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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of the Closed Joint Stock Bank "Bank of Asia" (the "Bank"), which comprise the statement of financial position as at December 31, 2017, 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, 2017, 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.

Key Audit Matters

Evaluation of impairment of loan portfolio in accordance with IFRS and NBKR

The Bank calculates allowance for impairment of loan portfolio according to regulations of the National Bank of the Kyrgyz Republic (the "NBKR") which differs from International Financial Reporting Standards (the "IFRS") approach. Management of the Bank assessed results of evaluation of two methods and did not identify significant difference between final results of calculation of allowance for impairment according to regulations of NBKR and IFRS approaches.

We assessed the results of evaluation of allowance for impairment of loan portfolio in accordance with the NBKR regulations and IAS 39 and ensured validity of the Bank's management assessment.

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.

Report on the procedures performed in accordance with the Regulation of the National Bank of the Kyrgyz Republic #2017-P-12/25-2-(НПА) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the National Bank of the Kyrgyz Republic" dated June 15, 2017

Management of the Bank is responsible for the implementation of the regulatory requirements established by the National Bank of the Kyrgyz Republic (the "NBKR") and for compliance of internal control with the requirements set by the NBKR.

In the course of audit of the Bank's financial statements as at December 31, 2017 and for the year then ended we examined accounting and classification of the Bank's assets and disclosure of transactions with related parties and affiliates to be in compliance with the regulatory requirements of the NBKR. Furthermore, we reviewed compliance of internal control and informational systems of the Bank with regulatory requirements set by the NBKR. These procedures were performed in accordance with the Regulation of the NBKR #2017-P-12/25-2-(НПА) "On minimum requirements for the external audit of banks and other financial and credit institutions licensed by the NBKR" dated June 15, 2017.

The review was limited to the procedures selected on the basis of our judgement, which included requests, analysis, examination of documents, comparison of requirements, procedures and methods approved by the Bank with requirements set by the NBKR, as well as recalculation, reconciliation of values and other information. Identified matters related to internal controls and procedures were discussed with Management of the Bank and appropriate points were communicated in Management Letter.

The procedures performed and the results of the review are presented below:

1. With respect to compliance of the Bank's accounting and classification of assets with legislation of the Kyrgyz Republic, the regulatory requirements of the NBKR, accounting policy and procedures of the Bank, the relevant procedures have been performed within the framework of the audit conducted in accordance with International Standards on Auditing and the requirements of the NBKR. These procedures are necessary for expressing an opinion on compliance of the Bank's financial statements, in all material respects, to the generally accepted principles of preparation and presentation of financial statements:

- We obtained and analyzed the Bank's Credit policies approved by the Board of Directors and effective during 2017;
- We obtained the loan portfolio of the Bank as at December 31, 2017. During the analysis of the customer loan files based on statistical sampling, the following was established:
 - a loan application is completed at the moment of loan origination. The application indicates preliminary information about the loan objectives and customer's capabilities on the basis of which customer's initial analysis is made;
 - customer loan files are formed in accordance with the provisions and requirements set by the NBKR;
 - monitoring of the loan status is performed with the periodicity established by the Bank's policies and regulations after the loan is issued. A report which describes activities performed by the Bank

- (calls, visits to the client, etc.), appropriateness of the intended use of the loan, financial condition of the customer and conditions of the collateral is completed based on the results of the monitoring;
- if evidence of the customer's financial condition worsening is available, restructuring of the loan is made after detailed analysis of the customer's financial performance and approval by the credit committee is made.
 - Classification and evaluation of the loan portfolio and other assets are made in accordance with the rules and approach prescribed by National Bank of Kyrgyz Republic. Within the framework of the audit we performed analysis of the methodology for impairment evaluation and estimation of the impairment allowance. We checked the adequacy of the assessment procedures of the loan portfolio and other assets of the Bank within the sample basis.
 - When assessing collateral, the Bank follows provisions of collateral policy and instruction for valuation of foreclosed assets. During sample based analysis of the loan portfolio and other property transferred to the Bank's ownership we assured that:
 - the Bank performs valuation of foreclosed assets when registering collateral for originated loans;
 - the Bank takes into account the cost of the collateral, its market value, the presence or absence of defects, as well as other quality characteristics for estimation of fair value.
 - The Bank follows policies for the management of other property when dealing with foreclosed assets that became property of the Bank.
 - We requested confirmation letters on balances with customers on a sample basis during analysis of the Bank's loan portfolio. As a result of reviewing received documents we assured that the data indicated in the confirmations corresponds to the values in the Bank's accounts;
 - Confirmations with correspondent banks were requested on a sample basis during analysis of Due from banks accounts of the Bank. Based on the received documents we assured that the reconciliation is made for each 1st day of month and the data specified in the reconciliation acts corresponds to the data in the Bank's accounts;
 - During analysis of the Bank's obligations we assured that all liabilities are classified in accordance with the requirements of the NBKR, IFRS and internal policies of the Bank.
 - We received a portfolio of securities as of December 31, 2017 and a report on transactions with securities that took place during 2017. After analyzing transactions on a sample basis, we determined the following:
 - the Bank follows internal policies on securities for transactions with securities;
 - existence of approved application on transactions by Assets and Liabilities Management Committee;
 - existence of application for purchase;
 - existence of confirmation documents from authorized trading system ("ATS") on executed deals.

