

Kompanion Bank Closed Joint-Stock Company

Consolidated financial statements

*For 2018
together with independent auditor's report*

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the financial position of Bank Kompanion Closed Joint Stock Company and its subsidiaries ("the Group") as at 31 December 2018, 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 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 IFRS requirements are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated 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:

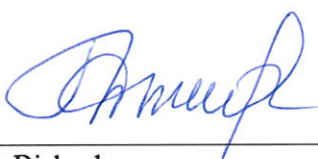
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining accounting records that are sufficient to disclose and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS requirements;
- maintaining accounting records in compliance with the legislation of the Kyrgyz Republic;
- taking such steps that are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting financial and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Group's management on 20 March 2019.

On behalf of the Management:


Margarita Cherkbaeva
Chief Executive Officer




Gulbara Djakypbaeva
Chief Accountant

20 March 2019

Bishkek
Kyrgyz Republic

Independent auditor's report

To the Shareholders and Board of Directors of Kompanion Bank CJSC

Opinion

We have audited the consolidated financial statements of Kompanion Bank CJSC and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and 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 2018 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 (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with 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 consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2018.

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and Board of Directors 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.

The Board of Directors 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;
- ▶ 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 auditor's 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 auditor's 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 the Board of Directors 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.

Ernst & Young LLP

Paul Cohn
Audit Partner



Elizaveta Tsoy
Auditor / General Director
Ernst & Young Audit LLC



A Qualification Certificate of the auditor series
A No. 0003 registration No. 00098 dated
28 February 2006

License to perform audit activities series A
№ 0036 registration No. 0065 dated
20 February 2010 issued by The State
Service for Financial Market
Regulation and Supervision under the
Government of Kyrgyz Republic

Abdrakhmanov Str., 191
Bishkek 720011, Kyrgyz Republic

20 March 2019

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(in thousands of Kyrgyz som)

	Note	2018	2017*
Interest income calculated using effective interest rate	6	1,809,021	1,624,932
Other interest income	6	99	267
Interest expense	6	(519,158)	(465,181)
Net interest income		1,289,962	1,160,018
Reversal of allowance for credit losses	7	2,039	53,482
Net interest income after reversal of allowance for credit losses		1,292,001	1,213,500
Net income from islamic financing		6,789	8,503
Fee and commission income	8	39,051	25,239
Fee and commission expense	8	(2,613)	(1,556)
Net losses from derivative financial instruments		(31,579)	(26,590)
Net gains/(losses) from foreign currencies			
- dealing		20,272	14,855
- translation differences		(13,031)	(10,617)
Gain from government subsidy		9,017	—
Other income		1,004	1,143
Non-interest income		28,910	10,977
Administrative and operating expenses	9	(914,925)	(949,596)
Net losses on initial recognition of financial assets at amortised cost		(7,765)	—
Other impairment and provisions	18	(2,985)	(28)
Non-interest expense		(925,675)	(949,624)
Profit before income tax expense		395,236	274,853
Income tax expense	10	(39,313)	(25,513)
Profit for the year		355,923	249,340
Attributable to:			
- shareholders of the Bank		355,923	249,340
- non-controlling interests		—	—
Other comprehensive income		—	—
Total comprehensive income for the year		355,923	249,340
Attributable to:			
- shareholders of the Bank		355,923	249,340
- non-controlling interests		—	—


* Certain amounts in this column do not agree to the consolidated financial statements for 2017 as they reflect reclassifications made and disclosed in Note 4.

On behalf of the Management:


Margarita Cherikbaeva
Chief Executive Officer

20 March 2019

Bishkek
Kyrgyz Republic


Gulbara Djakypbaeva
Chief Accountant



The accompanying notes on pages 5-49 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

(in thousands of Kyrgyz som)

	Note	31 December 2018	31 December 2017
Assets			
Cash and cash equivalents	11	1,141,867	453,221
Amounts due from credit institutions		2,096	2,065
Derivative financial assets	12	44,532	40,555
Loans to customers	13	6,567,057	5,337,275
Islamic financing	14	36,962	34,008
Investment securities	15	259,491	380,801
Property and equipment	16	298,393	330,962
Intangible assets	17	26,107	39,719
Deferred income tax assets	10	—	1,235
Other assets	18	76,483	45,186
Total assets		8,452,988	6,665,027
Liabilities			
Amounts due to credit institutions	19	3,807,190	3,605,563
Amounts due to customers	20	2,370,070	1,124,617
Subordinated loans	21	57,791	56,008
Current income tax liabilities		6,653	6,017
Deferred income tax liabilities	10	18,787	—
Other liabilities	18	174,120	274,556
Total liabilities		6,434,611	5,066,761
Equity			
Share capital	23	1,000,616	1,000,616
Additional paid-in capital		177,150	177,150
Retained earnings		840,609	420,498
Total equity attributable to shareholders of the Bank		2,018,375	1,598,264
Non-controlling interests		2	2
Total equity		2,018,377	1,598,266
Total equity and liabilities		8,452,988	6,665,027

