

**CLOSED JOINT STOCK
COMPANY
FINCA BANK**

Financial Statements
and Independent Auditor's Report
For the year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Closed Joint Stock Company FINCA Bank:

Opinion

We have audited the financial statements of Closed Joint Stock Company FINCA Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2018, 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (the "IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). 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* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in 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.

Emphasis of matter – Convenience translation

The US Dollar amounts provided in the financial statements are for the convenience of the users of the financial statements. The amounts in the accompanying financial statements, converted into US Dollars have been computed on the basis set forth in Note 2 to the financial statements, and do not necessarily represent the US Dollar amounts that would be ultimately received or paid on settlement of the Bank's assets and liabilities. Our opinion is not qualified in respect of this matter.

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.


Kubat Alymkulov



Certified accountant, FCCA
Certificate of auditor of the Kyrgyz Republic # A 0069
Audit Partner, 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

26 June 2019
Bishkek, Kyrgyz Republic

Closed Joint Stock Company FINCA Bank

Statement of Profit and Loss For the year ended 31 December 2018

	Notes	Year ended	Year ended	Convenience translation (Note 2)	
		31 December 2018 (KGS'000)	31 December 2017 (KGS'000)	Year ended 31 December 2018 (USD'000)	Year ended 31 December 2017 (USD'000)
Interest income	5, 27	2,063,160	2,124,046	29,961	30,856
Interest expense	5, 27	(562,889)	(673,260)	(8,174)	(9,780)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST EARNING ASSETS	5	1,500,271	1,450,786	21,787	21,076
Accrual of allowance for expected credit losses on interest earning assets	7	(8,275)	(24,990)	(120)	(363)
NET INTEREST INCOME		1,491,996	1,425,796	21,667	20,713
Loss on derivative financial instruments	8	(13,889)	(88,385)	(202)	(1,284)
Net gain on foreign exchange operations	9	3,411	7,662	50	111
Other income/(expense)		2,939	(11,456)	43	(166)
NET NON-INTEREST EXPENSE		(7,539)	(92,179)	(109)	(1,339)
Net fee and commission income	6	14,376	8,926	209	130
Personnel expenses	10, 27	(596,116)	(539,475)	(8,657)	(7,837)
Operating expenses	11, 27	(332,651)	(301,917)	(4,831)	(4,386)
Depreciation and amortization	18, 19	(51,696)	(52,630)	(751)	(765)
NET OPERATING INCOME		518,370	448,521	7,528	6,516
PROFIT BEFORE INCOME TAX		518,370	448,521	7,528	6,516
Income tax expense	12	(54,375)	(47,400)	(790)	(689)
NET PROFIT		463,995	401,121	6,738	5,827

On behalf of the Management:



Makhmudjon Saidakhmatov
Chief Executive Officer

26 June 2019
Bishkek, Kyrgyz Republic




Nazgul Azimzhanova
Chief Accountant

26 June 2019
Bishkek, Kyrgyz Republic

The notes on pages 9-68 form an integral part of these financial statements.

