

Independent auditor's report

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To the shareholders of CJSC "Bank of Asia"

Opinion

We have audited the financial statements of CJSC «Bank of Asia» (the Bank), which comprise the statement of financial position as of 31 December 2019, 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 give a true and fair view of the financial position of the Bank as of 31 December 2019 and of 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 in relation to 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 those ethical requirements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for expected credit loss

Refer to note 4.8 of the financial statements for a description of the accounting policies and to note 34.1 for an analysis of credit risk.

Expected credit loss allowance was considered as a key audit matter due to significance of loans to customers as well as the subjectivity of assumptions underlying the impairment assessment. Applying different judgments and assumptions can lead to significantly different results of the expected credit loss allowance, which may have a material effect on the Bank's financial results.

Key areas of judgment included the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With respect to impairment methodology, our audit procedures comprised the following:

- We read the Bank's IFRS 9 based impairment provisioning policy and compared it with the requirements of IFRS 9.
- We assessed the design and tested the operating effectiveness of relevant controls over the data used to determine the impairment reserve, including transactional data captured at loan origination, ongoing internal credit quality assessments, storage of data and interfaces to the expected credit loss model.
- We assessed the design and tested the operating effectiveness of relevant controls over the expected credit loss model, including model build and approval, ongoing monitoring/validation, model governance and mathematical accuracy.
- We checked the appropriateness of the Bank's determination of significant increase in credit risk and the resultant basis for classification of exposures into various stages.
- For a sample of risk exposures, we checked the appropriateness of the Bank's staging.
- We assessed and tested the material modeling assumptions as well as overlays with a focus on the key modeling assumptions adopted by the Bank and sensitivity of the provisions to changes in modeling assumptions.
- For forward looking assumptions used by the Bank's management in its expected credit loss calculations, we held discussions with management and corroborated the assumptions using publicly available information.
- We examined a sample of risk exposures and performed procedures to evaluate the timely identification of exposures with a significant deterioration in credit quality and expected loss calculation for exposures assessed on an individual basis.
- We checked the completeness of loans and advances, off-balance sheet items, investment securities, placements and other financial assets included in calculation of allowances for expected credit loss as at 31 December 2019. We understood the theoretical soundness and tested the mathematical integrity

of the models applied.

- For data from external sources, we understood the process of choosing such data, its relevance for the Bank, and the controls and governance over such data;
- We involved our IT specialists in areas that required specific expertise (i.e. data reliability and the expected credit loss model).
- We assessed the accuracy of the disclosures in the financial statements.

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.

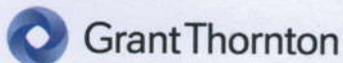
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Armen Vanyan.

Armen Vanyan

Director/ Partner

Qualification certificate of the auditor

Series A No. 0264 dated July 11, 2016



26 February 2020

Bishkek

Grant Thornton LLC

License for auditing

State Service for Regulation and Supervision of the Financial Market

under the Government of the Kyrgyz Republic, on May 3, 2013

Statement of profit or loss and other comprehensive income

In thousands of Kyrgyz som

	Notes	Year ended 31 December 2019	Year ended 31 December 2018
Interest and similar income	7	407,542	290,295
Interest and similar expense	7	(153,835)	(93,765)
Net interest income		253,707	196,530
Fee and commission income	8	178,194	99,143
Fee and commission expense	8	(28,287)	(18,615)
Net fee and commission income		149,907	80,528
Gains less losses from foreign currency translation	9	52,217	42,857
Net gains/(losses) on financial assets at fair value through profit or loss		267	210
Other income		1,879	4,529
Credit impairment losses	10	(6,535)	(6,907)
Personnel expenses	11	(192,653)	(160,918)
Depreciation of property and equipment and intangible assets	21	(41,279)	(20,034)
Other expenses	12	(75,284)	(88,041)
Profit before income tax		142,226	48,754
Income tax expense	13	(15,856)	(3,977)
Profit for the year		126,370	44,777
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
<i>Movement in fair value reserve</i>			
Net change in fair value during the year		5	148
Other comprehensive income for the year		5	148
Total comprehensive income for the year		126,375	44,925
Earnings per share			
	14		
Basic		203.82	72.22

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 67.

