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# Independent Auditors' Report

## To the Board of Directors and Shareholders 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 2019, 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 2019, 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 the requirements prescribed in the Regulation on Minimum Requirements to External Audit of Banks and Other Financial and Credit Institutions Licensed by the NBKR ("NBKR") approved by the Order of the NBKR Management Board No.2017-П-12/25-2 on 15 June 2017 (last revised on 14 August 2019) (the "NBKR requirements"). 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 Code of Ethics for Professional Accountants (including International Independence Standards) 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 International Code of Ethics. 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.

### Expected credit losses (ECL) for loans to customers

Please refer to the Notes 4, 16 and 25 in the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>Loans to customers represent more than 62% of assets and are stated net of allowance for expected credit losses (ECL).</p> <p>The Bank applies the ECL valuation model, which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> <li>— timely identification of significant increase in credit risk and default events related to loans to customers (allocation between stages 1, 2 and 3 in accordance with the IFRS 9);</li> <li>— assessment of probability of default (PD) and loss given default (LGD);</li> <li>— expected cash flows forecast for loans to customers classified in stage 3.</li> </ul> <p>Due to the significant volume of loans to customers and the related estimation uncertainty, this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risks management specialists.</p> <p>To analyse the adequacy of professional judgement and assumptions made by the management in relation to the allowance for ECL estimate, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>— We tested design and operating effectiveness of controls over allocation of loans into stages.</li> <li>— For a sample of loans, for which ECL is assessed individually and for which a potential changes in ECL estimate may have a significant impact on the financial statements, we tested whether stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank.</li> <li>— For a sample of loans we tested the correctness of input data used to determine PD.</li> <li>— Regarding loans issued to customers and assigned to stages 1 and 2, for which ECL is assessed collectively, we tested the design and implementation of the related models, as well as agreeing input data to supporting documents on a sample basis.</li> <li>— For a sample of stage 3 loans for which ECL is assessed individually and which mostly comprise loans to legal entities, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and their timing based on our understanding and publicly available market information. We specifically focused on exposures which potentially may have the most significant impact on the financial statements.</li> </ul>



	<p>We assessed the predictive capability of the Bank's methodology by comparing the estimates made as at 1 January 2019 with actual results for 2019.</p> <p>We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.</p>
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#### Other information

Management is responsible for the other information. The other information comprises the information included in the report for the annual general meeting of shareholders, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### 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, 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 judgement 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.

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.



The engagement partner on the audit resulting in this independent auditors' report is:

Sergey Mesheryakov  
Attorney

Aida Asyrandyeva  
Executive Director of KPMG Bishkek LLP  
Certified Auditor of the Kyrgyz Republic,  
Auditor's Qualification Certificate  
Serial A, No.0232 of 13 November 2014



9 March 2020

**Optima Bank OJSC**  
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	Note	2019 KGS'000	2018 KGS'000
Interest income calculated using the effective interest method	5	2,972,244	2,596,403
Interest expense	5	(757,393)	(603,249)
<b>Net interest income</b>		<b>2,214,851</b>	<b>1,993,154</b>
<b>Fee and commission income</b>	6	535,451	457,458
Fee and commission expense	7	(238,940)	(158,050)
<b>Net fee and commission income</b>		<b>296,511</b>	<b>299,408</b>
Net income on financial instruments at fair value through profit or loss		24,004	30,445
Net foreign exchange gain	8	251,721	317,891
Other operating income		9,062	6,835
<b>Operating income</b>		<b>2,796,149</b>	<b>2,647,733</b>
<b>Loss allowance for debt financial assets</b>	9	(24,267)	(399,074)
Personnel expenses	10	(1,021,338)	(784,665)
Other general and administrative expenses	11	(490,205)	(435,793)
Recovery/(charge) of loss allowance for financial guarantee contracts		(11,166)	577
<b>Loss allowance for other assets</b>		<b>(56,963)</b>	<b>(96,413)</b>
<b>Profit before income tax</b>		<b>1,192,210</b>	<b>932,365</b>
Income tax expense	12	(123,032)	(91,160)
<b>Profit for the year</b>		<b>1,069,178</b>	<b>841,205</b>
<b>Earnings per share</b>			
<b>Basic and diluted earnings per share, in KGS</b>	24	<b>50.91</b>	<b>40.06</b>

The financial statements were approved by management on 9 March 2020.

  
Mr. B. Kapyshev  
Chairman of the Board



  
Ms. A. Baryktabasova  
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.

