inputs) (Level 3)	31 December 2010 Total
ASSETS:					
Financial assets at fair value through profit or loss	Foreign exchange contracts	–	105,031	–	105,031

As no readily available market exists for other financial instruments held by the Group, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The Group's management estimates that the carrying value of all assets and liabilities approximates their fair value.

22. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of equity attributable to the Founder, comprising issued capital and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

During the year ended 31 December 2011, the Group decided to reserve KGS 92,568 thousand from retained earnings to mitigate the possible future losses from unfavorable foreign exchange rate fluctuations.

23. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are:

- Credit risk
- Operational risk
- Liquidity risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives.

Risk management policies and procedures

The Group's risk management policies aim to identify, analyze and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Group has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. Each department is responsible for direct management of the relevant risks, and together with the legal department continuously monitor compliance with currently effective legislation.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of different committees.

Both external and internal risk factors are identified and managed throughout the Group's organizational structure.

Through the risk management framework, the Group manages the following risks: :

Credit risk

The Group is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Group's Management. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the Branch Management. Daily risk management is performed by the Credit Administration Department.

The Group has developed policies and procedures for the management of credit exposures including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Group's credit risk. The Group's credit policy is reviewed and approved by the Board of Directors. The Group establishes limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to industry segments. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Operational risk

The Group is exposed to operational risk which is the risk of losses that can be a result of any system inefficiencies or breaks of internal process, systems, presence of human error or effect of any external negative factor.

The Group's risk management policies are designed to identify and analyze this risk to set appropriate risk limits and controls.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets and contingent liabilities. For financial assets in the consolidated statement of financial position, the maximum exposure equals to the carrying amount value of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets contingent liabilities, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

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	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 Dec 2011 Net exposure after offset and collateral
Cash	1	–	1		1
Due from banks and other financial institutions	402,623	–	402,623	–	402,623
Loans to customers	2,678,322	–	2,678,322	11,698	2,666,624
Financial assets at fair value through profit and loss	112,247	–	112,247	–	112,247
Other financial assets	654	–	654	–	654

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 Dec 2010 Net exposure after offset and collateral
Due from banks and other financial institutions	200,299	–	200,299	–	200,299
Loans to customers	1,866,135	–	1,866,135	11,901	1,854,234
Financial assets at fair value through profit and loss	105,031	–	105,031	–	105,031
Other financial assets	5,025	–	5,025	–	5,025

As at 31 December 2011 and 2010, the Group did not hold any international rated financial assets.

The banking industry is generally exposed to credit risk through its financial assets and loans to customers. The credit risk exposure of the Group is concentrated within the Kyrgyz Republic. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's credit and risk management policy are not breached.

In determining the credit risk of financial assets which do not have ratings, the Group uses internal scoring models based on risk ranking criteria. The scoring model takes into consideration the financial performance of the borrower, the ability of repayment and any delays in repayment and the collateral pledged against any borrowings. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

The Group manages redit risk of financial assets by use of an internal rating system. Loans are classified based on internal evaluations and other analytical procedures, branches and Credit Administration Department classify loans according to their risk and the risk of potential losses, with classifications subject to the approval of the Credit Committee.

Standard loans

The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Group has confidence that the borrower will be able to cope with such (temporary) difficulties. Interest and principal are repaid in full and in a timely fashion or principal and/or interest are overdue for no more than 30 days. The borrower is considered as having the ability to repay the loan in accordance with its terms and conditions.

Doubtful 1st category

There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. Key characteristics are overdue amounts from 31 to 90 days, prolongation of loan, or the repayment of the loan depends to an extent on the realization of collateral. The amount of collateral is sufficient to cover principal amount, interest income accrued, and expenses related to the sale of collateral.

Doubtful 2nd category

The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The possibility of loss of doubtful assets is very high, but due to several specific expected factors, that could improve the quality of asset, its classification as loss is deferred until a more precise assessment can be performed. Key characteristics are overdue amounts from 91 to 180 days, or the quality of collateral has deteriorated since origination or it is absent.

Losses

In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt. Key characteristics are overdue amounts over 180 days, prolongation over 3 times or inability or refusal of the client to repay the loan, or absence of the borrower. Once all legal measures to recover the loan have been exhausted, the loan is accounted for as off-balance for at least five years in case of possible repayment.

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The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

		Financial assets past due and unimpaired				Financial assets that have been impaired	31 December 2010
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**		**Total**
Cash	1	–	–	–	–	–	1
Due from banks and other financial institutions	402,623	–	–	–	–	–	402,623
Loans to customers	2,674,145	–	–	–	–	4,177	2,678,322
Financial assets at fair value through profit and loss	112,247	–	–	–	–	–	112,247
Other financial assets	654	–	–	–	–	–	654

		Financial assets past due and unimpaired				Financial assets that have been impaired	31 December 2009
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**		**Total**
Due from banks and other financial institutions	200,299	–	–	–	–	–	200,299
Loans to customers	1,859,539	–	–	–	–	6,596	1,866,135
Financial assets at fair value through profit and loss	105,031	–	–	–	–	–	105,031
Other financial assets	5,025	–	–	–	–	–	5,025

Geographical concentration

The Planning and Analysis Department exercises control over the risk related to changes in the legislation and regulatory arena and assess its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Kyrgyz Republic.

The geographical concentration of assets and liabilities is shown below:

	Kyrgyz Republic	OECD Countries	CIS countries	31 December 2010 Total
FINANCIAL ASSETS:				
Cash	1	–	–	1
Due from banks and other financial institutions	390,226	–	12,397	402,623
Loans to customers	2,678,322	–	–	2,678,322
Financial assets at fair value through profit and loss	112,247	–	–	112,247
Other financial assets	654	–	–	654
TOTAL FINANCIAL ASSETS	**3,181,450**	**–**	**12,397**	**3,193,847**
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	25,330	2,283,495	–	2,308,825
Subordinated debt	–	283,630	–	283,630
Other financial liabilities	1,571	–	–	1,571
TOTAL FINANCIAL LIABILITIES	**26,901**	**2,567,125**	**–**	**2,594,026**
NET POSITION	**3,154,549**	**(2,567,125)**	**12,397**	

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	Kyrgyz Republic	OECD Countries	CIS C ountries	31 December 2010 Total
FINANCIAL ASSETS:				
Due from banks and other financial institutions	190,732	–	9,567	200,299
Loans to customers	1,866,135	–	–	1,866,135
Financial assets at fair value through profit and loss	105,031	–	–	105,031
Other financial assets	5,025	–	–	5,025
TOTAL FINANCIAL ASSETS	**2,166,923**	**–**	**9,567**	**2,176,420**
FINANCIAL LIABILITIES:				
Due to banks and other financial institutions	–	1,452,498	–	1,452,498
Subordinated debt	–	286,917	–	286,917
Other financial liabilities	4,354	–	–	4,354
TOTAL FINANCIAL LIABILITIES	**4,354**	**1,739,415**	**–**	**1,743,769**
NET POSITION	**2,162,569**	**(1,739,415)**	**9,567**	

Liquidity risk

Liquidity risk refers to availability of funds to repay liabilities as they fall due and meeting the demand in cash in the process of crediting customers.