On behalf of the Management:

Margarita Cherikbaeva
Chief Executive Officer

20 March 2019

Bishkek
Kyrgyz Republic



Gulbara Djakypbaeva
Chief Accountant

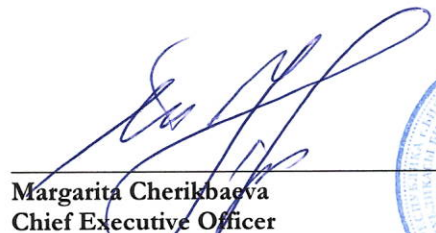
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(in thousands of Kyrgyz som)

Note	Attributable to shareholders of the Bank				Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Retained earnings	Total		
31 December 2016	1,000,616	177,150	171,158	1,348,924	2	1,348,926
Total comprehensive income for the year	—	—	249,340	249,340	—	249,340
31 December 2017	1,000,616	177,150	420,498	1,598,264	2	1,598,266
Impact of adopting IFRS 9	—	—	64,188	64,188	—	64,188
Restated opening balance under IFRS 9	1,000,616	177,150	484,686	1,662,452	2	1,662,454
Total comprehensive income for the year	—	—	355,923	355,923	—	355,923
31 December 2018	1,000,616	177,150	840,609	2,018,375	2	2,018,377


On behalf of the Management:


Margarita Cherikbaeva
Chief Executive Officer

20 March 2019

Bishkek
Kyrgyz Republic




Gulbara Djakypbaeva
Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

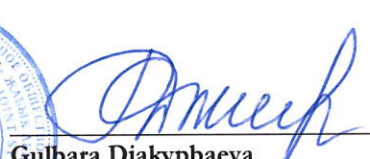
(in thousands of Kyrgyz som)

	Note	2018	2017*
Cash flows from operating activities			
Interest received		1,852,483	1,600,921
Interest paid		(533,584)	(530,695)
Islamic financing		6,788	8,398
Fees and commissions received		39,051	25,239
Fees and commissions paid		(2,613)	(1,556)
Realised losses from operations with derivative instruments		(35,908)	—
Realised gains less losses from dealing in foreign currencies		20,263	14,833
Other operating income received		2,731	1,143
Other operating expenses paid		(962,723)	(858,928)
Cash flows from operating activities before changes in operating assets and liabilities		386,488	259,355
<i>Net (increase)/ decrease in operating assets</i>			
Amounts due from credit institutions		(23)	341,298
Loans to customers		(1,205,055)	(708,819)
Derivative financial assets		—	31,962
Islamic financing		(3,941)	(21,357)
Other assets		(24,628)	(18,393)
<i>Net increase/ (decrease) in operating liabilities</i>			
Amounts due to customers		1,243,827	206,657
Amounts due to credit institutions		45,436	—
Other liabilities		9,215	4,697
Net cash flows from operating activities before income tax		451,319	95,400
Income tax paid		(25,782)	(11,492)
Net cash from operating activities		425,537	83,908
Cash flows from investing activities			
Redemption of investment securities		198,242	215,757
Purchase of investment securities		(77,597)	(125,495)
Purchase of property and equipment and intangible assets	16, 17	(14,974)	(38,609)
Proceeds from sale of property and equipment		—	557
Net cash from investing activities		105,671	52,210
Cash flows from financing activities			
Proceeds from amounts due to credit institutions	29	919,281	1,701,585
Repayment of amounts due to credit institutions	29	(767,333)	(2,304,021)
Net cash from / (used in) financing activities		151,948	(602,436)
Effect of exchange rates changes on cash and cash equivalents		3,116	(1,708)
Effect of expected credit losses on cash and cash equivalents		2,374	(3,106)
Net increase/(decrease) in cash and cash equivalents		688,646	(471,132)
Cash and cash equivalents, beginning		453,221	924,353
Cash and cash equivalents, ending		1,141,867	453,221

* Certain amounts in this column do not agree to the consolidated financial statements for 2017 as they reflect reclassifications made and disclosed in Note 4.

On behalf of the Management:


Margarita Cherikbaeva
Chief Executive Officer


Gulbara Djakypbaeva
Chief Accountant



20 March 2019

Bishkek
Kyrgyz Republic

The accompanying notes on pages 5-49 are an integral part of these consolidated financial statements.