

**Demir Kyrgyz  
International Bank CJSC**

Financial Statements  
and Independent Auditor's Report  
For the year ended 31 December 2017

# DEMIR KYRGYZ INTERNATIONAL BANK CJSC

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# Demir Kyrgyz International Bank CJSC

## Statement of Management's Responsibilities For the Preparation and Approval of the Financial Statements For the year ended 31 December 2017

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Management is responsible for the preparation of the financial statements that present fairly the financial position of Demir Kyrgyz International Bank CJSC (hereinafter – "the Bank") as at 31 December 2017, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank'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 of the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the Kyrgyz Republic legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Bank for year ended 31 December 2017 were approved by the Management on 5 March 2018.

On behalf of the Management

  
Mr. Sevki Sarilar  
General Manager

5 March 2018  
Bishkek, Kyrgyz Republic



  
Mrs. Zulfiya Djakipova  
Chief Accountant

5 March 2018  
Bishkek, Kyrgyz Republic

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Demir Kyrgyz International Bank CJSC

### Opinion

We have audited the financial statements of Demir Kyrgyz International Bank CJSC (hereinafter - the "Bank"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Opinion

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

### Other Matter

The financial statements of the Bank for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 9 March 2017.

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

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

In preparing the financial statements, management is responsible for assessing the 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.

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

*Deloitte & Touche*

5 March 2018  
Bishkek, Kyrgyz Republic



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# DEMIR KYRGYZ INTERNATIONAL BANK CJSC

## Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 December 2017 (in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	5,25	946,071	895,939
Interest expense	5,25	(255,815)	(321,291)
Net interest income before recovery of provision/(impairment losses) on interest bearing assets	5	690,256	574,648
Recovery of provisions on interest bearing assets	6	59,314	57,346
Net interest income		749,570	631,994
Fee and commission income	7	346,069	286,552
Fee and commission expense	7,25	(141,849)	(104,302)
Net fee and commission income	7	204,220	182,250
Net foreign exchange gain	8	139,324	151,753
Other operating income		13,169	8,542
Operating income		1,106,283	974,539
Recovery of provisions/(impairment losses) on other transactions	6	13,955	(36,832)
Personnel expenses	9,25	(405,419)	(383,146)
Other operating expenses	9,25	(406,450)	(359,566)
Profit before income tax		308,369	194,995
Income tax expense	10	(21,698)	(21,992)
<b>Profit for the year</b>		<b>286,671</b>	<b>173,003</b>
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:		(535)	590
<b>Total comprehensive income for the year</b>		<b>286,136</b>	<b>173,593</b>
Earnings per share:			
Basic and diluted earnings per share, in KGS	20	573	346

On behalf of the Management:

Mr. Sevki Sarilar  
General Manager

5 March 2018  
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova  
Chief Accountant

March 2018  
Bishkek, Kyrgyz Republic

The notes on pages 8-57 form an integral part of these financial statements.

# DEMIR KYRGYZ INTERNATIONAL BANK CJSC

## Statement of Financial Position As at 31 December 2017 (in thousands of Kyrgyz Som)

	Notes	31 December 2017	31 December 2016
<b>ASSETS</b>			
Cash and cash equivalents	11,25	7,302,507	6,373,656
Available-for-sale financial assets		11,289	104,690
Loans and advances to banks	12,25	2,803,819	3,173,958
Loans to customers			
- Loans to corporate customers	13	5,103,225	4,004,959
- Loans to retail customers	13	1,642,838	1,556,702
Held-to-maturity investments	14	52,279	51,741
Property, equipment and intangible assets	15	383,011	409,558
Other assets	16,25	562,859	419,130
<b>Total assets</b>		<b>17,861,827</b>	<b>16,094,394</b>
<b>LIABILITIES</b>			
Due to banks	25	10,792	11,973
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	17	6,318,650	6,239,600
- Current accounts and deposits from retail customers	17	9,127,144	7,420,460
Other borrowed funds	18,25	370,991	495,924
Other liabilities	19,25	166,840	139,408
<b>Total liabilities</b>		<b>15,994,417</b>	<b>14,307,365</b>
<b>EQUITY</b>			
Share capital	20	500,000	400,000
Share premium		1	1
Revaluation reserve for available-for-sale financial assets		55	590
Retained earnings	20	1,367,354	1,386,438
<b>Total equity</b>		<b>1,867,410</b>	<b>1,787,029</b>
<b>Total liabilities and equity</b>		<b>17,861,827</b>	<b>16,094,394</b>

On behalf of the Management:

Mr. Sevki Sarilar  
General Manager

5 March 2018  
Bishkek, Kyrgyz Republic



Mrs. Zuffiya Djakipova  
Chief Accountant

5 March 2018  
Bishkek, Kyrgyz Republic

The notes on pages 8-57 form an integral part of these financial statements.

