

Kyrgyz Investment and Credit Bank CJSC

Consolidated Financial Statements and
Independent auditor's report
for the year ended 31 December 2020

Kyrgyz Investment and Credit Bank CJSC

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management of Kyrgyz Investment and Credit Bank CJSC ("the Bank") is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Bank and its subsidiary (collectively – "the Group") as at 31 December 2020, and the related consolidated statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated 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 Group's financial position and financial performance; and
- Making an assessment of the Group'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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group 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 Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Management on 11 March 2021 and signed on its behalf by:

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

Mr. Bektur Aliyev
Chief Executive Officer



Ms. Gulnara Shamshieva
Chief Finance Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kyrgyz Investment and Credit Bank CJSC

Opinion

We have audited the consolidated financial statements of Kyrgyz Investment and Credit Bank CJSC (the "Bank") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2020, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

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.

² Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

Allowance for expected credit losses ("ECL") on loans to customers

The measurement of expected credit losses ('ECL') involves significant judgements and estimates. There is increased risk of material misstatement of ECL in the current year due to the increased judgement and estimation uncertainty as a result of COVID-19.

As at 31 December 2020, the Group's gross loans assessed for impairment on an individual basis amounted to USD 59,026 thousand, which accounts for 34% of total gross loans. The related ECL comprised USD 6,402 thousand.

The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group.

The key areas where we identified greater levels of judgement and therefore increased levels of audit focus in the Group's estimation of ECL are:

Economic scenarios - IFRS 9 requires the Group to measure ECL on a forward-looking basis reflecting a range of future economic conditions, and the probability weightings assigned to each economic scenario.

Significant Increase in Credit Risk ('SICR') - The criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded. Increased judgement exists in the current year relating to the treatment of those customers who were granted one or more COVID-19 payment reliefs.

Model estimations – Inherently judgmental modelling is used to estimate ECLs which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD'), and Exposures at Default ('EAD').

The Group's disclosures on the description of impairment indicators for individually significant loans and gross carrying amounts and related allowances for such loans, are included in Notes 5, 17 and 30 to the consolidated financial statements. The disclosures regarding the Group's application of IFRS 9 are key to explaining the key judgements and material inputs to the IFRS 9 ECL results.

We obtained an understanding of the loan origination and credit risk management processes. We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.

On a sample basis, we recalculated the ECL measured on each of loan portfolios. We performed testing over inputs and significant assumptions impacting ECL calculations to assess the reasonableness of economic forecasts, weights, and model assumptions applied. In order to evaluate whether the loans have been appropriately classified to the respective stage, we analyzed borrower's financial and non-financial information, overdue days and checked other relevant impairment events such as restructuring and certain financial performance indicators had been identified on a timely manner and had reflected the impact of COVID-19 on particularly impacted sectors of economy.

We assessed the ongoing effectiveness of the SICR criteria and independently calculated the loans' stage for loans to customers. In addition, we assessed the reasonableness of the Group's treatment of COVID-19 payment relief customers from a SICR perspective.

We involved our own internal Risk Advisory specialists in evaluating the Group's IFRS 9 models. We used our knowledge of the Group and our experience of the industry, in which the Group operates, to independently challenge the appropriateness of the Group's IFRS 9 models.

We evaluated the accuracy and completeness of the notes disclosed in the consolidated financial statements relating to the loans to customers in accordance with IFRS 9 requirements, including the impact of COVID-19 on ECL.

We found no material exceptions in these tests.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 28 February 2020.

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 IFRSs, 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.

Auditor's 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 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 consolidated 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 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.

CONSOLIDATED STATEMENT OF LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	USD'000	USD'000
Interest income	30,953	20,789
Interest expense	(9,942)	(12,201)
Net interest income	21,011	8,588
Allowance for doubtful loans	(1,158)	(1,201)
Net interest income	19,853	7,387
Fee and commission income	5,405	5,278
Net fee and commission income	2,389	2,389
Gross profit	22,242	9,776
Change in the fair value of financial assets and liabilities	32	(148)
Gross earnings	22,274	9,628
Less: Withholding tax	(1,111)	(105)
Net earnings	21,163	9,523
Change in the fair value of financial assets and liabilities	(145)	(408)
Change in the fair value of financial assets and liabilities	(408)	(373)
Net earnings	20,755	9,150
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 auditor's 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.		
Profit for the year	8,272	8,272
Other comprehensive income	(524)	(524)
Other comprehensive income	(524)	(524)
Total comprehensive income	7,748	7,748
Profit for the year	2,973	(1,124)
Other comprehensive income	304	172
Other comprehensive income	3,277	8,388
Total comprehensive income	1,997	6,888
Non-controlling interest	(22)	128
Profit for the year	2,475	8,270