The Management controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Chief Financial Officer, which supports current liquidity on sufficient level to minimize the liquidity risk.

The analysis of interest rate and liquidity risk is presented in the following table:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 Total
FINANCIAL ASSETS:						
Due from banks and other financial institutions	22,600	–	–	12,397	–	34,997
Loans to customers	43,785	298,570	2,326,196	5,942	3,829	2,678,322
Financial assets at fair value through profit and loss	5,647	31,490	60,696	14,414	–	112,247
Total interest bearing financial assets	72,032	330,060	2,386,892	32,753	3,829	2,825,566
Cash	1	–	–	–	–	1
Due from banks and other financial institutions	367,626	–	–	–	–	367,626
Other financial assets	654	–	–	–	–	654
TOTAL FINANCIAL ASSETS	**440,313**	**330,060**	**2,386,892**	**32,753**	**3,829**	**3,193,847**
FINANCIAL LIABILITIES:						
Due to banks and financial institutions	–	95,979	636,272	1,576,574	–	2,308,825
Subordinated debt	–	–	–	283,630	–	283,630
Total interest bearing financial liabilities	–	95,979	636,272	1,860,204	–	2,592,455
Other financial liabilities	1,571	–	–	–	–	1,571
TOTAL FINANCIAL LIABILITIES	**1,571**	**95,979**	**636,272**	**1,860,204**	**–**	**2,594,026**
Liquidity gap	438,742	234,081	1,750,620	(1,827,451)	3,829	
Interest sensitivity gap	72,032	234,081	1,750,620	(1,827,451)	3,829	
Cumulative interest sensitivity gap	72,032	306,113	2,056,733	229,282	233,111	
Cumulative interest sensitivity gap as a percentage of total assets	2%	9%	60%	7%	7%	

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	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2010 Total
FINANCIAL ASSETS:						
Due from banks and other financial institutions	1,164	–	14,250	–	–	15,414
Loans to customers	155,412	203,628	1,476,485	28,757	1,853	1,866,135
Financial assets at fair value through profit and loss	–	43,477	60,620	934	–	105,031
Total interest bearing financial assets	156,576	247,105	1,551,355	29,691	1,853	1,986,580
Due from banks and other financial institutions	184,885	–	–	–	–	184,885
Other financial assets	5,025	–	–	–	–	5,025
TOTAL FINANCIAL ASSETS	**346,486**	**247,105**	**1,551,355**	**29,691**	**1,853**	**2,176,490**
FINANCIAL LIABILITIES:						
Due to banks and other financial institutions	73,231	–	244,519	1,134,748	–	1,452,498
Subordinated debt	–	–	–	286,917	–	286,917
Total interest bearing financial liabilities	73,231	–	244,519	1,421,665	–	1,739,415
Other financial liabilities	4,354	–	–	–	–	4,354
TOTAL FINANCIAL LIABILITIES	**77,585**	**–**	**244,519**	**1,421,665**	**–**	**1,743,769**
Liquidity gap	268,901	247,105	1,306,836	(1,391,974)	1,853	
Interest sensitivity gap	83,345	247,105	1,306,836	(1,391,974)	1,853	
Cumulative interest sensitivity gap	83,345	330,450	1,637,286	245,312	247,165	
Cumulative interest sensitivity gap as a percentage of total assets	4%	15%	75%	11%	11%	

Substantially all of the Group's interests earning assets are at fixed rates of interest and interest bearing liabilities are at both fixed and floating rates.

Asset and liability maturity periods and the ability to replace interest liabilities at an acceptable cost when they mature are crucial in determining the Group's liquidity and its susceptibility to fluctuation of interest rates and exchange rates.

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the consolidated statement of financial position on an undiscounted basis.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 Dec 2011 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	8.64%	–	93,789	652,647	1,882,388	–	2,628,824
Subordinated debt	10.50%	–	14,757	14,757	386,429	–	415,943
TOTAL FINANCIAL LIABILITIES		**–**	**108,546**	**667,404**	**2,268,817**	**–**	**3,044,767**

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 Dec 2010 Total
FINANCIAL LIABILITIES							
Due to banks and other financial institutions	8.42%	429,353	7,214	447,764	872,148	–	1,756,479
Subordinated debt	10.50%	–	15,063	15,063	438,546	–	468,672
TOTAL FINANCIAL LIABILITIES		**429,353**	**22,277**	**462,827**	**1,310,694**	**–**	**2,225,151**

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Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2011.

The Group is exposed to interest rate risks as it borrows funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

Credit Administration and Treasury Departments also manage interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. Planning and Analysis Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

Interest rate sensitivity risk

The following table details the Group's sensitivity to 1% increase, decrease in interest rates in 2011 and 2010, respectively. Management of the Group believes that given the current economic conditions in the Kyrgyz Republic that a 1% increase is a realistic movement in the interest rates. This is sensitivity rate used when reporting interest rate internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding assets and liabilities with floating rates.

Impact on profit before tax based on asset values as at 31 December 2011 and 2010:

	31 December 2010		31 December 2009	
	Interest rate +1%	Interest rate –1%	Interest rate +1%	Interest rate –1%
LIABILITIES:				
Due to banks and other financial institutions	(865)	865	(159)	159
NET IMPACT ON PROFIT BEFORE TAX	**(865)**	**865**	**(159)**	**159**

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's financial position and cash flows are exposed to effects of fluctuations in foreign currency exchange rates. The management controls currency risk by management of the open currency position on the estimated basis of KGS devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its functional currency.

The Group enters into various cross currency swaps and back-to-back loans to economically hedge the currency risk exposure. The result from such transactions for the year ended

31 December 2011 and 2010 was recognized in the consolidated statement of comprehensive income account as loss of KGS 102,144 and gain of KGS 48,117, respectively.

The Company's exposure to foreign currency exchange rate risk is presented in the tables below:

	KGS	USD USD 1 = KGS 46.4847	Other currencies	31 December 2011 Total
FINANCIAL ASSETS:				
Cash	1	–	–	1
Due from banks and other financial institutions	107,748	294,684	191	402,623
Loans to customers	2,678,322	–	–	2,678,322
Financial assets at fair value through profit and loss	(903,565)	1,015,812	–	112,247
Other financial assets	(138,800)	139,454	–	654
TOTAL FINANCIAL ASSETS	**1,743,706**	**1,449,950**	**191**	**3,193,847**
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	571,264	1,737,561	–	2,308,825
Subordinated debt	–	283,630	–	283,630
Other financial liabilities	1,571	–	–	1,571
TOTAL FINANCIAL LIABILITIES	**572,835**	**2,021,191**	**–**	**2,594,026**
OPEN BALANCE SHEET POSITION	**1,170,871**	**(571,241)**	**191**	

