

Demir Kyrgyz International Bank CJSC

Financial Statements
and Independent Auditor's Report
for the year ended 31 December 2019

Contents

	Page
INDEPENDENT AUDITORS' REPORT	
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019:	
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of cash flows	8
Statement of changes in equity	10
Notes to the financial statements	11-77



KPMG Bishkek LLC
Office 201, 21 Erkindik blvrd
Bishkek, Kyrgyz Republic 720040
Telephone 996 (312) 62-33-80
Fax 996 (312) 62-38-56
Internet www.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 2019, 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 2019, 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 the Kyrgyz Republic (NBKR) approved by the Order No. 2017-П-12/25-2 of the NBKR Management Board on 15 June 2017 (last revised on 14 August 2019). 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 Code of Ethics for Professional Accountants (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Kyrgyz Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. 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 the 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 the 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:



Sergey Mesheryakov
Attorney



Aida Asyrandieva
Executive Director of KPMG Bishkek LLC
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
serial A, No. 0232 of 13 November 2014



25 March 2020

(in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Interest income calculated using the effective interest rate method	5	1,332,096	1,184,205
Interest expense	5	(302,118)	(231,590)
Net interest income before impairment losses on interest-bearing assets	5	1,029,978	952,615
Impairment losses on interest-bearing assets	6	(30,949)	8,539
Net interest income		999,029	961,154
Fee and commission income	8	501,969	431,903
Fee and commission expense	8	(256,198)	(206,105)
Net fee and commission income		245,771	225,798
Net foreign exchange gain	9	183,529	200,822
Other operating income		22,319	8,948
Operating income		1,450,648	1,396,722
Impairment recovery on other financial assets	6	1,295	941
Impairment (losses)/recovery on other non-financial assets	7	(23,313)	4,134
Impairment (losses)/recovery on loan commitments and financial guarantees		(537)	3,193
Personnel expenses	10	(524,895)	(455,549)
Other operating expenses	11	(439,050)	(413,331)
Profit before income tax		464,148	536,110
Income tax expense	12	(52,148)	(57,362)
Profit for the year		412,000	478,748
Other comprehensive income, net of income tax <i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value reserve (investment securities at FVOCI):		1,539	(32)
Total comprehensive income for the year		413,539	478,716
Earnings per share:			
Basic and diluted earnings per share, in KGS	22	687	798

On behalf of the Management:

Mr. Sevki Sarilar
General Manager

25 March 2020
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakupova
Chief Accountant

25 March 2020
Bishkek, Kyrgyz Republic

* The Bank initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2(e).

The notes on pages 11-77 form an integral part of these financial statements

Demir Kyrgyz International Bank CJSC
Statement of Financial Position as at 31 December 2019

(in thousands of Kyrgyz Som)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	13	10,178,197	8,304,884
Loans and advances to banks	14	2,534,217	2,127,426
Loans to customers		8,903,484	8,127,260
- Loans to corporate customers	15	6,698,491	6,465,401
- Loans to retail customers	15	2,204,993	1,661,859
Investment securities	16	357,263	244,561
Property, equipment and intangible assets	17	514,676	386,931
Other assets	18	724,250	706,899
Total assets		23,212,087	19,897,961
LIABILITIES			
Due to banks		23,075	38,701
Current accounts and deposits from customers		19,349,454	16,725,821
- Current accounts and deposits from corporate customers	19	7,471,856	6,892,031
- Current accounts and deposits from retail customers	19	11,877,598	9,833,790
Other borrowed funds	20	801,476	588,634
Lease liabilities	25	146,576	-
Other liabilities	21	197,308	225,308
Total liabilities		20,517,889	17,578,464
EQUITY			
Share capital	22	600,000	600,000
Share premium		1	1
Revaluation reserve for financial instruments at fair value through other comprehensive income		1,630	91
Retained earnings	22	2,092,567	1,719,405
Total equity		2,694,198	2,319,497
Total liabilities and equity		23,212,087	19,897,961

On behalf of the Management:

Mr. Sevki Sarilar
General Manager



Mrs. Zulfiya Djakipova
Chief Accountant

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25 March 2020
Bishkek, Kyrgyz Republic

25 March 2020
Bishkek, Kyrgyz Republic

The notes on pages 11-77 form an integral part of these financial statements

(in thousands of Kyrgyz Som)