2. With respect to the compliance of accounting and disclosure of the Bank's transactions with affiliates and related parties we identified the following:

- The Bank has a policy on operations with affiliated and related parties, which states requirements for identifying disclosure of related parties;
- As at the reporting date all related parties are determined by the Bank. Information on balances and transactions with related parties is disclosed in the financial statements;
- During the audit we have identified balances and transactions with related parties, which correspond to the list of transactions with related parties of the Bank. In addition, on a sample basis, we assured the availability of approvals by the Board of Directors;
- As at reporting date we conducted the following procedures on transactions with related parties:
 - on a sample basis received confirmations of balances (loans to customers, loans received, other assets) if the related party is a legal entity;

- assured that all transactions with related parties were carried out by the Bank in compliance with all generally accepted procedures of banking practice without granting any exemptions or privileges.

3. With respect to examination of internal control and its structure we identified the following:

- In order to post all transactions in accounting books and prepare reliable financial statements the Bank developed accounting policy, job descriptions for employees and other guidelines and instructions regulating the activities of all employees of the Bank. In order to perform a systematic and independent evaluation of the reliability and effectiveness of the internal control system and to increase the accounting efficiency, the Bank conducts internal audit examinations. The internal audit is carried out by the internal audit department, which is reportable to the Board of Directors;
- The Bank established an effective system of risk management and internal control to provide assurance of sufficient confidence in achieving the Bank's goals. An effective system of risk management and internal control is implemented at all levels of management. Systematic and independent evaluation of the reliability and effectiveness of the internal control system is performed by the internal auditor who is reportable to the Board of Directors. The internal auditor performs tasks based on the principles of independence, objectivity, competence and professional attitude to work, as well as on the legislation of the Kyrgyz Republic, legal acts of the NBKR, internal audit standards determined by the International Standards for the Professional Practice of Internal Audit and the Code of Ethics of the Institute of Internal Auditors. The Board of Directors approves work plans and reviews reports;
- When examining the activities of the Bank's branches we identified that periodicity and sequence of the reports prepared by branches and internal auditor of the Bank during the year ended December 31, 2017 related to credit, operational, market, interest, legal risks and risk of the Bank's liquidity loss, complied with the internal documents of the Bank;
- We received the internal documents of the Bank effective as at December 31, 2017 and during the year ended on this date, which establish methods of identifying and managing significant credit, operational, market, interest, legal and liquidity risks, and made sure that they are approved by the Bank in accordance with the requirements and recommendations of the NBKR;
- We received management letter on the results of the audit for the previous reporting year. We reviewed the issues indicated in the letter and assured that the Bank's management took appropriate efforts for elimination of deficiencies in the system of internal controls. In case if the same deficiency remains from previous years we include it into the management letter based on results of the audit for the current year with note "Recurring".

4. During examination of compliance of operations and procedures of the Bank related to payments and settlements with the legislation of the Kyrgyz Republic and the regulatory requirements of the NBKR we established the following:

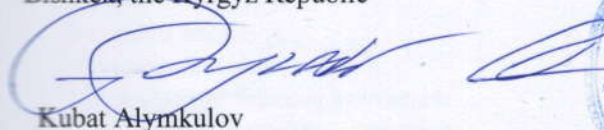
Within a substantive testing of certain captions of the financial statements (loans to customers, customer accounts, income and expenses) we made a statistical sample of transactions to test that:

- Hard copy payment documents correspond to the figures in the system;
- Confidentiality and security matters during execution of electronic payments as well as the rules for storage and use comply with the requirements of the NBKR;
- Payments are made on time;
- The requirements for filling details of payment documents are appropriately executed.

