

Kyrgyz Investment and Credit Bank CJSC

Consolidated Financial Statements
for the year ended 31 December 2019



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Independent Auditors' Report

To the Board of Directors of Kyrgyz Investment and Credit Bank CJSC

Opinion

We have audited the consolidated financial statements of Kyrgyz Investment and Credit Bank CJSC and its subsidiary (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses (ECL) for loans to customers

Please refer to Notes 4, 2 (d), 3 (f) and 16 in the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans to customers represent more than 47% of assets and are stated net of allowance for expected credit losses (ECL) that is estimated on a regular basis and is sensitive to assumptions used.</p> <p>The Group applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with IFRS 9); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in stage 3. <p>Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.</p>	<p>We analyzed the key aspects of the Group's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists.</p> <p>To analyze the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, we performed the following:</p> <ul style="list-style-type: none"> - We tested design and operating effectiveness of controls over allocation of loans into stages. - For a sample of loans, for which ECL is assessed individually and for which a potential changes in ECL estimate may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group by analyzing financial and non-financial information, as well as assumptions and professional judgements, applied by the Group. - Regarding loans to large corporate borrowers, for which ECL is assessed individually, we assessed the overall adequacy of the ultimate ECL by analyzing and processing information on payments and status of overdue debts; requests and satisfaction of requests for negotiation of terms and conditions of loan agreements; financial position of the borrowers and changes in the borrowers' credit risks; actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities. - Regarding loans issued to customers and assigned to stages 1 and 2, for which ECL is assessed collectively, we tested the design and implementation of the related models, as well as agreed input data to supporting documents on a sample basis. - We assessed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information by comparison with our own estimate.



	<p>- For a sample of stage 3 loans for which ECL is assessed individually we critically assessed assumptions used by the Group to forecast future cash flows, including estimated proceeds from realisable collateral and their timing based on our understanding and publicly available market information.</p> <p>We specifically focused on exposures which potentially may have the most significant impact on the consolidated financial statements.</p> <p>We also assessed whether the consolidated financial statements disclosures appropriately reflect the Group's exposure to credit risk.</p>
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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditors' report is:

Ashley Clarke
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



28 February 2020

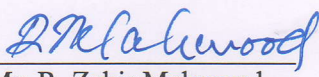
	Note	2019 USD'000	2018* USD'000
Interest income calculated using the effective interest method	5	30,055	26,292
Interest expense	5	(9,962)	(10,557)
Net interest income before impairment losses on interest-bearing assets		20,093	15,735
Impairment (loss)/ recovery on interest-bearing assets	6	(399)	25
Net interest income		19,694	15,760
Fee and commission income	7	5,665	5,094
Fee and commission expense	8	(2,676)	(2,288)
Net fee and commission income		2,989	2,806
Gross premiums written	9	1,728	1,539
Change in the gross provision for unearned premiums	9	(148)	9
Gross earned premiums		1,580	1,548
Less: written premiums ceded to reinsurers	9	(1,161)	(1,062)
Reinsurers' share of change in the gross provision for unearned premiums	9	100	16
Net earned premiums		519	502
Insurance claims incurred, net of reinsurance	9	(145)	(119)
Change in gross insurance contract provisions	9	(408)	(219)
Change in reinsurers' share in claims provisions	9	333	123
Net insurance claims incurred		(220)	(215)
Net income from insurance operations	9	299	287
Net foreign exchange income	10	2,334	2,659
Share of profit in associate		673	517
Other operating income		629	917
Operating income		26,618	22,946
Impairment (losses)/ recovery on other transactions	11	(939)	721
Personnel expenses	12	(10,470)	(9,204)
Other general administrative expenses	13	(8,095)	(7,471)
Profit before income tax		7,114	6,992
Income tax expense	14	(815)	(561)
Profit for the year		6,299	6,431

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 78.

Note	2019 USD'000	2018* USD'000
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation differences	(23)	(87)
Other comprehensive income for the year, net of income tax	(23)	(87)
Total comprehensive income for the year	6,276	6,344
Profit attributable to:		
Equity holders of the Bank	6,128	6,227
Non-controlling interest	171	204
	6,299	6,431
Total comprehensive income attributable to:		
Equity holders of the Bank	6,098	6,174
Non-controlling interest	178	170
	6,276	6,344

*The Group initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2 (e)).