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	KGS	USD USD 1 = KGS 47.0992	Other currencies	31 December 2011 Total
FINANCIAL ASSETS:				
Due from banks and other financial institutions	99,225	100,765	309	200,299
Loans to customers	1,866,135	–	–	1,866,135
Financial assets at fair value through profit and loss	(917,435)	1,022,466	–	105,031
Other financial assets	5,025	–	–	5,025
TOTAL FINANCIAL ASSETS	**1,052,950**	**1,123,231**	**309**	**2,176,490**
FINANCIAL LIABILITIES:				
Due to banks and financial institutions	93,750	1,358,748	–	1,452,498
Subordinated debt	–	286,917	–	286,917
Other financial liabilities	4,354	–	–	4,354
TOTAL FINANCIAL LIABILITIES	**98,104**	**1,645,665**	**–**	**1,743,769**
OPEN BALANCE SHEET POSITION	**954,846**	**(522,434)**	**309**	

The above Group's exposure to foreign currency exchange rate risk shows swap agreements on net basis, included in financial assets at fair value through profit and loss (Note 12). The gross exposure of the Group on financial assets at fair value through profit and loss is shown below:

	KGS	USD	Other currencies	Total
Financial assets at fair value through profit and loss				
31 December 2011	(1,288,450)	1,435,689	–	147,239
31 December 2010	(1,425,828)	1,582,312	–	156,484

(in thousand of KGS)

Currency risk sensitivity

The following table details the Company's sensitivity to a 10% increase and decrease in the US Dollar/KGS exchange rates in 2010 and 2009. Management of the Company believe that given the current economic conditions in the Kyrgyz Republic that a 10% decrease is a realistic movement in the Som exchange rates against the US Dollar. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in currency rates as at 31 December 2010 and 2009, respectively.

Impact on net profit based on asset values as at 31 December 2011 and 2010:

	31 December 2011 KGS/USD		**31 December 2010 KGS/USD**	
	+10%	–10%	+10%	–10%
Impact on profit and loss	(59, 845)	59,845	46,588	(46,588)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non–linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near–term market changes that cannot be predicted with any certainty.

24. SUBSEQUENT EVENTS

In January and March 2012 the Group received loans with repayment term of 2 years from financial institutions in the amount of USD 2,500,000 and KGS 46,571 thousand.

СОДЕРЖАНИЕ

МИССИЯ «КОМПАНЬОНА»

Миссия «Компаньона» – стать ведущим финансовым институтом по развитию сообществ в Центральной Азии. «Компаньон» содействует упрочению и развитию сообществ, предлагая предпринимателям и частным лицам финансовые продукты и услуги для развития.

СОВЕТ ДИРЕКТОРОВ

Кэтрин Браун, Председатель Совета директоров

Жанна Жакупова

Гейл Болл

Евгения Самарская

Робин Кюрри

Эркеайым Бияпиева

Стивен В. Зиммерман

ВКРАТЦЕ О «КОМПАНЬОНЕ»

Компаньон» был учрежден в 2004 году путем консолидации пяти микрокредитных агентств Мерсико. Свои услуги «Компаньон» предоставляет в основном сельским жителям, вовлеченным в растениеводство или животноводство.

Двойной подход «Компаньона», включающий в себя предоставление микрокредитов и основанную на научных знаниях поддержку сельского хозяйства и управление природными ресурсами, способствует построению здоровых и финансово стабильных источников дохода для клиентов по всему Кыргызстану.

Учредитель «Компаньона», Мерсико, работает там, где происходят бедствия, конфликты, существует хроническая бедность и нестаби льность, чтобы помочь людям раскрыть свой потенциал и преодолеть даже самое крайнее социальное неравенство. «Компаньон» представляет собой кульминацию 15–тилетней работы Мерсико в области микрокредитования в Кыргызстане.

Мерсико намеревается оставить «Компаньон» как наследие людям Кыргызстана.

В 2004 году «Компаньон» начал свою деятельность, имея в своей клиентской базе всего 8 700 заемщиков, и с тех пор выдал кредиты на сумму около 382млн. долларов США 712 тыс. клиентам. Десятки тысяч жителей сельских и городских районов по всему Кыргызстану пользуются программами развития и консультациями «Компаньона», которые способствуют созданию устойчивого сельского хозяйства, продуктивного животноводства и т.д.

В дополнение к финансовым услугам, комбинированным с услугами по развитию сообществ, мы в настоящее время создаем систему оценки воздействия для того, чтобы получить более ясную картину о наших успехах и выделить те аспекты деятельности, которые можно улучшить.

ЦЕЛИ «КОМПАНЬОНА»

- Содействовать росту микро– и малого бизнеса и поощрять социальных предпринимателей, чтобы они могли создавать возможности для себя и для других;
- Возглавить инновации социального бизнеса в Центральной Азии;
- Поддерживать сохранение природных ресурсов и содействовать практике их рационального использования клиентами и сообществами;
- Измерять успех на основе оценки воздействия;
- Помогать клиентам в создании здоровых и финансово стабильных сообществ.

Kompanion был основан MercyCorps

ОБРАЩЕНИЕ РУКОВОДСТВА

Уважаемые коллеги,

В 2011 году наблюдалось значительное ожесточение и увеличение количества дебатов о роли микрофинансирования в снижении уровня бедности. Новости о событиях в Индии и других странах создали представление о микрофинансировании, как о секторе, который приносит больше вреда, чем пользы. Мы внимательно следим за дебатами и стремимся к тому, чтобы «Компаньон» по-прежнему оставался сосредоточенным на своей миссии и приверженности клиентам, потому что мы знаем, что микрофинансирование может создавать, и создает, возможности и улучшает жизни людей, что мы подчеркиваем на следующих страницах.

Приверженность «Компаньона» выражается не только нашей работой по развитию, но и нашими усилиями в поощрении защиты клиентов, в том числе помощь клиентам избежать опасности чрезмерной задолженности. Этот вопрос рассматривается в данном отчете.

Для многих клиентов «Компаньон» играет роль моста к финансово стабильной жизни. Принципы социальной ответственности являются неотъемлемой частью деятельного наследия Мерсико в Кыргызстане. На следующих страницах мы расскажем о некоторых людях, которые получили помощь от Мерсико и «Компаньона» после межэтнических конфликтов в июне 2010 года на юге страны.

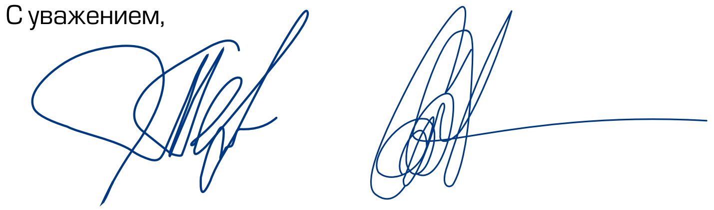
В 2011 году «Компаньон» расширил свое географическое присутствие и вдвое увеличил свои инвестиции в деятельность по развитию, включающую обучение передовому опыту в области устойчивого сельского хозяйства. Кроме того, заботясь о наших клиентах, мы снизили стоимость наших услуг, увеличив при этом эффективность работы.

