



Independent auditor's report

To the Shareholders and Council of the Joint Stock Company "KDB Bank Uzbekistan":

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Joint Stock Company "KDB Bank Uzbekistan" ("the Bank") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Our audit approach

Overview

<i>Materiality</i>	Overall Bank materiality: Uzbek Soums ("UZS") 2,807,000 thousand, which represents 5% of profit before tax.
<i>Key audit matter</i>	Impairment of loans to customers, including finance lease receivables.

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

<i>Overall Bank materiality</i>	UZS 2,807,000 thousand
<i>How we determined it</i>	5% of profit before tax
<i>Rationale for the materiality benchmark applied</i>	We have chosen profit before tax as the benchmark because the Bank is a profit oriented entity with a history of profitable results, the Bank's profits are not volatile and the main users of the financial statements (shareholders, creditors, regulator) are primarily interested in profitability and liquidity. We have chosen 5% which is within the range of acceptable quantitative materiality thresholds for this benchmark.

We agreed with management that we would report to them misstatements identified during our audit above UZS 140,000 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reason.

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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Impairment of loans to customers, including finance lease receivables</i></p> <p>We considered impairment of loans to customers, including finance lease receivables as key audit matter due to the following factors:</p> <ul style="list-style-type: none">(i) loans to customers, including finance lease receivables as at 31 December 2016 amount to UZS 152,824,771 thousand; and(ii) the significance of judgements involved in making estimates for loan impairment. <p>The judgements and decisions made by management in estimating loan impairment are highly subjective due to the uncertainties over the timely identification of the loss events and/or the amounts of losses incurred.</p> <p>The summary of significant accounting policies, critical accounting estimates and judgements relating to the calculations of impairment and details on loans and advances to customers are provided in Notes 3, 4 and 9, respectively, to the financial statements.</p> <p>The Bank's approach to the estimation of impairment losses on loans to customers, including finance lease receivables is as follows:</p> <p><i>Individually significant loans</i></p> <p>These are the loans to legal entities that the Bank's Credit Committee assesses individually in order to determine whether there is an objective evidence that the loan is impaired. If the individually assessed loans have no signs of impairment, they are assessed on a collective basis.</p> <p>The Bank measures individually impaired loans based on the present value of estimated future cash flows from the borrower or where applicable from realising collateral discounted at the original effective interest rate.</p> <p><i>Collectively assessed loans</i></p> <p>The Bank groups loans by similar credit risk characteristics that are indicative of the borrowers' ability to pay all amounts due according to the contractual terms.</p> <p>The Bank estimates future cash flows in a group of loans based on historical loss experience,</p>	<p>Our audit procedures over the loans and advances to customers included:</p> <ul style="list-style-type: none">- the assessment of the procedures over identifying whether and when a loan has become impaired;- testing that in cases when the recovery of the loan is expected from the proceeds on sale of collateral that the valuation of collateral is supported by an appropriate and current valuation;- agreeing the key inputs used in impairment calculation to source systems and source documentation;- re-performing the discounted cash flow calculations to confirm accuracy;- the evaluation of the methodology, inputs and assumptions used by the Bank in calculating impairment assessed on a portfolio basis;- the assessment of the adequacy of impairment allowances for individually and collectively assessed loans and advances. <p>We tested a sample of individually significant loans by focusing on identification of default or delinquency, considering the assumptions for timing and amount of estimated future cash flows, and the quality and valuation of collateral. Our selection was focused on possible under-collateralized loans.</p> <p>For individually significant loans with no impairment identified and all other loans not considered as significant, we applied collective pool provision rates, except for the loans, which are not considered to be impaired due to a short time since their origination.</p> <p>For impairment estimated collectively on a portfolio basis, we tested the design and the operation of the model and the data and assumptions used. Our work included the following steps:</p> <ol style="list-style-type: none">1. We compared the principal assumptions made with our own knowledge and experience of the banking industry in Uzbekistan.2. We re-performed the calculation of the collective impairment. <p>The following additional procedures were performed for provision for impairment of loans to customers, including finance lease receivables at 31 December 2016:</p> <ol style="list-style-type: none">1. We re-performed the back testing to ensure that accounting estimates are appropriate and have been applied consistently.



prevailing economic and credit conditions and peer group experience for loans with credit risk characteristics similar to those in the group.