5. With respect to compliance with the requirements of International Standards on Auditing regarding the responsibility of the Bank's external auditor to review fraudulent activities and errors during the audit of the financial statements of the Bank, we performed all audit procedures in accordance with IFRS and ISA, which we considered necessary for expressing our opinion on the financial statements of the Bank.

6. The IT audit of information systems for 2016 was conducted by "Baker Tilly Bishkek" LLC. As of the date of these financial statements issue, the requirements for execution of IT audit of the information system every two years is met.

February 16, 2018
Bishkek, the 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, 2017

(in thousands of Kyrgyz Soms)

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
Interest income	4	262,257	268,903
Interest expenses	4	(87,434)	(122,265)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	4	174,823	146,638
Recovery / (accrual) of allowance for impairment losses on interest bearing assets	5	14,575	(32,576)
NET INTEREST INCOME		189,398	114,062
Commission income	6	86,613	80,319
Commission expenses	6	(19,451)	(18,078)
Net (loss)/gain on financial instruments	7	(30)	112
Net gain on foreign exchange operations	8	45,206	57,922
Accrual of allowance for impairment losses on other assets	5	(8,955)	(3,376)
Other income, net	9	6,220	12,178
NET NON-INTEREST INCOME		109,603	129,077
Operating expenses	10	(241,877)	(204,867)
PROFIT BEFORE INCOME TAX		57,124	38,272
Income tax	11	(6,929)	(4,836)
NET PROFIT FOR THE YEAR		50,195	33,436
Other comprehensive income			
Loss from revaluation of financial assets available-for-sale		(66)	(51)
Income tax attributable to the components of other comprehensive income		7	5
TOTAL COMPREHENSIVE INCOME		50,136	33,390
Earnings per share (som)	27	125	91

On behalf of the Management:

Atakishieva Z.A.
Chairman of Management Board

February 16, 2018
Bishkek, the Kyrgyz Republic



Sartbaeva E.S.
Chief Accountant

February 16, 2018
Bishkek, the Kyrgyz Republic

The notes on pages 15-64 form an integral part of the financial statements. The Independent Auditors' Report is on pages 4-9.

CLOSED JOINT STOCK BANK "BANK OF ASIA"

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017 (in thousands of Kyrgyz Soms)

	Note	December 31, 2017	December 31, 2016
ASSETS:			
Cash and cash equivalents	12	396,414	538,960
Due from banks	13	205,340	111,525
Financial assets at fair value through profit of loss	14	-	33,115
Loans to financial institutions	15	6,494	42,592
Loans to customers	16	1,139,362	1,058,060
Investments available-for-sale	17	256	322
Investments held-to-maturity	18	238,968	162,778
Property, equipment and intangible assets	19	184,402	139,807
Assets held for sale	20	38,717	18,580
Other assets	21	28,890	136,708
TOTAL ASSETS		2,238,843	2,242,447
SHAREHOLDERS' EQUITY AND LIABILITIES:			
LIABILITIES:			
Customer accounts	22	1,393,239	1,506,694
Loans received	23	289,525	243,260
Financial instruments at fair value through profit or loss	24	1,195	459
Income tax liabilities		1,513	3,209
Provision for contingent liabilities	5, 28	1,798	1,830
Deferred tax liability	11	1,118	252
Other liabilities	25	42,215	36,639
		1,730,603	1,792,343
SHAREHOLDERS' EQUITY:			
Share capital	26	400,000	400,000
Additionally paid-in capital	26	25,000	17,000
Revaluation reserve		(391)	(332)
Retained earnings		83,631	33,436
		508,240	450,104
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		2,238,843	2,242,447

On behalf of the Management:

Z.A. Atakishieva
Atakishieva Z.A.
Chairman of Management Board

February 16, 2018
Bishkek, the Kyrgyz Republic



E.S. Sartbaeva
Sartbaeva E.S.
Chief Accountant

February 16, 2018
Bishkek, the Kyrgyz Republic

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CLOSED JOINT STOCK BANK "BANK OF ASIA"