	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,321,544	1,161,115
Interest payments	(264,389)	(219,824)
Fee and commission receipts	498,011	427,863
Fee and commission payments	(256,198)	(198,051)
Net receipts from foreign exchange	191,654	205,803
Other receipts	23,072	9,701
Personnel expenses	(504,569)	(421,061)
Other operating expenses	(291,319)	(326,775)
Cash inflow from operating activities before changes in operating assets and liabilities	717,806	638,771
<i>Decrease/(Increase) in operating assets</i>		
Loans and advances to banks	(395,979)	621,199
Loans to customers	(774,772)	(1,391,156)
Other assets	(59,412)	(63,864)
<i>Decrease/(Increase) in operating liabilities</i>		
Due to banks	(15,799)	27,822
Current accounts and deposits from customers	2,554,907	1,381,945
Other liabilities	(11,439)	(10,365)
Net cash from operating activities before income tax paid	2,015,312	1,204,352
Income tax paid	(54,734)	(38,696)
Net cash inflow from operating activities after taxation	1,960,578	1,165,656
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(395,825)	(242,583)
Repayment of investment securities	283,586	60,578
Purchases of property and equipment and intangible assets	(127,434)	(171,005)
Sales of property and equipment and intangible assets	-	(91)
Net cash from investing activities	(239,673)	(353,101)

The notes on pages 11-77 form an integral part of these financial statements

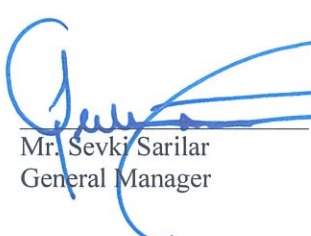


(in thousands of Kyrgyz Som)

	Year ended 31 December 2019	Year ended 31 December 2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of borrowed funds	397,377	418,979
Repayments of borrowed funds	(184,588)	(201,162)
Repayment of lease liabilities	(73,901)	-
Net cash used in financing activities	138,888	217,817
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,859,793	1,030,372
Effect of changes in exchange rates on cash and cash equivalents	20,113	(31,571)
CASH AND CASH EQUIVALENTS as at the beginning of the year	8,304,884	7,302,507
Effect of changes in ECL on cash and cash equivalents	(6,593)	3,576
CASH AND CASH EQUIVALENTS as at the end of the year	10,178,197	8,304,884

* The Bank initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. With respect to the Cash flow statement, lease payments are presented as a separate caption under financing activities. See Note 2(e).

During 2019 and 2018, the Bank has made certain non-cash transfers in respect to recognition of the property pledged as collateral for loans to customers as foreclosed property within other assets in the amount of KGS 71,398 thousand and KGS 68,720 thousand respectively (Note 15).

On behalf of the Management:

 Mr. Sevki Sarilar General Manager		 Mrs. Zulfiya Djakipova Chief Accountant
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25 March 2020
Bishkek, Kyrgyz Republic

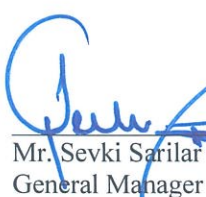
25 March 2020
Bishkek, Kyrgyz Republic

(in thousands of Kyrgyz Som)

	Notes	Share capital	Share premium	Revaluation reserve for financial instruments at fair value through other comprehensive income	Retained earnings	Total equity
Balance as at 1 January 2018		500,000	1	123	1,340,657	1,840,781
Profit for the year		-	-		478,748	478,748
Other comprehensive income		-	-	(32)	-	(32)
Total comprehensive income for the year		-	-	(32)	478,748	478,716
Shares issue		100,000	-	-	(100,000)	-
Balance as at 31 December 2018	22	600,000	1	91	1,719,405	2,319,497
Adjustment on initial application of IFRS 16, net of tax*		-	-	-	(38,838)	(38,838)
Balance as at 1 January 2019		600,000	1	91	1,680,567	2,280,659
Profit for the year		-	-		412,000	412,000
Other comprehensive income		-	-	1,539	-	1,539
Total comprehensive income for the year		-	-	1,539	412,000	413,539
Balance as at 31 December 2019		600,000	1	1,630	2,092,567	2,694,198

* The Bank initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. See Note 2(e).

On behalf of the Management:


Mr. Sevki Sarilar
General Manager




Mrs. Zulfiya Djakipova
Chief Accountant

25 March 2020
Bishkek, Kyrgyz Republic

25 March 2020
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