Closed Joint Stock Company FINCA Bank

Statement of Financial Position As at 31 December 2018

	Notes	Convenience translation (Note 2)			
		31 December 2018 (KGS'000)	31 December 2017 (KGS'000)	31 December 2018 (USD'000)	31 December 2017 (USD'000)
ASSETS:					
Cash and cash equivalents	13	653,867	667,840	9,361	9,701
Restricted cash	13	-	110,832	-	1,610
Obligatory reserves	14	157,953	130,945	2,261	1,902
Derivative financial instruments	15	12,879	-	184	-
Investment securities	16	-	93,675	-	1,361
Loans to customers	17	6,844,365	6,029,012	97,987	87,581
Property and equipment	18	234,013	231,134	3,350	3,358
Intangible assets	19	32,912	30,424	471	442
Deferred tax asset	12	-	550	-	8
Other assets	20	62,450	51,702	894	751
TOTAL ASSETS		7,998,439	7,346,114	114,508	106,714
LIABILITIES AND EQUITY					
LIABILITIES:					
Due to banks	21	77,160	361	1,105	5
Customer accounts	22, 27	3,730,462	2,810,834	53,407	40,832
Other borrowed funds	23, 27	1,788,702	2,465,961	25,608	35,822
Derivative financial instruments	15	-	20,571	-	299
Dividends payable		89,157	-	1,276	-
Current income tax liabilities	12	22,828	21,617	327	314
Deferred tax liabilities	12	2,462	-	35	-
Other liabilities	24, 27	86,745	54,630	1,241	795
Total liabilities		5,797,516	5,373,974	82,999	78,067
EQUITY:					
Share capital	25	1,474,761	1,474,761	31,606	31,606
Cumulative translation reserve		-	-	(11,698)	(11,177)
Retained earnings		726,162	497,379	11,601	8,218
Total equity		2,200,923	1,972,140	31,509	28,647
TOTAL LIABILITIES AND EQUITY		7,998,439	7,346,114	114,508	106,714

On behalf of the Management:


Makhmudjon Saidakhmatov
Chief Executive Officer




Nazgul Azimzhanova
Chief Accountant

26 June 2019
Bishkek, Kyrgyz Republic

26 June 2019
Bishkek, Kyrgyz Republic

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Closed Joint Stock Company FINCA Bank

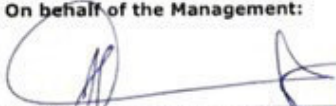
Statement of Changes in Equity For the year Ended 31 December 2018

	Notes	Share capital (KGS'000)	Retained earnings (KGS'000)	Total equity (KGS'000)
As at 1 January 2017		1,353,761	246,351	1,600,112
Dividends declared		-	(150,093)	(150,093)
Issue of share capital		121,000	-	121,000
Total comprehensive income		-	401,121	401,121
As at 31 December 2017	25	1,474,761	497,379	1,972,140
Effect of initial application of IFRS 9		-	65,629	65,629
As at 1 January 2018		1,474,761	563,008	2,037,769
Dividends declared	25	-	(300,841)	(300,841)
Total comprehensive income		-	463,995	463,995
As at 31 December 2018	25	1,474,761	726,162	2,200,923

Convenience translation to US dollars (Note 2):


	Notes	Share capital (USD'000)	Cumulative translation reserve (USD'000)	Retained earnings (USD'000)	Total equity (USD'000)
As at 1 January 2017		29,842	(11,345)	4,615	23,112
Dividends declared		-	-	(2,224)	(2,224)
Issue of share capital		1,764	-	-	1,764
Exchange rate differences arising on convenience translation		-	168	-	168
Total comprehensive income		-	-	5,827	5,827
As at 31 December 2017	25	31,606	(11,177)	8,218	28,647
Effect of initial application of IFRS 9		-	2	952	954
As at 1 January 2018		31,606	(11,175)	9,170	29,601
Dividends declared	25	-	-	(4,307)	(4,307)
Exchange rate differences arising on convenience translation		-	(523)	-	(523)
Total comprehensive income		-	-	6,738	6,738
As at 31 December 2018	25	31,606	(11,698)	11,601	31,509

On behalf of the Management:


Makhmudjon Saidakhmatov
Chief Executive Officer

26 June 2019
Bishkek, Kyrgyz Republic




Nazgul Azimzhanova
Chief Accountant

26 June 2019
Bishkek, Kyrgyz Republic

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Closed Joint Stock Company FINCA Bank

