

Demir Kyrgyz International Bank CJSC

**Financial Statements and
Independent Auditor's Report**
for the year ended 31 December 2020

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 Financial Statements For The Year Ended 31 December 2020

Management is responsible for the preparation of the financial statements that present fairly the financial position of Demir Kyrgyz International Bank ("the Bank") as of 31 December 2020, 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 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; and
- 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, throughout 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 and IFRS;
- 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 for the year ended 31 December 2020 were approved by the Management on 25 March 2021 and signed on its behalf by:

Mr. Sevki Sarilar
General Manager

25 March 2021
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova
Chief Accountant

25 March 2021
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 ("the Bank"), which comprise the statement of financial position as at 31 December 2020, 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 2020, 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 the 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 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2020.

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 requirements of 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.

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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.



Kanyshai Sadyrbekova
Engagement Leader
Managing Director
LLC Deloitte & Touche
Qualified Auditor of the Kyrgyz Republic
Qualification certificate №0151, Series A
dated 1 June 2012

25 March 2021
Bishkek, Kyrgyz Republic

Demir Kyrgyz International Bank CJSC

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020 (in thousands of Kyrgyz Som)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	6, 31	1,265,971	1,332,096
Interest expense	6, 31	(330,809)	(302,118)
Net interest income before impairment losses on interest-bearing assets	6	935,162	1,029,978
Impairment losses on interest-bearing assets	7, 31	(67,999)	(30,949)
Net interest income		867,163	999,029
Fee and commission income	9	497,356	501,969
Fee and commission expense	9, 31	(292,325)	(256,198)
Net fee and commission income	9	205,031	245,771
Net foreign exchange gain	10	401,903	183,529
Other operating income		17,445	22,319
Operating income		1,491,542	1,450,648
Impairment losses and reserves on other assets	8	(30,659)	(22,018)
Impairment losses on loan commitments and financial guarantees	25, 29	(1,870)	(537)
Personnel expenses	11, 31	(580,638)	(524,895)
Other operating expenses	12, 31	(449,996)	(439,050)
Profit before income tax		428,379	464,148
Income tax expense	13	(39,321)	(52,148)
Profit for the year		389,058	412,000
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Movement in fair value reserve (investment securities at FVOCI):			
(Losses)/gains arising during the period		(78)	235
(Recoveries)/expected credit losses recognised in profit or loss		(1,234)	1,304
Other comprehensive (loss)/income, net of income tax		(1,312)	1,539
Total comprehensive income for the year		387,746	413,539

On behalf of the Management:

Mr. Sevki Sarilar
General Manager

25 March 2021
Bishkek, Kyrgyz Republic



Mrs. Zulfiya Djakipova
Chief Accountant

25 March 2021
Bishkek, Kyrgyz Republic

Demir Kyrgyz International Bank CJSC

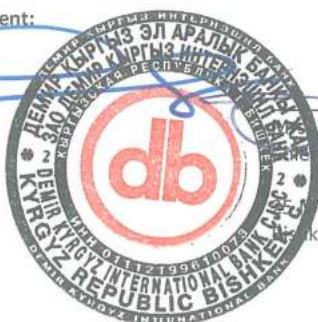
Statement of Financial Position as at 31 December 2020 (in thousands of Kyrgyz Som)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	14, 31	10,622,268	10,178,197
Loans and advances to banks	15	3,805,105	2,534,217
Loans to customers	16, 31	10,000,049	8,903,484
- Loans to corporate customers	16	7,488,787	6,698,491
- Loans to retail customers	16	2,511,262	2,204,993
Investment securities at amortized cost	17	202,148	112,918
Investment securities at FVOCI	18	74,171	244,345
Property, equipment and intangible assets	19	416,955	405,530
Right-of-use assets	20, 31	72,448	109,146
Other assets	21, 31	559,161	724,250
Total assets		25,752,305	23,212,087
LIABILITIES			
Due to banks		17,107	23,075
Current accounts and deposits from customers	22, 31	21,489,003	19,349,454
- Current accounts and deposits from corporate customers	22	7,979,750	7,471,856
- Current accounts and deposits from retail customers	22	13,509,253	11,877,598
Other borrowed funds	23	894,599	801,476
Lease liabilities	24, 31	97,773	146,576
Other liabilities	25, 31	171,879	197,308
Total liabilities		22,670,361	20,517,889
EQUITY			
Share capital	26	600,000	600,000
Share premium		1	1
Revaluation reserve for financial instruments at fair value through other comprehensive income		318	1,630
Retained earnings		2,481,625	2,092,567
Total equity		3,081,944	2,694,198
Total liabilities and equity		25,752,305	23,212,087

