

Optima Bank OJSC
Financial Statements
for the year ended 31 December 2017

Contents

Independent Auditors' Report

Statement of Profit or Loss and Other Comprehensive Income 7

Statement of Financial Position 8

Statement of Cash Flows 9

Statement of Changes in Equity 10

Notes to the Financial Statements 11-65

Independent Auditors' Report

To the Board of Directors of Optima Bank OJSC

Opinion

We have audited the financial statements of Optima Bank OJSC (the Bank), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and 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) and requirements indicated in the Regulation "On minimum requirements for external audit of banks and other financial institutions licensed by the National Bank of the Kyrgyz Republic (NBKR requirements)", adopted by the Management Board of NBKR on 15 June 2017. Our responsibilities under those standards are further described in the *Auditors' 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

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 loan losses is a key audit matter that involves a significant portion of subjective estimation. During our audit procedures we performed procedures on testing the operating effectiveness of controls for loan loss evaluation, reviews of management estimates, inspection of borrowers on sample basis and recalculation of the allowances in accordance with IFRS.

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 IFRS, respective legislation, 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.

Auditors' 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 auditors' 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 and NBKR requirements 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 and NBKR requirements, we exercise professional judgment and maintain professional scepticism 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 auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements, continued

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 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 auditors' 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.

Other matter

Financial statements of the Bank for the year ended 31 December 2016 were audited by other auditor who expressed an unqualified opinion on those statements on 3 March 2017.

Kreston Bishkek LLC

Kreston Bishkek LLC, License №0025 A series
issued by the State Service of Regulation and
Supervision of the Financial Market under the Government
of the Kyrgyz Republic.



Kyrgyzstan, Bishkek, Razzakova 32, 304.
+996 312 66 30 02; +996 558 86 55 05.
office@kreston.kg.

26 February 2018

Optima Bank OJSC
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2017

	Note	2017 KGS'000	2016 KGS'000
Interest income	4	2,109,504	2,046,581
Interest expense	4	(457,895)	(764,242)
Net interest income		1,651,609	1,282,339
Fee and commission income	5	391,421	321,405
Fee and commission expense	6	(123,862)	(95,527)
Net fee and commission income		267,559	225,878
Net gain on financial instruments at fair value through profit or loss		20,946	32,911
Net foreign exchange income	7	233,323	288,666
Other operating income		7,545	13,541
Operating income		2,180,982	1,843,335
Impairment losses	8	(273,663)	(284,118)
Personnel expenses	9	(815,915)	(658,361)
Other general administrative expenses	10	(406,513)	(400,763)
Profit before income tax		684,891	500,093
Income tax expense	11	(79,864)	(42,715)
Profit for the year		605,027	457,378
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		1,399	357
Other comprehensive income for the year, net of income tax		1,399	357
Total comprehensive income for the year		606,426	457,735
Earnings per share			
Basic and diluted earnings per share	23	28.81	21.78

The financial statements as set out on pages 7 to 65 were approved by management on 26 February 2018.

Mr. B. Kapyshev
Chairman



Ms. A. Baryktasova
Chief Accountant

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 11 to 65.

Optima Bank OJSC
Statement of Financial Position as at 31 December 2017

	Note	2017 KGS'000	2016 KGS'000
ASSETS			
Cash and cash equivalents	12	9,782,983	7,759,836
Available-for-sale financial assets			
- Held by the Bank	13	420,611	65,627
Loans and advances to banks and other financial institutions	14	32,265	29,389
Loans to customers			
- Loans to corporate customers	15	4,848,621	3,808,043
- Loans to retail customers	15	10,566,028	7,639,535
Property, equipment and intangible assets	16	384,822	421,612
Other assets	17	299,081	183,127
Total assets		26,334,411	19,907,169
LIABILITIES			
Financial instruments at fair value through profit or loss		23,715	33,900
Deposits and balances from banks and other financial institutions	18	323,550	119,338
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	19	11,750,764	9,221,545
- Current accounts and deposits from retail customers	19	7,214,976	5,976,109
Other borrowed funds	20	2,565,324	822,882
Other liabilities	21	348,225	117,724
Total liabilities		22,226,554	16,291,498
EQUITY			
Share capital	22	1,050,000	1,050,000
Revaluation reserve for available-for-sale financial assets		1,627	228
Retained earnings		3,056,230	2,565,443
Total equity		4,107,857	3,615,671
Total liabilities and equity		26,334,411	19,907,169

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 11 to 65.

Optima Bank OJSC
Statement of Cash Flows for the year ended 31 December 2017

	2017 KGS'000	2016 KGS'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,929,820	1,937,277
Interest payments	(472,172)	(768,803)
Fee and commission receipts	390,587	321,263
Fee and commission payments	(123,887)	(95,534)
Net receipts from financial instruments at fair value through profit or loss	35,508	11,083
Net receipts from foreign exchange	243,588	306,571
Other income receipts	8,099	12,486
General administrative expenses payments	(1,173,040)	(1,109,903)
(Increase)/decrease in operating assets		
Available-for-sale financial assets	(336,129)	(51,598)
Loans and advances to banks and other financial institutions	(2,487)	(75,195)
Loans to customers	(4,111,730)	1,206,302
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	184,686	(30,525)
Current accounts and deposits from customers	3,771,677	(3,884,333)
Net cash from/(used in) operating activities before income tax paid	344,520	(2,220,909)
Income tax paid	(49,315)	(75,621)
Cash flows from/(used in) operations	295,205	(2,296,530)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(50,095)	(52,801)
Sales of property and equipment and intangible assets	-	1,112
Cash flows used in investing activities	(50,095)	(51,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of other borrowed funds	1,787,501	454,436
Repayment of other borrowed funds	(49,345)	-
Dividends paid	(1,781)	(439,418)
Cash flows from financing activities	1,736,375	15,018
Net increase/(decrease) in cash and cash equivalents	1,981,485	(2,333,201)
Effect of changes in exchange rates on cash and cash equivalents	41,662	(541,447)
Cash and cash equivalents as at the beginning of the year	7,759,836	10,634,484
Cash and cash equivalents as at the end of the year (Note 12)	9,782,983	7,759,836

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 11 to 65.

Optima Bank OJSC
Statement of Changes in Equity for the year ended 31 December 2017

KGS'000	Share capital	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total equity
Balance as at 1 January 2016	700,000	(129)	2,458,065	3,157,936
Total comprehensive income				
Profit for the year	-	-	457,378	457,378
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	357	-	357
Total comprehensive income for the year	-	357	457,378	457,735
Transactions with owners, recorded directly in equity				
Shares issued	350,000	-	(350,000)	-
Dividends declared	-	-	-	-
Total transactions with owners	350,000	-	(350,000)	-
Balance as at 31 December 2016	1,050,000	228	2,565,443	3,615,671
Balance as at 1 January 2017	1,050,000	228	2,565,443	3,615,671
Total comprehensive income				
Profit for the year	-	-	605,027	605,027
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Net change in fair value of available-for-sale financial assets, net of income tax	-	1,399	-	1,399
Total comprehensive income for the year	-	1,399	605,027	606,426
Transactions with owners, recorded directly in equity				
Dividends declared	-	-	(114,240)	(114,240)
Total transactions with owners	-	-	(114,240)	(114,240)
Balance as at 31 December 2017	1,050,000	1,627	3,056,230	4,107,857

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 11 to 65.