В таком растущем и конкурентном рынке, как в Кыргызстане, важно, как никогда, оставаться преданным нашей основной направленности – социальному предпринимательству. Мы должны и дальше продолжать придерживаться принципов ответственности и прозрачности в нашей кредитной деятельности ради данного сектора, ради страны, и прежде всего ради наших клиентов.

Понимание оказываемого воздействия и осознание того, что можно улучшить в нашей деятельности, является ключевым аспектом нашей миссии. Таким образом, в 2011 году мы начали разрабатывать Систему измерения воздействия, которая будет полностью функциональна к концу 2012 года.

Мы благодарим наших инвесторов, партнеров, сотрудников, Совет директоров и нашего учредителя, Мерсико, за неоценимую помощь в нашем стремлении раскрыть весь потенциал сектора микрофинансирования – оказать поистине положительное влияние на жизни людей, для которых мы работаем.

С уважением,



УЛАНБЕК ТЕРМЕЧИКОВ
Председатель Правления
ЗАО МФК «Компаньон»

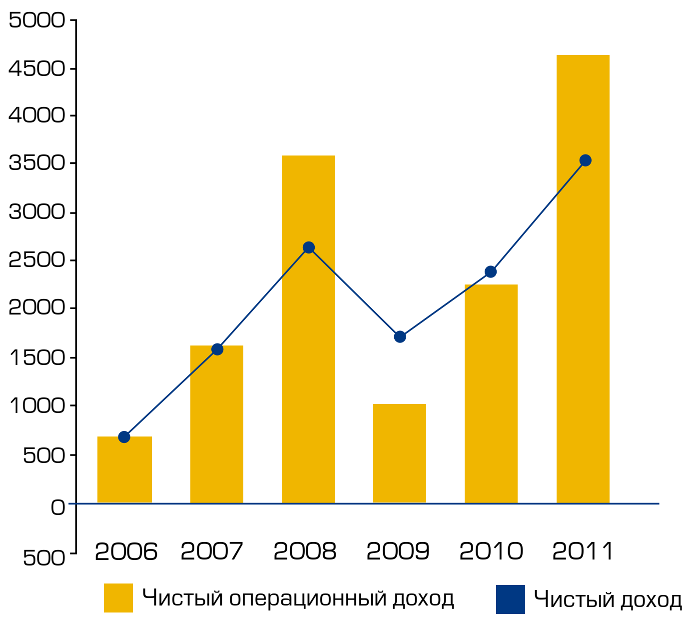
КЭТРИН БРАУН
Председатель Совета
директоров ЗАО
МФК «Компаньон»

ОБОБЩЕННАЯ ФИНАНСОВАЯ СВОДКА

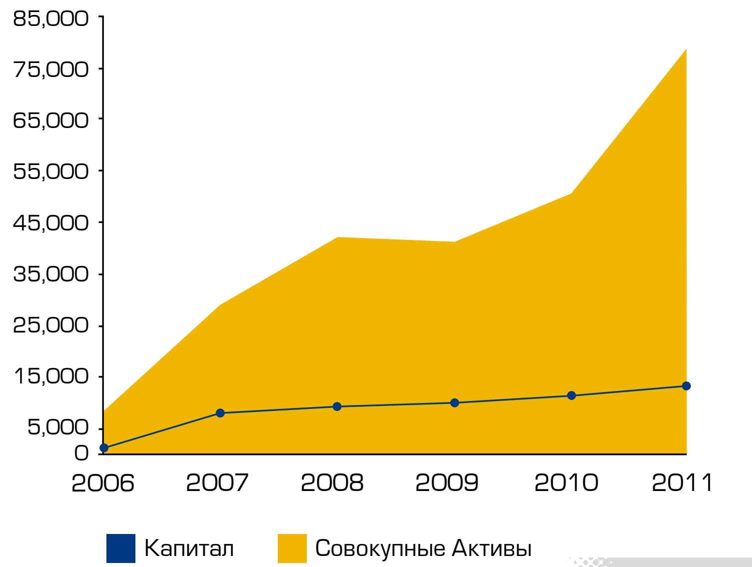
ТЕНДЕНЦИЯ УСТОЙЧИВОГО РОСТА НАБЛЮДАЛАСЬ И В 2011 ГОДУ

	2004	2005	2006	2007	2008	2009	2010	**2011**	**CAGR***
ОБЩЕЕ КОЛ-ВО КЛИЕНТОВ	8,591	12,221	21,803	40,326	70,812	99,386	119,396	**137,310**	49%
КРЕДИТНЫЙ ПОРТФЕЛЬ (МЛН $ США)	3.2	3.8	7.1	21.6	28.4	30.5	41.6	**59.7**	52%
ПОРТФЕЛЬ В РИСКЕ	0.9%	0.8%	0.4%	0.2%	0.5%	0.5%	0.3%	**0.3%**	
КОЛИЧЕСТВО СОТРУДНИКОВ	151	138	173	503	801	835	929	**1,038**	32%
КОЛИЧЕСТВО ОФИСОВ	32	29	42	56	81	82	92	**157**	26%

ДОХОД (ТЫС. ДОЛЛАРОВ США)



АКТИВЫ (ТЫС. ДОЛЛАРОВ США)



ССТР – Совокупный Среднегодовой Темп Роста,
рассчитывается по формуле:, calculated as ((Портфель 2011г./Портфель 2004г.) ^(1/7)–1)

ВКРАТЦЕ О ПРОГРАММАХ РАЗВИТИЯ

Наши клиенты и их соседи имеют два доступа к нашим программам развития. Первый – путем участия в тренингах, проводимых в рамках инициатив. Это курсы, длящиеся несколько недель и охватывающие различные темы по устойчивому развитию, начиная от ухода за животными и до выращивания овощей в парниках. Второй – непосредственные консультации с нашими специалистами по развитию в суб–офисах «Компаньона». Если клиенты, прошедшие тренинги, готовы применить полученные знания на практике, то они могут обратиться за кредитами с особыми скидками, которые выдаются в рамках инициатив.

УЧАСТНИКИ ТРЕНИНГОВ ПО ИНИЦИАТИВАМ

3081 УЧАСТНИКОВ

1648	ПО ТРЕНИНГУ «ЭКО–САД»
1263	ПО ТРЕНИНГУ «ЖИВОТНОВОДСТВО»
63	ПО ТРЕНИНГУ «САД В ЧЕМОДАНЕ»
59	ПО ТРЕНИНГУ «ПОГРЕБ»
25	ПО ТРЕНИНГУ «ЭКО–ТУАЛЕТ»

*Погреб – это место для хранения урожая. Правильная организация и содержание погреба обеспечивает семье продовольственную безопасность и сохранение урожая в товарном виде.

