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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders and Management of the Closed Joint Stock Company "Bank of Asia":

### **Opinion**

We have audited the financial statements of the Closed Joint Stock Company "Bank of Asia" (the "Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 December 31, 2016, and its financial performance and 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 (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.

### **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.

February 10, 2017  
Bishkek, Kyrgyz Republic

Kubat Alymkulov



Certified accountant, FCCA  
Certificate of auditor of the Kyrgyz Republic # A 0069  
Audit Director, Baker Tilly Bishkek LLC

Baker Tilly Bishkek LLC,  
License Series A # 0049 issued by the State Committee  
on Review and Regulation of the financial market of the  
Kyrgyz Republic

**CJSC "BANK OF ASIA"**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2016**

*(in thousands of Kyrgyz Soms)*

	Note	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest income	5	268,903	270,824
Interest expenses	5	(122,265)	(119,706)
<b>NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	5	<u>146,638</u>	<u>151,118</u>
Accrual of allowance for impairment losses on interest bearing assets	6	(32,576)	(9,187)
<b>NET INTEREST INCOME</b>		114,062	141,931
Commission income	7	80,319	86,629
Commission expenses	7	(18,078)	(16,311)
Net gain on financial instruments	8	112	4,187
Net gain on foreign exchange operations	9	57,922	57,726
Accrual of allowance for impairment losses on other assets	6	(3,376)	(3,207)
Other income, net	10	12,178	7,112
<b>NET NON-INTEREST INCOME</b>		<u>129,077</u>	<u>136,136</u>
Operating expenses	11	(204,867)	(199,747)
<b>PROFIT BEFORE INCOME TAX</b>		38,272	78,320
Income tax	12	(4,836)	(8,243)
<b>NET PROFIT FOR THE YEAR</b>		<u>33,436</u>	<u>70,077</u>
Other comprehensive income			
(Loss) / gain from revaluation of financial assets available- for-sale		(51)	(401)
Income tax attributable to the components of other comprehensive income		5	32
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>33,390</u>	<u>69,708</u>
Earnings per share (som)		91	222

On behalf of the Management:

*[Signature]*  
Aldayarov Nurlan

Chairman of Management Board

February 10, 2017

Bishkek, Kyrgyz Republic



*[Signature]*

Shokenov Myktybek  
Chief Accountant

February 10, 2017

Bishkek, Kyrgyz Republic

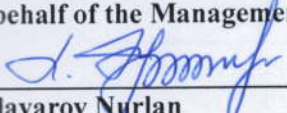
The notes on pages 12-57 form an integral part of the financial statements. The Independent Auditors' Report is on pages 4-6.

## CLOSED JOINT STOCK COMPANY "BANK OF ASIA"


### STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 (in thousands of Kyrgyz Soms)

	Note	December 31, 2016	December 31, 2015
<b>ASSETS:</b>			
Cash and cash equivalents	13	538,960	568,130
Due from banks	14	111,525	301,074
Financial assets at fair value through profit of loss	15	33,115	-
Loans to financial institutions	16	42,592	4,402
Loans to customers	17	1,058,060	1,219,282
Investments available-for-sale	18	322	373
Investments held-to-maturity	19	162,778	70,959
Property, equipment and intangible assets	20	139,807	116,794
Assets held for sale	21	18,580	16,805
Deferred tax asset	12	-	40
Other assets	22	136,708	95,945
<b>TOTAL ASSETS</b>		<b>2,242,447</b>	<b>2,393,804</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES:</b>			
<b>LIABILITIES:</b>			
Customer accounts	23	1,506,694	1,533,769
Loans received	24	243,260	332,149
Promissory notes issued		-	79,168
Financial instruments at fair value through profit or loss	25	459	7,821
Income tax liabilities		3,209	3,717
Provision for contingent liabilities	6	1,830	2,419
Deferred tax liability	12	252	-
Other liabilities	26	36,639	29,346
		1,792,343	1,988,389
<b>SHAREHOLDERS' EQUITY:</b>			
Share capital	27	400,000	335,624
Additionally paid-in capital	27	17,000	-
Revaluation reserve		(332)	(286)
Retained earnings		33,436	70,077
		450,104	405,415
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>2,242,447</b>	<b>2,393,804</b>

On behalf of the Management:

  
Aldayarov Nurlan  
Chairman of Management Board



  
Shokenov Myktybek  
Chief Accountant

March 5, 2016  
Bishkek, Kyrgyz Republic

March 5, 2016  
Bishkek, Kyrgyz Republic

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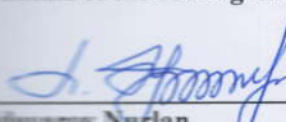
## CLOSED JOINT STOCK COMPANY "BANK OF ASIA"

