

Demir Kyrgyz International Bank CJSC

Financial Statements

for the year ended 31 December 2016

Contents

Independent Auditors' Report	
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9-56



KPMG Bishkek LLC
21 Erkindik Boulevard
Orion Business Centre, Office 201
Bishkek, Kyrgyz Republic 720040
Telephone +996 312 623 380
Fax +996 312 623 856
E-mail kpmg@kpmg.kg

Independent Auditors' Report

To the Board of Directors of Demir Kyrgyz International Bank CJSC

Opinion

We have audited the financial statements of Demir Kyrgyz International Bank CJSC (the Bank), which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements prescribed in the Regulations on minimum requirements to external audit of banks and other financial and credit institutions, licensed by the National Bank of Kyrgyz Republic (NBKR) approved by the Order No 22/2 of the NBKR Management Board on 14 July 2005. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

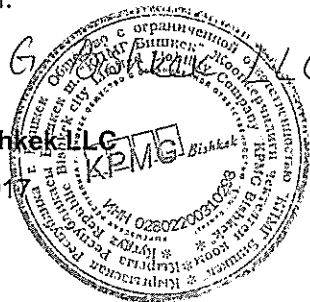
As part of an audit in accordance with ISAs and additional NBKR requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

The engagement partner on the audit resulting in this independent auditors' report is Yelena Kim.

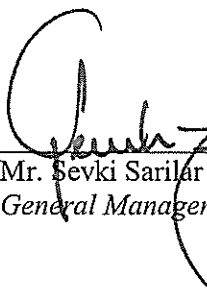
KPMG
KPMG Bishkek LLC
9 March 2017



Demir Kyrgyz International Bank CJSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016

	Note	2016 KGS'000	2015 KGS'000
Interest income	4	895,939	986,175
Interest expense	4	(321,291)	(265,722)
Net interest income before impairment losses on interest bearing assets		574,648	720,453
Reversal of impairment losses/(Impairment losses) on interest bearing assets	5	57,346	(16,018)
Net interest income		631,994	704,435
Fee and commission income	6	286,552	261,983
Fee and commission expense	7	(104,302)	(85,723)
Net fee and commission income		182,250	176,260
Net foreign exchange gain	8	151,753	165,980
Other operating income		8,542	7,874
Operating income		974,539	1,054,549
Impairment losses on other transactions	5	(36,832)	(34,721)
Personnel expenses	9	(383,146)	(374,565)
Other general administrative expenses	9	(359,566)	(304,852)
Profit before income tax		194,995	340,411
Income tax expense	10	(21,992)	(41,273)
Profit for the year		173,003	299,138
Other comprehensive income, net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		590	(344)
Total comprehensive income for the year		173,593	298,794
Earnings per share			
Basic and diluted earnings per share, in KGS	21	433	748

The financial statements as set out on pages 5 to 56 were approved by the Management on 9 March 2017 and were signed on its behalf by:


 Mr. Sevki Sarilar
 General Manager




 Mrs. Zulfiya Djakipova
 Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

Demir Kyrgyz International Bank CJSC
Statement of Financial Position as at 31 December 2016

	Note	2016 KGS'000	2015 KGS'000
ASSETS			
Cash and cash equivalents	11	6,373,656	6,389,706
Available-for-sale financial assets	12	104,690	-
Loans and advances to banks	13	3,173,958	2,920,697
Loans to customers			
- Loans to corporate customers	14	4,004,959	4,011,062
- Loans to retail customers	14	1,556,702	1,680,106
Investments in securities	15	51,741	-
Property, equipment and intangible assets	16	409,558	390,964
Other assets	17	419,130	208,527
Total assets		16,094,394	15,601,062
LIABILITIES			
Due to banks		11,973	3,960
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	18	6,239,600	7,000,862
- Current accounts and deposits from retail customers	18	7,420,460	6,439,115
Other borrowed funds	19	495,924	403,187
Other liabilities	20	139,408	140,502
Total liabilities		14,307,365	13,987,626
EQUITY			
Share capital	21	400,000	300,000
Share premium		1	1
Revaluation reserve for available-for-sale financial assets		590	-
Retained earnings		1,386,438	1,313,435
Total equity		1,787,029	1,613,436
Total liabilities and equity		16,094,394	15,601,062

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

Demir Kyrgyz International Bank CJSC
Statement of Cash Flows for the year ended 31 December 2016

	2016 KGS'000	2015 KGS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	905,968	953,373
Interest payments	(346,368)	(229,338)
Fee and commission receipts	286,552	261,983
Fee and commission payments	(104,302)	(85,723)
Net receipts from foreign exchange	156,275	181,143
Other receipts	8,344	7,874
General administrative expenses payments	(655,420)	(589,086)
(Increase) decrease in operating assets		
Loans and advances to banks	(250,444)	(2,292,911)
Loans to customers	(324,321)	1,195,688
Other assets	(12,756)	6,384
Increase (decrease) in operating liabilities		
Due to banks	8,801	(7,430)
Current accounts and deposits from customers	1,042,895	988,770
Other liabilities	44,464	(40,799)
Net cash from operating activities before income tax paid	759,688	349,928
Income tax paid	(25,423)	(29,940)
Cash flows from operations	734,265	319,988
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale financial assets and investments in securities	(155,841)	-
Repayment of available-for-sale financial assets	-	61,280
Purchases of property and equipment and intangible assets	(113,838)	(153,072)
Sales of property and equipment and intangible assets	959	-
Cash flows used in investing activities	(268,720)	(91,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of borrowed funds	232,337	30,050
Repayments of borrowed funds	(112,943)	(43,423)
Cash flows used in financing activities	119,394	(13,373)
Net increase in cash and cash equivalents	584,939	214,823
Effect of changes in exchange rates on cash and cash equivalents	(600,989)	949,522
Cash and cash equivalents as at the beginning of the year	6,389,706	5,225,361
Cash and cash equivalents as at the end of the year (Note 11)	6,373,656	6,389,706

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

Demir Kyrgyz International Bank CJSC
Statement of Changes in Equity for the year ended 31 December 2016

KGS'000	Share capital	Share premium	Revaluation reserve for available- for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2015	132,540	1	344	1,181,757	1,314,642
Total comprehensive income					
Profit for the year	-	-	-	299,138	299,138
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	(344)	-	(344)
Total comprehensive income for the year	-	-	(344)	299,138	298,794
Transactions with owners, recorded directly in equity					
Shares issue	167,460	-	-	(167,460)	-
Total transactions with owners	167,460	-	-	(167,460)	-
Balance as at 31 December 2015	300,000	1	-	1,313,435	1,613,436
Balance as at 1 January 2016	300,000	1	-	1,313,435	1,613,436
Total comprehensive income					
Profit for the year	-	-	-	173,003	173,003
Other comprehensive income					
<i>Items that are or may be reclassified subsequently to profit or loss:</i>					
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	590	-	590
Total comprehensive income for the year	-	-	590	173,003	173,593
Transactions with owners, recorded directly in equity					
Shares issue	100,000	-	-	(100,000)	-
Total transactions with owners	100,000	-	-	(100,000)	-
Balance as at 31 December 2016	400,000	1	590	1,386,438	1,787,029

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.