КОЛИЧЕСТВО СЕЛ ПО ИНИЦИАТИВАМ

96 СЕЛ–УЧАСТНИКОВ

42	ПО ТРЕНИНГУ «ЭКО–САД»
42	ПО ТРЕНИНГУ «ЖИВОТНОВОДСТВО»
4	ПО ТРЕНИНГУ «САД В ЧЕМОДАНЕ»
3	ПО ТРЕНИНГУ «ПАРНИК»
3	ПО ТРЕНИНГУ «ПОГРЕБ»
2	ПО ТРЕНИНГУ «ЭКО–ТУАЛЕТ»

КРЕДИТЫ В РАМКАХ ИНИЦИАТИВ

212 УЧАСТНИКОВ

100	ПО ТРЕНИНГУ «ЖИВОТНОВОДСТВО»
86	ПО ТРЕНИНГУ «ЭКО–САД»
18	ПО ТРЕНИНГУ «ЭКО–ПЕЧИ» (+ 3 КРЕДИТА ДЛЯ ДЕТСКИХ САДОВ)
4	ПО ТРЕНИНГУ «ПАРНИК»
4	ПО ТРЕНИНГУ «САД В ЧЕМОДАНЕ»

РАЗМЫШЛЕНИЯ ПОСЛЕ ПОЕЗДКИ

В прошлом году мы рассказывали о Гульхан Сыдыковой – матери восьмерых детей, работающей в маленьком южном городе Базар–Коргон. Тогда Гульхан представилась возможность съездить в Брюссель, будучи приглашенной одним из социально ориентированных инвесторов «Компаньона» – организацией «Инкофин».

По словам Гульхан, поездка полностью изменила ее внутренний мир. Этому способствовало не только то, что у нее был шанс посетить новые места, увидеть которые она даже не мечтала, и познакомиться с новыми людьми на самых разных общественных поприщах, но и возможность поведать свою собственную историю, ведь до выступления на встрече «Инкофин» она еще никогда не произносила речь перед публикой.

Что касается ее жизни на родине, то 2011 год был очень благоприятным, как в отношении работы, так и личной жизни, так как Гульхан наконец осуществила свою самую заветную мечту – она закончила строительство дома для себя и своей семьи.

Пережив наводнение, а затем и этнические столкновения, которые разрушили ее бизнес в 2010 году, Гульхан смогла вновь встать на ноги и создать активы посредством тщательного и обдуманного финансового управления своим домохозяйством. Удалось ей это благодаря правильному соотношению ее задолженностей и сбережений. Она – хороший пример того, насколько благоприятно могут повлиять микрокредиты на клиента.

Думая о будущем, Гульхан уже определила для себя несколько новых проектов: расширение дома, накопление сбережений для проведения свадьбы дочери, а потом и для паломничества в Мекку. И «Компаньон» продолжит оставаться ее компаньоном на пути к достижению этих целей.

ГУЛЬХАН СМОГЛА ВНОВЬ ВСТАТЬ НА НОГИ И СОЗДАТЬ АКТИВЫ ПОСРЕДСТВОМ ТЩАТЕЛЬНОГО И ОБДУМАННОГО ФИНАНСОВОГО УПРАВЛЕНИЯ СВОИМ ДОМОХОЗЯЙСТВОМ.


Айжамал


Дилдорбек


Хамрохан

ВОССТАНОВЛЕНИЕ ПОСЛЕ КРИЗИСА

Два кафе, узбекское и кыргызское, – разграблены и сожжены. Скот – похищен. Муж – ранен. Училище, где обучались на швей и механиков, – сожжено дотла. Организатор свадеб – без торжеств для организации.

Это лишь несколько примеров из опыта людей, переживших насилие в июне 2010 года. Как мы уже сообщали в прошлом году, сразу после трагических событий, «Компаньон», совместно с учредителем Mercy Corps, реструктуризировали долги по кредитам и, в некоторых случаях, предоставили денежные гранты пострадавшим. Спустя два года, мы посетили получателей грантов, чтобы узнать, как у них обстоят дела.

У Айжамал свой магазин, где она продает все от продуктов питания до чистящих и моющих средств. Собираясь на базар, она извиняется за небольшой беспорядок в магазине. После того, как был уничтожен ее бизнес, ни она, ни ее муж не работали в течение трех месяцев. Но грант помог им вновь поверить в свои силы и восстановить свой бизнес. Сейчас их бизнес процветает.

До событий 2010 года Дилдорбек был организатором свадеб, но не удивительно, что после трагических событий его бизнес пошел на спад. Благодаря гранту Дилдорбек занялся бизнесом по выращиванию птиц, который скоро перерос в настоящий зоомагазин. Но сейчас Дилдорбек вовлечен в абсолютно новый сектор. Дилдорбек продал своих птиц и все зоотовары, а вырученные средства вложил в компьютерное оборудование. Смеясь, он сравнивает зообизнес со своей новой деятельностью – компьютерами: «Пусть она и более проблематична, но уровень смертности намного ниже». За определенную плату он предоставляет жителям доступ в интернет, компьютерные игры, копирует диски, делает распечатку и редактирует документы.

По его словам бизнес идет хорошо, и все сельчане знают, где его найти, хотя на его двери нет никакой вывески.

Хамрохан и его жена Тавакел занимаются обучением молодых людей и по прохождении курса по ремонту автомобилей и шитья выдают сертификаты. Их ученики, пройдя курс в течение трех месяцев, сразу же начинают обслуживать клиентов. В 2010 году их здание было сожжено дотла.

Начальный капитал, для того, чтобы все восстановить, был получен благодаря гранту «Компаньона». Сегодня у них уже есть шесть работников и 25 учеников.

Многие согласятся с тем, что вести бизнес – это сложная задача, но в 2011 году все начало входить в свою колею.

Айпарча изготавливает яркие декоративные тушуки – предметы национальной атрибутики, на которых сидят во время трапезы или просто отдыхают.

С помощью гранта она приобрела швейную машинку и новые материалы. Несмотря на все трудности, Айпарча не останавливалась и продолжала строить свой бизнес, частично с помощью кредитов от «Компаньона» теперь она «прочно стоит на своих ногах».

Соседка Айпарчы, Торгонду, потеряла свое кафе после трагических событий и ей потребовалось больше времени, чтобы восстановить свой бизнес. После событий у нее остался только банный халат и раненный муж. Ее кафе было разграблено, а несколько голов скота – украдены. Хотя она также получила помощь из других источников, «”Компаньон” пришел на помощь первым».

«ПРОЧНО СТОИТ НА СВОИХ НОГАХ»

С помощью гранта она купила четырех овец. Благодаря продажам и реинвестированию, сейчас у нее уже 20 овец.

–Теперь, – говорит она, – мы надеемся лишь на мир и согласие.

Возвращение к нормальной жизни для Бахтияра, который вместе со своей семьей содержит кафе, тоже было очень длительным. Кафе было сожжено в 2010 году и надо было все строить заново, и в некоторых случаях в прямом смысле этого слова – вместо того, чтобы покупать новые стулья и столы, семья сама их сделала. Даже не смотря на то, что бизнес сейчас идет хорошо, восстановить его до того уровня на котором он был до событий еще не удалось.