**Optima Bank OJSC**  
Statement of Financial Position as at 31 December 2019

	Note	2019 KGS'000	2018 KGS'000
<b>ASSETS</b>			
Cash and cash equivalents	13	11,419,247	10,356,192
Investment securities	14	956,958	460,361
Loans and advances to banks and other financial institutions	15	113,076	57,266
Loans to customers			
- Loans to corporate customers	16	19,249,766	16,638,133
- Loans to retail customers	16	3,472,499	3,014,693
<b>Property, plant and equipment and intangible assets</b>	17	688,316	450,222
Other assets	18	621,903	433,784
<b>Total assets</b>		<b>36,521,765</b>	<b>31,410,651</b>
<b>LIABILITIES</b>			
Financial instruments at fair value through profit or loss		31,260	28,707
Deposits and balances from banks and other financial institutions	19	1,299,513	257,190
Current accounts and deposits from customers			
- Current accounts and deposits from corporate customers	20	11,249,293	12,935,447
- Current accounts and deposits from retail customers	20	10,463,632	8,645,775
Other borrowed funds	21	6,963,894	4,291,322
Other liabilities	22	520,317	327,532
<b>Total liabilities</b>		<b>30,527,909</b>	<b>26,485,973</b>
<b>EQUITY</b>			
Share capital	23	1,050,000	1,050,000
Retained earnings		4,943,856	3,874,678
<b>Total equity</b>		<b>5,993,856</b>	<b>4,924,678</b>
<b>Total liabilities and equity</b>		<b>36,521,765</b>	<b>31,410,651</b>

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

*Optima Bank OJSC*  
Statement of Cash Flows for the year ended 31 December 2019

	<b>2019</b>	<b>2018</b>
	<b>KGS'000</b>	<b>KGS'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	2,949,641	2,539,703
Interest paid	(705,707)	(583,173)
Fee and commission receipts	531,585	454,703
Fee and commission payments	(231,912)	(156,946)
Net receipts from financial instruments at fair value through profit or loss	21,690	31,917
Net receipts from foreign exchange	256,606	321,858
Other income receipts	13,129	8,584
Personnel and other general administrative expenses payments	(1,360,073)	(1,093,698)
<b>(Increase)/decrease in operating assets</b>		
Loans and advances to banks and other financial institutions	(61,521)	34,054
Loans to customers	(3,297,465)	(4,648,961)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks and other financial institutions	1,053,919	(72,037)
Current accounts and deposits from customers	132,525	2,552,553
<b>Net cash used in operating activities before income tax paid</b>	<b>(697,583)</b>	<b>(611,443)</b>
Income tax paid	(125,227)	(91,874)
<b>Cash flows used in operations</b>	<b>(822,810)</b>	<b>(703,317)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of investment securities	(695,774)	(447,447)
Proceeds from repayment of investment securities	209,333	424,383
Acquisition of property and equipment and intangible assets	(214,787)	(156,592)
Sale of property, equipment and intangible assets	296	-
<b>Cash flows used in investing activities</b>	<b>(700,932)</b>	<b>(179,656)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from other borrowed funds	3,666,219	1,954,029
Proceeds from repayment of other borrowed funds	(1,006,452)	(277,413)
Dividends paid	(201)	(116,556)
Payments under lease agreements	(60,406)	-
<b>Cash flows from financing activities</b>	<b>2,599,160</b>	<b>1,560,060</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,075,418</b>	<b>677,087</b>
Effect of changes in exchange rates on cash and cash equivalents	(11,865)	(98,036)
Effect of changes in expected credit losses (ECL) on cash and cash equivalents	(498)	(5,842)
Cash and cash equivalents (gross) as at the beginning of the year	10,356,192	9,782,983
<b>Cash and cash equivalents at the end of the year (Note 13)</b>	<b>11,419,247</b>	<b>10,356,192</b>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

*Optima Bank OJSC*  
*Statement of Changes in Equity for the year ended 31 December 2019*

'000 KGS	Share capital	Revaluation reserve for available-for- sale financial assets	Retained earnings	Total equity
Balance at 1 January 2018	1,050,000	1,627	3,056,230	4,107,857
Effect of adoption of IFRS 9, net of tax	-	(1,627)	128,443	126,816
<b>Restated balance at 1 January 2018</b>	<b>1,050,000</b>	<b>-</b>	<b>3,184,673</b>	<b>4,234,673</b>
<b>Total comprehensive income</b>				
Profit for the year	-	-	841,205	841,205
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>841,205</b>	<b>841,205</b>
<b>Transactions with owners, recorded directly in equity</b>				
Dividends declared	-	-	(151,200)	(151,200)
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>(151,200)</b>	<b>(151,200)</b>
<b>Balance at 31 December 2018</b>	<b>1,050,000</b>	<b>-</b>	<b>3,874,678</b>	<b>4,924,678</b>
Balance at 1 January 2019	1,050,000	-	3,874,678	4,924,678
<b>Total comprehensive income</b>				
Profit for the year	-	-	1,069,178	1,069,178
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>1,069,178</b>	<b>1,069,178</b>
<b>Balance at 31 December 2019</b>	<b>1,050,000</b>	<b>-</b>	<b>4,943,856</b>	<b>5,993,856</b>

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.