# DEMIR KYRGYZ INTERNATIONAL BANK CJSC

## Statement of Cash Flows For the year ended 31 December 2017 (in thousands of Kyrgyz Som)

	Year ended 31 December 2017	Year ended 31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	947,892	905,968
Interest payments	(249,342)	(346,368)
Fee and commission receipts	346,069	286,552
Fee and commission payments	(141,849)	(104,302)
Net receipts from foreign exchange	142,597	156,275
Other receipts	13,169	8,344
General administrative expenses payments	(695,683)	(655,420)
Cash inflow from operating activities before changes in operating assets and liabilities	362,853	251,049
<i>(Increase)/decrease in operating assets</i>		
Loans and advances to banks	383,969	(250,444)
Loans to customers	(1,269,511)	(324,321)
Other assets	26,561	(12,756)
<i>Increase/(decrease) in operating liabilities</i>		
Due to banks	(551)	8,801
Current accounts and deposits from customers	1,800,605	1,042,895
Other liabilities	23,822	44,464
Net cash inflow from operating activities before income tax paid	1,327,748	759,688
Income tax paid	(23,381)	(25,423)
Net cash inflow from operating activities after taxation	1,304,367	734,265
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets and held-to-maturity investments	(23,169)	(155,841)
Repayment of available-for-sale financial assets	115,310	-
Purchases of property and equipment and intangible assets	(83,255)	(113,838)
Sales of property and equipment and intangible assets	1,349	959
Net cash inflow/(outflow) from investing activities	10,235	(268,720)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of borrowed funds	6,278	232,337
Repayments of borrowed funds	(129,180)	(112,943)
Dividends paid	(205,755)	-
Net cash (outflow)/inflow from financing activities	(328,657)	119,394
NET INCREASE IN CASH AND CASH EQUIVALENTS	985,945	584,939
Effect of changes in exchange rates on cash and cash equivalents	(57,094)	(600,989)
CASH AND CASH EQUIVALENTS as at the beginning of the year	6,373,656	6,389,706
<b>CASH AND CASH EQUIVALENTS as at the end of the year</b>	<b>7,302,507</b>	<b>6,373,656</b>

During 2017 and 2016, the Bank has made certain non-cash transfers in respect to recognition of the property pledged as collateral for the loans to customers as foreclosed property within other assets in the amount of KGS 157,311 thousand and KGS 139,697 thousand respectively (Note 13).

On behalf of the Management:

Mr. Sevki Sarilar  
General Manager

5 March 2018  
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova  
Chief Accountant

5 March 2018  
Bishkek, Kyrgyz Republic

The notes on pages 8-57 form an integral part of these financial statements.



# DEMIR KYRGYZ INTERNATIONAL BANK CJSC

## Statement of Changes in Equity For the year ended 31 December 2017 (in thousands of Som)

	Notes	Share capital	Share premium	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2016		300,000	1	-	1,313,435	1,613,436
Profit for the year		-	-	-	173,003	173,003
Other comprehensive income				590	-	590
Total comprehensive income for the year		-	-	590	173,003	173,593
Shares issue		100,000	-	-	(100,000)	-
Balance as at 31 December 2016	20	400,000	1	590	1,386,438	1,787,029
Profit for the year		-	-	-	286,671	286,671
Other comprehensive income		-	-	(535)	-	(535)
Total comprehensive income for the year		-	-	(535)	286,671	286,136
Dividends paid		-	-	-	(205,755)	(205,755)
Shares issue	20	100,000	-	-	(100,000)	-
<b>Balance as at 31 December 2017</b>		<b>500,000</b>	<b>1</b>	<b>55</b>	<b>1,367,354</b>	<b>1,867,410</b>

On behalf of the Management:

  
Mr. Sevk Sarilar  
General Manager

5 March 2018  
Bishkek, Kyrgyz Republic



  
Mrs. Zulfiya Djakipova  
Chief Accountant

5 March 2018  
Bishkek, Kyrgyz Republic

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