Волшебных решений для реабилитации после кризиса не существует. По этой причине, участие «Компаньона» в жизни сообщества включает обеспечение немедленной помощи и поддержки во времена кризиса.


Айпарча


Торгонду


Бахтияр

ПАРАЛЛЕЛЬНЫЕ КРЕДИТЫ И ЧРЕЗМЕРНАЯ ЗАДОЛЖЕННОСТЬ: МНЕНИЯ ДВУХ ЗАЕМЩИКОВ

Сеилкан торгует на Ошском рынке, в основном, сладостями. Она получает кредиты от крупных микрофинансовых компаний, включая «Компаньон». В настоящее время у нее есть непогашенные кредиты в нескольких компаниях и по ее словам она лишь один раз опоздала с выплатой и такого больше не повторялось. Она говорит, что два ее текущих кредита не только управляемы, но просто необходимы для ее бизнеса. «За 30 000 сомов можно купить только 10 коробок конфет, а мой товарооборот намного больше. Два кредита мне нужны для покупки товаров и поддержания бизнеса».

Сеилкан советует людям, которые берут первый кредит «направлять деньги на бизнес, а не на покрытие ежедневных расходов». Она также сказала, что когда вводишь в оборот новые товары, необходимо начинать с малого количества и увеличивать его только тогда, когда на него есть явный спрос.

Но чрезмерная задолженность является реальной проблемой и, хотя Сеилкан справляется со своими параллельными кредитами, многие люди – не могут.

Венера была успешным коммерсантом, и ей казалось, что параллельные кредиты лишь поддержат, казалось бы, непрерывный рост ее бизнеса. Но потом все поменялось и теперь она продает продукты на одном из рынков Бишкека. «Вы не можете представить, сколько у меня долгов», – робко говорит она. – «Каждую неделю мне необходимо делать выплаты по долгам».

«НАПРАВЛЯТЬ ДЕНЬГИ НА БИЗНЕС, А НЕ НА ПОКРЫТИЕ ЕЖЕДНЕВНЫХ РАСХОДОВ»

Легко понять, насколько подавлена Венера и ее семья. По ее словам, кредитные специалисты спрашивали об уровне ее задолженности, но бизнес процветал тогда, когда она брала кредиты, и ее денежный поток мог легко покрывать ее долги. А теперь она чувствует, что была слишком в этом уверена. «Люди всегда оптимистичны и никогда не ожидают самого плохого поворота дел. Сейчас я уже другой человек, понимающий, что все может пойти не так, как ты ожидаешь».

Венера советует людям, которые хотят взять кредит, все тщательно спланировать и быть реалистичными как в отношении их нынешнего положения, так и в отношении того, как дела могут обернуться в будущем. «Все мы бежим ради денег… думая о деньгах. Мы забываем о человечности», – говорит она. Венера планирует поехать в Россию на заработки, чтобы выплатить все свои долги и показать детям, что значит ответственность. «В такой ситуации нахожусь не я одна», – говорит Венера.

В настоящее время «Компаньон» работает над реструктуризацией долга Венеры, что включает и сокращение долга.

ЧЕМ МЫ ЗАНИМАЕМСЯ

ЧРЕЗМЕРНАЯ ЗАДОЛЖЕННОСТЬ ЯВЛЯЕТСЯ РЕАЛЬНОЙ ПРОБЛЕМОЙ. «СЕЙЧАС ВЫСОКИЕ УРОВНИ ДОЛГА НАБЛЮДАЮТСЯ ЧАЩЕ, ЧЕМ ТРИ ГОДА НАЗАД. ТЕПЕРЬ МЫ ВСТРЕЧАЕМ ЦЕЛЫЕ ГРУППЫ С ПАРАЛЛЕЛЬНЫМИ КРЕДИТАМИ, ЧЕГО РАНЕЕ МЫ НИКОГДА НЕ НАБЛЮДАЛИ», – ГОВОРИТ ОДИН ИЗ КРЕДИТНЫХ СПЕЦИАЛИСТОВ «КОМПАНЬОНА».

Для решения этой проблемы в 2011 году «Компаньон» принял нижеперечисленные меры, и будет продолжать работать над этим вопросом в 2012г.:

- Мы провели круглый стол по теме чрезмерной задолженности – опросили наших лучших кредитных специалистов из каждого региона, чтобы обсудить эту проблему и найти решения.
- Мы провели переговоры с Бюро кредитных историй, добились более приемлемых цен, и теперь проверяем кредитную историю каждого заемщика.
- Мы ввели внутреннее ограничение на количество кредитов на клиента – максимум 3 кредита или кредиты на сумму не более 300тыс. сомов.
- Мы создали брошюру для клиентов с информацией об опасности чрезмерной задолженности.
- Мы обязались поддерживать SMART кампанию и включили принципы защиты клиентов в свою работу и программы аудита.
- В 2012г. Компаньон будет иметь SMART аудит.
- В 2012г. мы завершим подготовку инструкторов – кредитных администраторов и ключевых кредитных специалистов каждого филиала – по определению чрезмерной задолженности и лучшему пониманию финансовых потребностей клиентов. Наши кредитные специалисты затем передадут эти знания клиентам.

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МИКРОФИНАНСОВАЯ КОМПАНИЯ «ФИНАНСОВАЯ ГРУППА КОМПАНЬОН»

КОНСОЛИДИРОВАННАЯ ФИНАНСОВАЯ ОТЧЕТНОСТЬ ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МИКРОФИНАНСОВАЯ КОМПАНИЯ «ФИНАНСОВАЯ ГРУППА КОМПАНЬОН»

ПОДТВЕРЖДЕНИЕ РУКОВОДСТВА ОБ ОТВЕТСТВЕННОСТИ ЗА ПОДГОТОВКУ И УТВЕРЖДЕНИЕ КОНСОЛИДИРОВАННОЙ ФИНАНСОВОЙ ОТЧЕТНОСТИ ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА

Руководство отвечает за подготовку консолидированной финансовой отчетности, достоверно отражающей во всех существенных аспектах финансовое положение закрытого акционерного общества Микрофинансовая компания «Финансовая группа Компаньон» и его дочерних компаний («Группа») по состоянию на 31 декабря 2011 года, а также результаты его деятельности, движение денежных средств и изменения в капитале за год, закончившийся на указанную дату, в соответствии с Международными стандартами финансовой отчетности («МСФО»).

При подготовке финансовой отчетности руководство несет ответственность за:

- обеспечение правильного выбора и применение принципов учетной политики;
- представление информации, в т.ч. данных об учетной политике, в форме, обеспечивающей уместность, достоверность, сопоставимость и понятность такой информации;
- раскрытие дополнительной информации в случаях, когда выполнения требований МСФО оказывается недостаточно для понимания пользователями отчетности того воздействия, которое те или иные сделки, а также прочие события или условия оказывают на консолидированное финансовое положение и финансовые результаты деятельности Группы; и
- оценку способности Группы продолжать деятельность в обозримом будущем.