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2015

(in thousands of Kyrgyz Soms)


	Note	Share capital	Additional paid-in capital	Revaluation reserves	Retained earnings	Total capital
Balance at December 31, 2014	27	299,688	-	83	47,916	347,687
<b>Comprehensive income</b>						
Net profit for the year		-	-	-	70,077	70,077
Change in revaluation reserves		-	-	(401)	-	(401)
Impact of income tax relating to revaluation reserve		-	-	32	-	32
<b>Total comprehensive income</b>		-	-	(369)	70,077	69,708
<b>Transactions with owners</b>						
Dividends declared		-	-	-	(11,980)	(11,980)
Increase of share capital through capitalisation of retained earnings		35,936	-	-	(35,936)	-
<b>Total transactions with owners</b>		35,936	-	-	(47,916)	(11,980)
Balance at December 31, 2015	27	335,624	-	(286)	70,077	405,415
<b>Comprehensive income</b>						
Net profit for the year		-	-	-	33,436	33,436
Change in revaluation reserves		-	-	(51)	-	(51)
Impact of income tax relating to revaluation reserve		-	-	5	-	5
<b>Total comprehensive income</b>		-	-	(46)	33,436	33,390
<b>Transactions with owners</b>						
Dividends declared	27	-	-	-	(5,701)	(5,701)
Increase of additional paid-in capital	27	-	17,000	-	-	17,000
Increase of share capital through capitalisation of retained earnings		64,376	-	-	(64,376)	-
<b>Total transactions with owners</b>		64,376	17,000	-	(70,077)	11,299
Balance at December 31, 2016	27	400,000	17,000	(332)	33,436	450,104

On behalf of the Management:

  
Aldasayarov Nurlan  
Chairman of Management Board

February 10, 2017  
Bishkek, Kyrgyz Republic



  
Shokenov Myktybek  
Chief Accountant

February 10, 2017  
Bishkek, Kyrgyz Republic

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## CLOSED JOINT STOCK COMPANY "BANK OF ASIA"

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

*(in thousands of Kyrgyz Soms)*

	Note	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		266,932	279,316
Interest paid		(132,557)	(119,844)
Commission received		80,262	86,585
Commission paid		(9,970)	(15,616)
Net gain on foreign currency transactions		58,142	64,266
Other income		12,201	6,565
Operating expenses		<u>(198,274)</u>	<u>(185,447)</u>
Cash flow from operating activities before changes in operating assets and liabilities		<u>76,736</u>	<u>115,825</u>
Changes in operating assets and liabilities:			
Decrease / (increase) of obligatory reserve in NBKR		16,175	(43,763)
Decrease / (increase) in current accounts and deposits in financial institutions		167	(425)
(Increase) / decrease in loans to financial institutions		(38,520)	14,511
Decrease / (increase) in loans to customers		128,243	(265,494)
Increase in other assets		(22,021)	(48,873)
(Decrease) / increase in deposits by customers		(33,476)	425,252
(Decrease) / increase in borrowed funds		(85,087)	102,760
Increase in other liabilities		<u>(4,817)</u>	<u>2,410</u>
Cash inflow from operating activities before taxation and interest		<u>37,400</u>	<u>302,203</u>
Income tax paid		<u>(5,047)</u>	<u>(7,689)</u>
Net cash inflow from operating activities		<u>32,353</u>	<u>294,514</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities		(335,922)	(691,431)
Redemption, sale of investment securities		221,369	699,527
Purchase of property, plant and equipment and intangible assets		<u>(36,032)</u>	<u>(59,318)</u>
Net cash outflow from investing activities		<u>(150,585)</u>	<u>(51,222)</u>


**CLOSED JOINT STOCK COMPANY "BANK OF ASIA"**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED)**

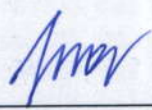
*(in thousands of Kyrgyz Soms)*

	Note	For the year ended December 31, 2016	For the year ended December 31, 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
(Redemption) / Receipts from issue of promissory notes		(75,899)	75,899
Increase in additional paid in capital	27	11,299	-
Dividends paid		-	(11,980)
Net cash outflow / (inflow) from financing activities		(64,600)	63,919
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(182,832)	307,211
Effect of foreign exchange translation difference		(17,241)	(2,238)
CASH AND CASH EQUIVALENTS, at the beginning of the period	13	741,242	436,269
CASH AND CASH EQUIVALENTS, at the end of the period	13	541,169	741,242

**On behalf of the Management:**

  
Aldayarov Nurlan  
Chairman of Management Board



  
Shokenov Myktybek  
Chief Accountant

February 10, 2017  
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