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2017

(in thousands of Kyrgyz Soms)


	Note	Share capital	Additional paid-in capital	Revaluation reserves	Retained earnings	Total capital
Balance at December 31, 2015	26	335,624	-	(286)	70,077	405,415
Comprehensive income						
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
Total comprehensive income		-	-	(46)	33,436	33,390
Transactions with owners						
Dividends declared	26	-	-	-	(5,701)	(5,701)
Increase of additional paid-in capital	26	-	17,000	-	-	17,000
Increase of share capital through capitalisation of retained earnings		64,376	-	-	(64,376)	-
Total transactions with owners		64,376	17,000	-	(70,077)	11,299
Balance at December 31, 2016	26	400,000	17,000	(332)	33,436	450,104
Comprehensive income						
Net profit for the year		-	-	-	50,195	50,195
Change in revaluation reserves		-	-	(66)	-	(66)
Impact of income tax relating to revaluation reserve		-	-	7	-	7
Total comprehensive income		-	-	(59)	50,195	50,136
Transactions with owners						
Increase of additional paid-in capital	26	-	8,000	-	-	8,000
Total transactions with owners		-	8,000	-	-	8,000
Balance at December 31, 2017	26	400,000	25,000	(391)	83,631	508,240

On behalf of the Management:


Atakishieva Z.A.
Chairman of Management Board

February 16, 2018
Bishkek, the Kyrgyz Republic




Sartbaeva E.S.
Chief Accountant

February 16, 2018
Bishkek, the Kyrgyz Republic

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CLOSED JOINT STOCK BANK "BANK OF ASIA"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 *(in thousands of Kyrgyz Soms)*

	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		259,949	266,932
Interest paid		(91,007)	(132,557)
Commission received		85,745	80,262
Commission paid		(12,261)	(9,970)
Net gain on foreign currency transactions		46,415	58,142
Other income		4,586	12,201
Operating expenses		<u>(231,984)</u>	<u>(198,274)</u>
Cash flow from operating activities before changes in operating assets and liabilities		<u>61,443</u>	<u>76,736</u>
Changes in operating assets and liabilities:			
Decrease of obligatory reserve in NBKR		3,027	16,175
Decrease in current accounts and deposits in financial institutions		10	167
Decrease / (increase) in loans to financial institutions		36,716	(38,520)
(increase) / decrease in loans to customers		(91,991)	128,243
Decrease / (increase) in other assets		84,564	(22,021)
Decrease in customer accounts		(114,834)	(33,476)
Increase / (decrease) in loans received		47,453	(85,087)
Increase / (decrease) in other liabilities		<u>4,715</u>	<u>(4,817)</u>
Cash inflow from operating activities before taxation and interest		<u>31,103</u>	<u>37,400</u>
Income tax paid		<u>(6,298)</u>	<u>(5,047)</u>
Net cash inflow from operating activities		<u>24,805</u>	<u>32,353</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities		(942,504)	(335,922)
Redemption, sale of investment securities		906,151	221,369
Purchase of property, plant and equipment and intangible assets		(20,149)	(36,032)
Proceeds from sale of property, plant and equipment and intangible assets		<u>190</u>	<u>-</u>
Net cash outflow from investing activities		<u>(56,312)</u>	<u>(150,585)</u>


CLOSED JOINT STOCK BANK "BANK OF ASIA"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017 (CONTINUED)

(in thousands of Kyrgyz Soms)


	Note	For the year ended December 31, 2017	For the year ended December 31, 2016
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of promissory notes		-	(75,899)
Increase in additional paid-in capital	26	8,000	11,299
Net cash inflow/(outflow) from financing activities		8,000	(64,600)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(23,507)	(182,832)
Effect of foreign exchange translation difference		(21,266)	(17,241)
CASH AND CASH EQUIVALENTS, at the beginning of the year	12	541,169	741,242
CASH AND CASH EQUIVALENTS, at the end of the year	12	496,396	541,169

On behalf of the Management:



Atakishieva Z.A.
Chairman of Management Board

February 16, 2018
Bishkek, the Kyrgyz Republic

Sartbaeva E.S.
Chief Accountant

February 16, 2018
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