Руководство также несет ответственность за:

- разработку, внедрение и поддержание эффективной и надежной системы внутреннего контроля Группы;
- ведение учета в форме, позволяющей раскрыть и объяснить сделки Группы, а также предоставить на любую дату информацию достаточной точности о консолидированном финансовом положении Группы и обеспечить соответствие консолидированной финансовой отчетности требованиям МСФО;
- ведение бухгалтерского учета в соответствии с законодательством и стандартами бухгалтерского учета Кыргызской Республики;
- принятие всех разумно возможных мер по обеспечению сохранности активов Группы; и
- выявление и предотвращение фактов финансовых и прочих злоупотреблений.

Консолидированная финансовая отчетность за год, закончившийся 31 декабря 2011 года, была утверждена руководством Группы 30 марта 2012 года.

От имени руководства Группы

Уланбек Термечиков
Председатель Правления

30 марта 2012 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер

30 марта 2012 года
г. Бишкек, Кыргызская Республика

ОТЧЕТ НЕЗАВИСИМЫХ АУДИТОРОВ

Deloitte.

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Совету директоров Закрытого акционерного общества Микрофинансовая компания «Финансовая группа Компаньон»:

Мы провели аудит прилагаемой консолидированной финансовой отчетности закрытого акционерного общества Микрофинансовая компания «Финансовая группа Компаньон» и его дочерних компаний (далее – «Группа»), которая включает консолидированный отчет о финансовом положении по состоянию на 31 декабря 2011 года и соответствующие консолидированные отчеты о совокупном доходе, об изменениях капитала и о движении денежных средств за год, закончившийся на эту дату, а также раскрытие основных принципов учетной политики и прочих пояснений.

Ответственность руководства за финансовую отчетность

Руководство несет ответственность за подготовку и достоверное представление данной консолидированной финансовой отчетности в соответствии с Международными стандартами финансовой отчетности, а также за создание системы внутреннего контроля, которую руководство считает необходимой для подготовки финансовой отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

Ответственность аудиторов

Наша ответственность состоит в выражении мнения о достоверности данной консолидированной финансовой отчетности на основе проведенного нами аудита. Мы провели аудит в соответствии с Международными стандартами аудита. Эти стандарты требуют соблюдения аудиторами этических норм,

а также планирования и проведения аудита таким образом, чтобы получить достаточную уверенность в том, что консолидированная финансовая отчетность не содержит существенных искажений.

Аудит включает проведение процедур, необходимых для получения аудиторских доказательств в отношении числовых показателей и примечаний к консолидированной финансовой отчетности. Выбор процедур основывается на профессиональном суждении аудитора, включая оценку рисков существенного искажения консолидированной финансовой отчетности вследствие недобросовестных действий или ошибок. Оценка таких рисков включает рассмотрение системы внутреннего контроля за подготовкой и достоверностью консолидированной финансовой отчетности с целью разработки аудиторских процедур, применимых в данных обстоятельствах, но не для выражения мнения об эффективности системы внутреннего контроля. Аудит также включает оценку надлежащего характера применяемой учетной политики и обоснованности допущений, сделанных руководством, а также оценку представления финансовой отчетности в целом.

Мы считаем, что полученные нами аудиторские доказательства являются достаточным и надлежащим основанием для выражения нашего мнения.

Мнение

По нашему мнению, консолидированная финансовая отчетность достоверно, во всех существенных аспектах, отражает финансовое положение Группы по состоянию на 31 декабря 2011 года, а также результаты ее деятельности и движение денежных средств за год, закончившийся на эту дату, в соответствии с Международными стандартами финансовой отчетности.

Deloitte & Touche

30 марта 2012 года
г. Бишкек, Кыргызская Республика

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МИКРОФИНАНСОВАЯ КОМПАНИЯ «ФИНАНСОВАЯ ГРУППА КОМПАНЬОН»

КОНСОЛИДИРОВАННЫЙ ОТЧЕТ О СОВОКУПНОМ ДОХОДЕ ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА (в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2011 года	Год, закончившийся 31 декабря 2010 года
Процентные доходы	3, 20	1,192,950	889,321
Процентные расходы	3	(243,973)	(167,114)
ЧИСТЫЙ ПРОЦЕНТНЫЙ ДОХОД ДО ФОРМИРОВАНИЯ РЕЗЕРВОВ ПОД ОБЕСЦЕНЕНИЕ АКТИВОВ, ПО КОТОРЫМ НАЧИСЛЯЮТСЯ ПРОЦЕНТЫ		**948,977**	**722,207**
Формирование резерва под обесценение активов, по которым начисляются проценты	4	(27,057)	(108,009)
ЧИСТЫЙ ПРОЦЕНТНЫЙ ДОХОД		**921,920**	**614,198**
Чистый (убыток)/прибыль по финансовым активам, отражаемым по справедливой стоимости через прибыли или убытки		(102,144)	48,117
Чистая прибыль/(убыток) от курсовой разницы	5	15,172	(85,983)
Формирование резерва под обесценение прочих активов	4	(4,145)	(4,126)
Расходы по услугам и комиссии		(5,951)	(3,910)
Прочие (расходы)/доходы	20	(7,589)	12,463
ЧИСТЫЕ НЕПРОЦЕНТНЫЕ РАСХОДЫ		**(104,657)**	**(33,439)**
ОПЕРАЦИОННЫЕ ДОХОДЫ		**817,263**	**580,759**
ОПЕРАЦИОННЫЕ РАСХОДЫ	6, 20	**(627,263)**	**(462,773)**
ПРИБЫЛЬ ДО НАЛОГООБЛОЖЕНИЯ		**190,000**	**117,986**
Расход по налогу на прибыль	7	(24,554)	(16,760)
ЧИСТАЯ ПРИБЫЛЬ		**165,446**	**101,226**
ИТОГО СОВОКУПНЫЙ ДОХОД		**165,446**	**101,226**

От имени руководства Группы

Уланбек Термечиков
Председатель Правления

30 марта 2012 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер

30 марта 2012 года
г. Бишкек, Кыргызская Республика

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МИКРОФИНАНСОВАЯ КОМПАНИЯ «ФИНАНСОВАЯ ГРУППА КОМПАНЬОН»

КОНСОЛИДИРОВАННЫЙ ОТЧЕТ О ФИНАНСОВОМ ПОЛОЖЕНИИ ПО СОСТОЯНИЮ НА 31 ДЕКАБРЯ 2011 ГОДА (в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2011 года	Год, закончившийся 31 декабря 2010 года
АКТИВЫ:			
Наличность в кассе	8	1	–
Средства в банках и прочих финансовых институтах	9, 20	402,623	200,299
Финансовые активы, отражаемые по справедливой стоимости через прибыли или убытки	12	112,247	105,031
Кредиты, предоставленные клиентам	10	2,678,322	1,866,135
Основные средства и нематериальные активы	11	201,632	128,996
Прочие активы	13	43,808	54,712
ИТОГО АКТИВЫ		**3,438,633**	**2,355,173**
ОБЯЗАТЕЛЬСТВА И КАПИТАЛ			
ОБЯЗАТЕЛЬСТВА:			
Средства банков и прочих финансовых институтов	14	2,308,825	1,452,498
Субординированный заем	16	283,630	286,917
Обязательства по налогу на прибыль	7	3,564	6,981
Прочие обязательства	15	146,693	78,304
ИТОГО ОБЯЗАТЕЛЬСТВА		**2,742,712**	**1,824,700**
КАПИТАЛ:			
Уставный капитал	18	530,400	265,000
Неконтрольные доли владения	17	2	–
Резервы	22	92,568	–
Нераспределенная прибыль		72,951	265,473
ИТОГО КАПИТАЛ		**695,921**	**530,473**
ИТОГО ОБЯЗАТЕЛЬСТВА И КАПИТАЛ		**3,438,633**	**2,355,173**