11 March 2021
Bishkek, the Kyrgyz Republic

Mr. R. Zaki Malimov
Chairman of the Board of Directors

Mr. K. Shermatov
Chief Financial Officer

Kyrgyz Investment and Credit Bank CJSC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 USD'000	2019 USD'000
Interest income calculated using the effective interest method on interest bearing assets	7,34	27,744	30,055
Interest expense	7,34	(10,543)	(9,962)
Net interest income before allowance for expected credit losses on interest bearing assets		17,201	20,093
Allowance for expected credit losses on interest-bearing assets	8,34	(3,473)	(399)
Net interest income		13,728	19,694
Fee and commission income	9	4,724	5,665
Fee and commission expense	9,34	(2,703)	(2,676)
Net fee and commission income		2,021	2,989
Gross premiums written	10	1,439	1,728
Change in the gross provision for unearned premiums	10	52	(148)
Gross earned premiums		1,491	1,580
Less: written premiums ceded to reinsurers	10	(1,047)	(1,161)
Reinsurers' share of change in the gross provision for unearned premiums	10	(30)	100
Net earned premiums		414	519
Insurance claims incurred, net of reinsurance	10	(62)	(145)
Change in gross insurance contract provisions	10	(375)	(408)
Change in reinsurers' share in claims provisions	10	320	333
Net insurance claims incurred		(117)	(220)
Net income from insurance operations	10	297	299
Net foreign exchange gain	11	4,496	2,334
Share of profit in associate	19,34	629	673
Other operating income		709	629
Operating income		21,880	26,618
Impairment losses on other transactions	12,34	(1,054)	(939)
Personnel expenses	13,34	(9,297)	(10,470)
Other general administrative expenses	14,34	(7,811)	(8,095)
Profit before income tax		3,718	7,114
Income tax expense	15	(441)	(815)
Profit for the year		3,277	6,299
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences		(802)	(23)
Other comprehensive income for the year, net of income tax		(802)	(23)
Total comprehensive income for the year		2,475	6,276
Profit attributable to:			
Equity holders of the Bank		2,973	6,128
Non-controlling interest		304	171
		3,277	6,299
Total comprehensive income attributable to:			
Equity holders of the Bank		2,597	6,098
Non-controlling interest		(122)	178
		2,475	6,276

The consolidated financial statements as set out on pages 6 to 101 were approved by the Management on 11 March 2021 and signed on its behalf by:



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

Mr. Bektur Aliev
Chief Executive Officer

Ms. Gulnara Shamshieva
Chief Finance Officer

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 10 to 101.

Kyrgyz Investment and Credit Bank CJSC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020 USD'000	2019 USD'000
ASSETS			
Cash and cash equivalents	16,34	220,843	159,565
Loans to customers			
- Loans to corporate customers	17	72,606	86,250
- Loans to retail customers	17,34	89,250	108,980
Investment securities at amortised cost	18	1,861	21,035
Investment in associate	19,34	3,595	3,113
Property, equipment and intangible assets	20	18,900	14,738
Right-of-use assets	21	1,677	2,254
Other assets	22	20,242	18,375
Total assets		428,974	414,310
LIABILITIES			
Deposits and balances from banks and other financial institutions	23	8,366	5,694
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	24,34	132,469	119,339
- Current accounts and deposits from retail customers	24,34	160,700	162,982
Debt securities issued		-	2,206
Lease liabilities	27	1,752	2,347
Subordinated debt	25	1,445	1,384
Other borrowed funds	26	27,867	26,822
Other liabilities	28	15,830	15,466
Total liabilities		348,429	336,240
EQUITY			
Share capital	29	17,500	17,500
Share premium		495	495
Cumulative translation reserve		(821)	(445)
Other reserves	29	9,287	9,287
Retained earnings		51,621	48,648
Total equity attributable to equity holders of the Bank		78,082	75,485
Non-controlling interest		2,463	2,585
Total equity		80,545	78,070
Total liabilities and equity		428,974	414,310


The consolidated financial statements as set out on pages 6 to 101 were approved by the Management on 11 March 2021 and signed on its behalf by:



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



Mr. Bektur Ailey
Chief Executive Officer



Ms. Gulnara Shamshieva
Chief Finance Officer

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Kyrgyz Investment and Credit Bank CJSC

