

Financial Statements and Independent Auditor's Report

Bank of Asia Closed Joint Stock Company

31 December 2020



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Independent AUDITOR'S report

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To the shareholders of "BANK of ASIA" CJSC

Opinion

WE HAVE AUDITED THE FINANCIAL STATEMENTS OF "BANK OF ASIA" CJSC (HEREINAFTER - THE "BANK"), WHICH COMPRISE the statement of financial position as at 31 December 2020, 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 at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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.

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. HOWE ver, 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.



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.

Armen Vanyan

Director/ Partner

Qualification certificate of the auditor

Series A No. 0264 dated July 11, 2016

February 15, 2021

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 soms	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Interest and similar income	7	484,399	407,542
Interest and similar expense	7	(186,167)	(153,835)
Net interest income		298,232	253,707
Fee and commission income	8	185,593	178,194
Fee and commission expense	8	(28,757)	(28,287)
Net fee and commission income		156,836	149,907
Gains less losses from foreign currency translation	9	83,180	52,217
Net gains/(losses) on financial assets at fair value through profit or loss		408	267
Other income		3,598	1,879
Credit impairment losses	10	(103,207)	(6,535)
Impairment losses/reversal on long-term assets available for sale	22	(308)	2,389
Personnel expenses	11	(224,829)	(192,653)
Depreciation of property and equipment and intangible assets	21	(47,124)	(41,279)
Other expenses	12	(75,739)	(77,673)
Profit before income tax		91,047	142,226
Income tax expense	13	(16,862)	(15,856)
Profit for the year		74,185	126,370
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Net change in fair value during the year		(113)	5
Other comprehensive income for the year		(113)	5
Total comprehensive income for the year		74,072	126,375
<hr/>			
Earnings per share	14		
Basic		116.52	203.82

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 65.

Statement of financial position

In thousands of Kyrgyz soms

	Notes	As of 31 December 2020	As of 31 December 2019
Assets			
Cash and cash equivalents	15	1,757,650	1,213,614
Amounts due from other financial institutions	16	174,554	149,126
Derivative financial assets	17	230	-
Financial assets at fair value through profit or loss	18	5,092	35,771
Loans and advances to customers	19	2,691,706	2,172,379
Investment securities	20		
- Investment securities at fair value through other comprehensive income		300	409
- Investment securities at amortised cost		303,491	318,184
Property and equipment and Intangible assets	21	225,999	219,013
Long-term assets available for sale	22	32,463	26,518
Other assets	23	34,518	25,939
Total assets		5,226,003	4,160,953
Liabilities and equity			
Liabilities			
Amounts due to financial institutions	24	928,793	604,529
Derivative financial liabilities	17	3,168	22
Amounts due to customers	25	3,406,078	2,692,458
Current income tax liabilities		6,278	6,489
Deferred income tax liabilities	13	4,298	3,178
Other liabilities	26	105,933	86,788
Total liabilities		4,454,548	3,393,464
Equity			
Share capital	27	670,000	620,000
Additional paid up capital		-	-
Fair value reserve		(351)	(238)
Retained earnings		101,806	147,727
Total equity		771,455	767,489
Total liabilities and equity		5,226,003	4,160,953

The financial statements were approved on 29 January 2021 by:

Zemfira Atakishieva
Chairman



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Nazira Kustebaeva
Chief accountant

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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 65.

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 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
Profit for the year	-	-	-	74,185	74,185
<i>Other comprehensive income:</i>					
Net change in fair value of instrument at FVOCI	-	-	(113)	-	(113)
Total comprehensive income for the year	-	-	(113)	74,185	74,072
Equity increase	50,000	-	-	-	50,000
Dividends to shareholder	-	-	-	(120,106)	(120,106)
Transactions with owners	50,000	-	-	(120,106)	(70,106)
Balance as of 31 December 2020	670,000	-	(351)	101,806	771,455

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 65.

Statement of cash flows

In thousands of Kyrgyz som	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities		
Interest received	463,187	402,283
Interest paid	(183,760)	(143,609)
Commissions received	185,474	178,243
Commissions paid	(25,539)	(26,358)
Proceeds from operations with foreign currency	82,470	51,504
Other income received	2,672	2,195
General administrative expenses paid	(305,855)	(271,066)
Cash flows from operating activities before changes in operating assets and liabilities	<u>218,649</u>	<u>193,192</u>
Changes on operating assets		
Derivative financial instruments	2,916	-
Amounts due to financial institutions	(28,251)	(61,207)
Amounts due to customers	(617,051)	(553,743)
Other liabilities	6,935	(8,657)
Change in operating liabilities		
Loans received from financial institutions	327,323	
Amounts due to financial institutions	(25,428)	33,194
Amounts due to customers	732,531	1,038,972
Other liabilities	19,145	38,228
Net cash from operating activities before income tax	<u>636,769</u>	<u>679,979</u>
Income tax paid	(15,953)	(12,914)
Net cash from operating activities	<u>620,816</u>	<u>667,065</u>

In thousands of Kyrgyz som	Year ended 31 December 2020	Year ended 31 December 2019
Acquisition of investments	(550,870)	(512,325)
Sale of investment securities	594,596	441,974
Purchase of fixed assets and intangible assets	(24,411)	(38,127)
Sale of fixed assets and intangible assets	12	-
Net cash used in investing activities	<u>19,327</u>	<u>(108,478)</u>
Cash flow from financing activities		
Proceeds from issue of share capital	50,000	-
Dividends paid	(120,106)	(52,939)
Net cash flow from/(used in) financing activities	<u>(70,106)</u>	<u>(52,939)</u>
Net increase in cash and cash equivalents	<u>570,037</u>	<u>505,648</u>
Changes in expected credit loss	704	(1,718)
Cash and cash equivalents at the beginning of the year	1,213,614	707,467
Exchange differences on cash and cash equivalents	(26,705)	2,217
Cash and cash equivalents at the end of the year (Note 15)	<u><u>1,757,650</u></u>	<u><u>1,213,614</u></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 65.