Statement of financial position

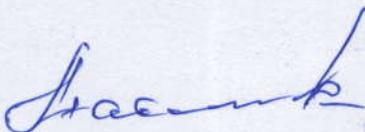
In thousands of Kyrgyz som

	Notes	As of 31 December 2019	As of 31 December 2018
Assets			
Cash and cash equivalents	15	1,213,614	707,467
Amounts due from other financial institutions	16	149,126	86,113
Financial assets at fair value through profit or loss	18	35,771	30,066
Loans and advances to customers	19	2,172,379	1,658,583
Investment securities	20		
- Investment securities at fair value through other comprehensive income		409	403
- Investment securities at amortised cost		318,184	252,950
Property and equipment and Intangible assets	21	219,013	190,236
Long-term assets available for sale	23	26,518	31,907
Other assets	24	25,939	17,282
Total assets		4,160,953	2,975,007
Liabilities and equity			
Liabilities			
Amounts due to financial institutions	25	604,529	571,335
Derivative financial liabilities	17	22	23
Amounts due to customers	26	2,692,458	1,653,486
Current income tax liabilities		6,489	4,631
Deferred income tax liabilities	13	3,178	1,880
Other liabilities	27	86,788	48,560
Total liabilities		3,393,464	2,279,915
Equity			
Share capital	28	620,000	620,000
Additional paid up capital		-	-
Fair value reserve		(238)	(243)
Retained earnings		147,727	75,335
Total equity		767,489	695,092
Total liabilities and equity		4,160,953	2,975,007

The financial statements were approved on 26 February 2020 by:

Atakishieva Zemfira

Chairman

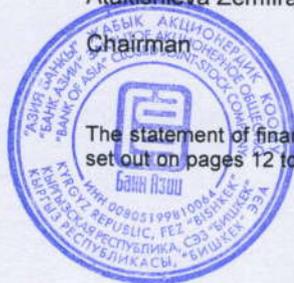


Kustebaeva Nazira

Chief accountant



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 67.



Statement of changes in equity

In thousands of Kyrgyz som

	Share capital	Additional paid up capital	Fair value reserve	Retained earnings	Total
Balance as of 31 December 2017	400,000	25,000	(391)	83,631	508,240
Impact of adopting IFRS 9 (note 6)	-	-	-	30,558	30,558
Restated balance at 1 January 2018	400,000	25,000	(391)	114,189	538,798
Profit for the year	-	-	-	44,777	44,777
<i>Other comprehensive income:</i>					
Net change in fair value of instrument at FVOCI	-	-	148	-	148
Total comprehensive income for the year	-	-	148	44,777	44,925
Increase in share capital	220,000	(25,000)	-	(83,631)	111,369
Transactions with owners	220,000	(25,000)	-	(83,631)	111,369
Balance as of 31 December 2018	620,000	-	(243)	75,335	695,092
Impact of adopting IFRS 16 (note 6)	-	-	-	(1,039)	(1,039)
Adjusted balance at 1 January 2019	620,000	-	(243)	74,296	694,053
Profit for the year	-	-	-	126,370	126,370
<i>Other comprehensive income:</i>					
Net change in fair value of instrument at FVOCI	-	-	5	-	5
Total comprehensive income for the year	-	-	5	126,370	126,375
Dividends to shareholder	-	-	-	(52,939)	(52,939)
Transactions with owners	-	-	-	(52,939)	(52,939)
Balance as of 31 December 2019	620,000	-	(238)	147,727	767,489

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 67.

Statement of cash flows

In thousands of Kyrgyz som	Year ended 31 December 2019	Year ended 31 December 2018
<i>Cash flows from operating activities</i>		
Interest received	402,283	284,263
Interest paid	(143,609)	(97,700)
Commissions received	178,243	99,053
Commissions paid	(26,358)	(15,778)
Proceeds from operations with foreign currency	51,504	45,882
Other income received	2,195	4,148
General administrative expenses paid	(272,784)	(251,930)
Cash flows from operating activities before changes in operating assets and liabilities	191,474	67,938
<i>Changes on operating activities</i>		
Amounts due to financial institutions	(61,207)	(30,250)
Amounts due to customers	(553,743)	(450,041)
Other liabilities	(8,657)	11,608
<i>Change in operating liabilities</i>		
Amounts due to financial institutions	33,194	153,134
Amounts due to customers	1,038,972	388,239
Other liabilities	38,228	4,547
Net cash from operating activities before income tax	678,261	145,175
Income tax paid	(12,914)	(3,163)
Net cash from operating activities	665,347	142,012

In thousands of Kyrgyz som	Year ended 31 December 2019	Year ended 31 December 2018
Acquisition of investments	(512,325)	(1,087,917)
Sale of investments	441,974	1,043,467
Purchase of fixed assets and intangible assets	(38,127)	(26,558)
Sale of fixed assets and intangible assets	-	58
Net cash used in investing activities	(108,478)	(70,950)
Cash flow from financing activities		
Proceeds from issue of share capital	-	111,369
Dividends paid	(52,939)	-
Net cash flow from/(used in) financing activities	(52,939)	111,369
Net increase in cash and cash equivalents	503,930	182,431
Cash and cash equivalents at the beginning of the year	707,467	553,252
Exchange differences on cash and cash equivalents	2,217	(28,216)
Cash and cash equivalents at the end of the year (Note 15)	<u>1,213,614</u>	<u>707,467</u>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 67.