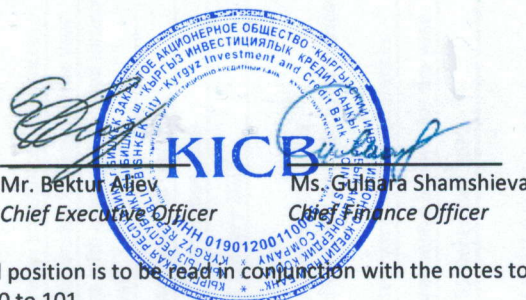
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 USD'000	2019 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	25,558	29,734
Interest payments	(10,342)	(9,173)
Fee and commission receipts	4,724	5,665
Fee and commission payments	(2,703)	(2,676)
Insurance premiums received	1,262	1,725
Insurance premiums paid to reinsurers	(776)	(1,158)
Net insurance claims paid	(130)	(267)
Net receipts from foreign exchange	4,154	2,368
Other income receipts	589	632
Personnel expenses	(9,253)	(10,413)
Other general administrative expenses	(3,990)	(4,682)
(Increase)/decrease in operating assets		
Loans to customers	18,070	(27,971)
Other assets	(1,282)	7,846
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	3,080	(811)
Current accounts and deposits from customers	31,888	15,985
Other liabilities	222	3,945
Net cash from operating activities before income tax paid	61,071	10,749
Income tax paid	(660)	(391)
Cash flows from operations	60,411	10,358
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from associated company	137	84
Purchases of investment securities at amortised cost	(1,589)	(67,428)
Repayment of investment securities at amortised cost	19,220	100,506
Purchases of property, equipment and intangible assets	(6,361)	(3,824)
Cash flows from investing activities	11,407	29,338
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of debt securities issued	(1,793)	(1,759)
Repayment of subordinated debt	(80)	(90)
Receipt of other borrowed funds	18,193	14,751
Repayment of other borrowed funds	(13,238)	(16,051)
Repayment of lease liabilities	(1,078)	(1,026)
Dividend paid	-	(871)
Cash flows from/(used in) financing activities	2,004	(5,046)
Net increase/ (decrease) in cash and cash equivalents	73,822	34,650
Effect of changes in exchange rates on cash and cash equivalents	(12,536)	292
Cash and cash equivalents at the beginning of the year	159,565	124,534
Effect of changes in ECL on cash and cash equivalents	(8)	89
Cash and cash equivalents at the end of the year (Note 16)	220,843	159,565

The consolidated financial statements as set out on pages 6 to 101 were approved by the Management on 11 March 2021 and signed on its behalf by:



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



Mr. Bektur Ajev
Chief Executive Officer

Ms. Gulnara Shamshieva
Chief Finance Officer

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 10 to 101.

Kyrgyz Investment and Credit Bank CJSC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

USD'000	Attributable to equity holders of the Bank						Non-controlling interest	Total
	Share capital	Share premium	Cumulative translation reserve	Other reserves	Retained earnings	Total equity attributable to owners		
Balance at 1 January 2019	17,500	495	(415)	9,287	43,391	70,258	2,407	72,665
Profit for the year	-	-	-	-	6,128	6,128	171	6,299
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences	-	-	(30)	-	-	(30)	7	(23)
Total comprehensive income for the year	-	-	(30)	-	6,128	6,098	178	6,276
Transactions with owners, recorded directly in equity								
Dividends paid	-	-	-	-	(871)	(871)	-	(871)
Total transactions with owners	-	-	-	-	(871)	(871)	-	(871)
Balance at 31 December 2019	17,500	495	(445)	9,287	48,648	75,485	2,585	78,070
Balance at 1 January 2020	17,500	495	(445)	9,287	48,648	75,485	2,585	78,070
Profit for the year	-	-	-	-	2,973	2,973	304	3,277
Other comprehensive income								
Items that are or may be reclassified subsequently to profit or loss:								
Foreign currency translation differences	-	-	(376)	-	-	(376)	(426)	(802)
Total comprehensive income for the year	-	-	(376)	-	2,973	2,597	(122)	2,475
Balance at 31 December 2020	17,500	495	(821)	9,287	51,621	78,082	2,463	80,545

The consolidated financial statements as set out on pages 6 to 101 were approved by the Management on 11 March 2021 and signed on its behalf by:



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




Mr. Bektur Ailey
Chief Executive Officer

Ms. Gulnara Shamshieva
Chief Finance Officer

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 10 to 101.