The consolidated financial statements as set out on pages 8 to 78 were approved by the Management on 28 February 2020 and signed on its behalf by:


 Mr. R. Zakir Mahmood
 Chairman of the Board of Directors


 Mr. Bektur Aliev
 Acting Chief Executive Officer


 Ms. Gulnara Shamshieva
 Chief Finance Officer



Kyrgyz Investment and Credit Bank CJSC
Consolidated Statement of Financial Position as at 31 December 2019

	Note	2019 USD'000	2018* USD'000
ASSETS			
Cash and cash equivalents	15	159,565	124,534
Loans to customers			
- Loans to corporate customers	16	86,251	78,111
- Loans to retail customers	16	108,979	90,517
Investment securities	17	21,035	53,643
Investment in associate	18	3,113	2,536
Property, equipment and intangible assets	19	16,992	13,020
Other assets	20	18,375	26,028
Total assets		414,310	388,389
LIABILITIES			
Deposits and balances from banks and other financial institutions	21	5,694	6,487
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	22	119,339	123,653
- Current accounts and deposits from retail customers	22	162,982	141,768
Debt securities issued	23	2,206	3,976
Subordinated debt	24	1,384	1,483
Other borrowed funds	25	26,822	27,902
Lease liabilities	2 (e)	2,347	-
Other liabilities	26	15,466	10,455
Total liabilities		336,240	315,724
EQUITY			
Share capital	27	17,500	17,500
Share premium		495	495
Cumulative translation reserve		(445)	(415)
Retained earnings and other reserves for general banking risks		57,935	52,678
Total equity attributable to equity holders of the Bank		75,485	70,258
Non-controlling interest		2,585	2,407
Total equity		78,070	72,665
Total liabilities and equity		414,310	388,389

*The Group initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2 (e)).

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 78.

	2019 USD'000	2018* USD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	29,734	26,543
Interest payments	(9,173)	(10,532)
Fee and commission receipts	5,665	5,094
Fee and commission payments	(2,676)	(2,288)
Insurance premiums received	1,725	1,539
Insurance premiums paid to reinsurers	(1,158)	(1,063)
Net insurance claims paid	(267)	(189)
Net receipts from foreign exchange	2,368	2,698
Other income receipts	632	917
Personnel expenses	(10,413)	(9,447)
Other general administrative expenses	(4,682)	(5,790)
(Increase)/decrease in operating assets		
Loans to customers	(27,971)	(40,454)
Other assets	7,846	4,732
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	(811)	2,090
Current accounts and deposits from customers	15,985	(5,221)
Other liabilities	3,945	1,013
Net cash from/ (used in) operating activities before income tax paid	10,749	(30,358)
Income tax paid	(391)	(480)
Cash flows from/ (used in) operations	10,358	(30,838)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associated company	84	81
Purchases of investment securities	(67,428)	(51,035)
Repayment of investment securities	100,506	5,984
Purchases of property, equipment and intangible assets	(3,824)	(3,237)
Cash flows from/ (used in) investing activities	29,338	(48,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
Placement of debt securities issued	-	853
Redemption of debt securities issued	(1,759)	-
Repayment of subordinated debt	(90)	(50)
Receipt of other borrowed funds	14,751	11,331
Repayment of other borrowed funds	(16,051)	(15,868)
Repayment of lease liabilities	(1,026)	-
Dividend paid	(871)	(813)
Cash flows used in financing activities	(5,046)	(4,547)
Net increase/ (decrease) in cash and cash equivalents	34,650	(83,592)
Effect of changes in exchange rates on cash and cash equivalents	292	(6,397)
Cash and cash equivalents at the beginning of the year	124,534	215,042
Effect of changes in ECL on cash and cash equivalents	89	(519)
Cash and cash equivalents at the end of the year (Note 15)	159,565	124,534

*The Group initially applied IFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated (see Note 2 (e)).

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 78.

	Attributable to equity holders of the Bank					Total
	Share capital	Share premium	Cumulative translation reserve	Retained earnings and other reserves for general banking risks	Total equity attributable to owners	
USD'000						
Balance at 1 January 2018	17,500	495	(362)	47,264	64,897	2,237
Profit for the year	-	-	-	6,227	6,227	204
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences	-	-	(53)	-	(53)	(34)
Total comprehensive income for the year	-	-	(53)	6,227	6,174	170
Transactions with owners, recorded directly in equity						
Dividends paid	-	-	-	(813)	(813)	-
Total transactions with owners	-	-	-	(813)	(813)	-
Balance at 31 December 2018	17,500	495	(415)	52,678	70,258	2,407
Balance at 1 January 2019	17,500	495	(415)	52,678	70,258	2,407
Profit for the year	-	-	-	6,128	6,128	171
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation differences	-	-	(30)	-	(30)	7
Total comprehensive income for the year	-	-	(30)	6,128	6,098	178
Transactions with owners, recorded directly in equity						
Dividends paid	-	-	-	(871)	(871)	-
Total transactions with owners	-	-	-	(871)	(871)	-
Balance at 31 December 2019	17,500	495	(445)	57,935	75,485	2,585

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 78.