Statement of Cash Flows For the year Ended 31 December 2018

	Notes	Convenience translation (Note 2)			
		Year ended 31 December 2018 (KGS'000)	Year ended 31 December 2017 (KGS'000)	Year ended 31 December 2018 (USD'000)	Year ended 31 December 2017 (USD'000)
CASH FLOWS FROM OPERATING ACTIVITIES:					
Profit before income tax		518,370	448,521	7,528	6,516
Adjustments for:					
Accrual of allowance for expected credit losses on interest earning assets	7	8,275	24,990	120	363
Accrual/ (Recovery) of allowance for expected credit losses on other assets		8,947	(2,816)	130	(41)
Unrealized loss on foreign exchange operations	8, 9	2,855	4,885	41	71
Depreciation and amortization	18, 19	51,696	52,630	751	765
Loss on disposal of property, equipment and intangible assets		-	12,173	-	177
Cash inflow from operating activities before changes in operating assets and liabilities		590,143	540,383	8,570	7,851
Changes in operating assets and liabilities					
(Increase)/decrease in operating assets:					
Restricted cash		110,832	(30,525)	1,609	(450)
Obligatory reserves		(28,097)	(39,742)	(408)	(571)
Loans to customers		(746,791)	302,995	(10,845)	4,402
Derivative financial instruments		(32,495)	140,523	(472)	2,041
Other assets		(13,073)	(16,567)	(190)	(245)
Increase/(decrease) in operating liabilities:					
Due to banks		76,836	(276,160)	1,116	(4,012)
Customer accounts		927,175	890,333	13,464	12,934
Other liabilities		13,300	(10,420)	193	(146)
Cash inflow from operating activities before taxation		897,830	1,500,820	13,037	21,804
Income tax paid		(57,444)	(50,891)	(834)	(738)
Net cash inflow from operating activities		840,386	1,449,929	12,203	21,066

Closed Joint Stock Company FINCA Bank

Statement of Cash Flows (Continued) For the year ended 31 December 2018

Notes	Year ended 31 December 2018 (KGS'000)	Year ended 31 December 2017 (KGS'000)	Convenience translation (Note 2)		
			Year ended 31 December 2018 (USD'000)	Year ended 31 December 2017 (USD'000)	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property and equipment	18	(45,027)	(48,653)	(653)	(707)
Purchase of intangible assets	19	(12,169)	(28,330)	(177)	(412)
Proceeds on sale of property and equipment		133	222	1	3
Net cash outflow from investing activities		(57,064)	(76,761)	(829)	(1,116)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid	25	(201,762)	(150,093)	(2,930)	(2,224)
Proceeds from other borrowed funds		278,321	725,233	4,042	10,535
Payments on other borrowed funds		(966,199)	(2,199,196)	(14,031)	(31,912)
Share capital issued	25	-	121,000	-	1,764
Net cash outflow from financing activities		(889,640)	(1,503,056)	(12,919)	(21,837)
Effects of changes in foreign exchange rate on cash and cash equivalents		(1,046)	(3,197)	(152)	27
NET DECREASE IN CASH AND CASH EQUIVALENTS		(107,364)	(133,085)	(1,697)	(1,860)
Effect of transition to IFRS 9 on 1 January 2018		(284)	-	(4)	-
CASH AND CASH EQUIVALENTS, beginning of year	13	761,515	894,600	11,062	12,922
CASH AND CASH EQUIVALENTS, end of year	13	653,867	761,515	9,361	11,062

Interest paid and received by the Bank during the year ended 31 December 2018 amounted to KGS 465,947 thousand (6,766 thousand US Dollars) and KGS 1,886,423 thousand (27,394 thousand US Dollars), respectively.

Interest paid and received by the Bank during the year ended 31 December 2017 amounted to KGS 802,750 thousand (11,159 thousand US Dollars) and KGS 2,141,586 thousand (31,115 thousand US Dollars), respectively.

On behalf of the Management:


Makhmudjon Saidakhmatov
 Chief Executive Officer


Nazgul Azimzhanova
 Chief Accountant

26 June 2019
 Bishkek, Kyrgyz Republic

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 Bishkek, Kyrgyz Republic



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