On behalf of the Management:

Mr. Sevk Sarilar
General Manager

25 March 2021
Bishkek, Kyrgyz Republic



Zulfiya Djakipova
Accountant

25 March 2021
Bishkek, Kyrgyz Republic

The notes on pages 10-92 form an integral part of these financial statements

Demir Kyrgyz International Bank CJSC

Statement of Cash Flows for the year ended 31 December 2020 (in thousands of Kyrgyz Som)

	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,194,530	1,321,544
Interest payments	(300,786)	(264,389)
Fee and commission receipts	495,012	498,011
Fee and commission payments	(292,325)	(256,198)
Net receipts from foreign exchange	358,906	190,720
Other receipts	17,678	23,072
Personnel expenses	(586,474)	(504,569)
Other operating expenses	(220,194)	(291,319)
Cash inflow from operating activities before changes in operating assets and liabilities	666,347	716,872
<i>(Increase)/Decrease in operating assets</i>		
Loans and advances to banks	(772,178)	(395,979)
Loans to customers	(446,457)	(774,772)
Other assets	118,048	(59,412)
<i>(Decrease)/Increase in operating liabilities</i>		
Due to banks	(8,681)	(15,799)
Current accounts and deposits from customers	83,989	2,554,907
Other liabilities	(54,587)	(11,439)
Net cash (used in) / from operating activities before income tax paid	(413,519)	2,014,378
Income tax paid	(47,057)	(54,734)
Net cash (outflow) / inflow from operating activities after taxation	(460,576)	1,959,644
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities at amortised cost	(162,269)	(155,547)
Repayment of investment securities at amortised cost	69,837	272,679
Purchases of investment securities at FVOCI	(69,655)	(240,278)
Repayment of investment securities at FVOCI	239,751	10,907
Purchases of property and equipment and intangible assets	(130,669)	(127,434)
Net cash used in investing activities	(53,005)	(239,673)

The notes on pages 10-92 form an integral part of these financial statements

Demir Kyrgyz International Bank CJSC

Statement of Cash Flows (continued) for the year ended 31 December 2020 (in thousands of Kyrgyz Som)

	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of other borrowed funds	385,797	397,377
Repayments of other borrowed funds	(325,421)	(184,588)
Repayment of lease liabilities	(81,046)	(73,901)
Net cash (used in) / from financing activities	(20,670)	138,888
NET INCREASE IN CASH AND CASH EQUIVALENTS	(534,251)	1,858,859
Effect of changes in exchange rates on cash and cash equivalents	974,858	21,047
CASH AND CASH EQUIVALENTS as at the beginning of the year	10,178,197	8,304,884
Effect of changes in ECL on cash and cash equivalents	3,464	(6,593)
CASH AND CASH EQUIVALENTS as at the end of the year	10,622,268	10,178,197

During 2020 and 2019, 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 1,487 thousand and KGS 71,398 thousand respectively (Note27).

On behalf of the Management:

Mr. Sevki Saitilar
General Manager

25 March 2021
Bishkek, Kyrgyz Republic



Zulfiya Djakipova
Chief Accountant

25 March 2021
Bishkek, Kyrgyz Republic

Demir Kyrgyz International Bank CJSC

Statement of Changes in Equity for the year ended 31 December 2020 (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 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	26	600,000	1	1,630	2,092,567	2,694,198
Balance as at 1 January 2020	26	600,000	1	1,630	2,092,567	2,694,198
Profit for the year		-	-	-	389,058	389,058
Other comprehensive loss		-	-	(1,312)	-	(1,312)
Total comprehensive income for the year		-	-	(1,312)	389,058	387,746
Balance as at 31 December 2020		600,000	1	318	2,481,625	3,081,944

On behalf of the Management:

Mr. Sovki Sarilar
General Manager

25 March 2021
Bishkek, Kyrgyz Republic



Mrs. Zulfya Djakipova
Chief Accountant

25 March 2021
Bishkek, Kyrgyz Republic