От имени руководства Группы

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30 марта 2012 года
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30 марта 2012 года
г. Бишкек, Кыргызская Республика

ЗАКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО МИКРОФИНАНСОВАЯ КОМПАНИЯ «ФИНАНСОВАЯ ГРУППА КОМПАНЬОН»

КОНСОЛИДИРОВАННЫЙ ОТЧЕТ ОБ ИЗМЕНЕНИЯХ КАПИТАЛА ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА (в тысячах кыргызских сом)

	Уставный капитал	Нераспределенная прибыль	Резервы	Неконтрольные доли владения	Итого капитал
31 ДЕКАБРЯ 2009 ГОДА	**265,000**	**177,510**	**–**	**–**	**442,510**
Дивиденды выплаченные	–	(13,263)	–	–	(13,263)
Совокупный доход	–	101,226	–	–	101,226
31 ДЕКАБРЯ 2010 ГОДА	**265,000**	**265,473**	**–**	**–**	**530,473**
Выпуск простых акций	265,400	(265,400)	–	–	–
Совокупный доход	–	165,446	–	–	165,446
Создание резервов (Примечание 22)	–	(92,568)	92,568	–	–
Неконтрольные доли владения, возникающие при создании дочерней компании (Примечание 17)	–	–	–	2	2
31 ДЕКАБРЯ 2011 ГОДА	**530,400**	**72,951**	**92,568**	**2**	**695,921**

От имени руководства Группы

Уланбек Термечиков
Председатель Правления

30 марта 2012 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер

30 марта 2012 года
г. Бишкек, Кыргызская Республика

КОНСОЛИДИРОВАННЫЙ ОТЧЕТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА (в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2011 года	Год, закончившийся 31 декабря 2010 года
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ:			
Прибыль до налогообложения		190,000	117,986
Корректировки:			
Формирование резерва под обесценение активов, по которым начисляются проценты		27,057	108,009
Формирование резерва под обесценение прочих активов		4,145	4,126
Формирование/ (восстановление) резервов на отпуск и премии сотрудникам		37,438	(2,577)
Нереализованная (прибыль)/ убыток от курсовой разницы		(16,151)	85,557
Чистый убыток/ (прибыль) от финансовых активов, отражаемым по справедливой стоимости через прибыли или убытки		102,144	(48,117)
Амортизация основных средств		34,501	18,113
Прибыль от выбытия основных средств и нематериальных активов		(29)	(270)
Чистое изменение начисленных процентных доходов и расходов		6,719	(17,168)
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ ДО ИЗМЕНЕНИЯ ОПЕРАЦИОННЫХ АКТИВОВ И ОБЯЗАТЕЛЬСТВ		**385,824**	**265,659**
Изменение операционных активов и обязательств			
(Увеличение)/ уменьшение операционных активов:			
Средства в банках и прочих финансовых институтах		4,642	(13,626)
Кредиты, предоставленные клиентам		(847,063)	(607,409)
Финансовые активы, отражаемые по справедливой стоимости через прибыли или убытки		(102,036)	(13,231)
Прочие активы		6,759	(43,369)
Увеличение операционных обязательств:			
Прочие обязательства		33,162	25,785
ОТТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ ДО НАЛОГООБЛОЖЕНИЯ		**(518,712)**	**(386,191)**
Налог на прибыль уплаченный		(27,971)	(5,873)
ЧИСТЫЙ ОТТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ОПЕРАЦИОННОЙ ДЕЯТЕЛЬНОСТИ		**(546,683)**	**(392,064)**

КОНСОЛИДИРОВАННЫЙ ОТЧЕТ О ДВИЖЕНИИ ДЕНЕЖНЫХ СРЕДСТВ (ПРОДОЛЖЕНИЕ) ЗА ГОД, ЗАКОНЧИВШИЙСЯ 31 ДЕКАБРЯ 2011 ГОДА (в тысячах кыргызских сом)

	Примечания	Год, закончившийся 31 декабря 2011 года	Год, закончившийся 31 декабря 2010 года
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ:			
Приобретение основных средств и нематериальных активов		(108,863)	(29,951)
Поступления от реализации объектов основных средств		1,757	621
ЧИСТЫЙ ОТТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ИНВЕСТИЦИОННОЙ ДЕЯТЕЛЬНОСТИ		**(107,106)**	**(29,330)**
ДВИЖЕНИЕ ДЕНЕЖНЫХ СРЕДСТВ ОТ ФИНАНСОВОЙ ДЕЯТЕЛЬНОСТИ:			
Поступления от займов		1,758,202	825,115
Погашение займов		(895,051)	(483,328)
Дивиденды выплаченные		(2,211)	(11,052)
ЧИСТЫЙ ПРИТОК ДЕНЕЖНЫХ СРЕДСТВ ОТ ФИНАНСОВОЙ ДЕЯТЕЛЬНОСТИ		**860,940**	**330,735**
Влияния изменения курса иностранной валюты на денежные средства и их эквиваленты		(3,331)	(5,422)
ЧИСТОЕ УВЕЛИЧЕНИЕ/(УМЕНЬШЕНИЕ) ДЕНЕЖНЫХ СРЕДСТВ И ИХ ЭКВИВАЛЕНТОВ		**203,820**	**(96,081)**
ДЕНЕЖНЫЕ СРЕДСТВА И ИХ ЭКВИВАЛЕНТЫ, НА НАЧАЛО ГОДА	8	**186,407**	**282,488**
ДЕНЕЖНЫЕ СРЕДСТВА И ИХ ЭКВИВАЛЕНТЫ, НА КОНЕЦ ГОДА	8	**390,227**	**186,407**

Сумма процентов, уплаченных и полученных Группой за год, закончившийся 31 декабря 2011 года, составила 262,481 тыс. кыргызских сом и 1,204,739 тыс. кыргызских сом, соответственно.

Сумма процентов, уплаченных и полученных Группой за год, закончившийся 31 декабря 2010 года, составила 169,121 тыс. кыргызских сом и 908,496 тыс. кыргызских сом, соответственно.

От имени руководства Группы

Уланбек Термечиков
Председатель Правления

30 марта 2012 года
г. Бишкек, Кыргызская Республика

Айнура Бакирова
Главный бухгалтер

30 марта 2012 года
г. Бишкек, Кыргызская Республика

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