2. We compared the impairment provision levels to other banks in Uzbekistan and investigated reasons for any major differences.

Our procedures did not identify any material adjustments to the provisions for impairment of loans and advances.

Responsibilities of management and Council of the Bank 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.

Council is 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 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 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 Council 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 Council 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.

From the matters communicated with Council, 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 auditor's 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.

Utkir Muhammadiyev
General Director/Certified Auditor
Certificate of Auditor No. 9/15
dated 16 August 2013

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC
20 April 2017
Tashkent, Uzbekistan

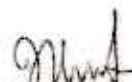
JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Financial Position

	Notes	31 December 2016	31 December 2015 (Restated)	1 January 2015 (Restated)
<i>In thousands of Uzbekistan Soums</i>				
ASSETS				
Cash and cash equivalents	7	1,927,140,727	1,795,757,462	1,398,034,178
Due from other banks	8	788,001,221	646,794,017	561,444,795
Loans and advances to customers, including finance lease receivables	9	152,824,771	137,704,882	108,196,310
Current income tax prepayment		1,749,475	620,588	338,374
Deferred income tax asset	19	2,359,809	1,200,153	1,254,023
Premises and equipment	10	52,977,532	23,978,458	23,925,060
Intangible assets	10	4,027,444	6,425,899	9,093,545
Other assets	11	20,954,062	89,580,204	44,180,481
TOTAL ASSETS		2,950,035,041	2,702,061,663	2,146,466,766
LIABILITIES				
Due to other banks	12	18,409,858	85,752,524	35,112,207
Customer accounts	13	2,639,756,754	2,376,017,046	1,914,897,329
Other liabilities	14	9,865,087	4,665,414	3,803,528
TOTAL LIABILITIES		2,668,031,699	2,466,434,984	1,953,813,064
EQUITY				
Share capital	15	40,444,206	40,444,206	40,444,206
Retained earnings		241,559,136	195,182,473	152,209,496
TOTAL EQUITY		282,003,342	235,626,679	192,653,702
TOTAL LIABILITIES AND EQUITY		2,950,035,041	2,702,061,663	2,146,466,766

Approved for issue and signed on 20 April 2017.


 Mr. In Joo Kim
 Chairman of the Board




 Mr. Abrorjon Juraev
 Chief accountant

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Uzbekistan Soums</i>	Note	2016	2015
Interest income	16	31,105,106	33,996,597
Interest expense		(1,605,844)	(2,045,765)
Net interest income		29,499,262	31,950,832
(Provision for) / recovery of impairment of loans and advances to customers, including finance lease receivables	9	(424,858)	1,424,506
Net interest income after provision for impairment of loans and advances to customers, including finance lease receivables		29,074,404	33,375,338
Fee and commission income	17	56,031,558	52,945,661
Fee and commission expense	17	(5,558,759)	(4,343,433)
Gains less losses from trading in foreign currencies		2,340,444	2,166,623
Losses from financial derivatives		(100,664)	-
Foreign exchange translation gains less losses		15,357,404	15,385,260
Other operating income		98,876	294,036
Personnel expenses	18	(25,015,946)	(22,152,091)
Depreciation and amortization		(4,343,675)	(4,004,816)
Other operating expenses	18	(11,807,721)	(10,868,138)
Profit before tax		56,075,921	62,798,460
Income tax expense	19	(9,699,258)	(11,705,713)
PROFIT FOR THE YEAR		46,376,663	51,092,747
Other comprehensive income		-	-
Total comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		46,376,663	51,092,747
Basic and diluted earnings per ordinary share (expressed in UZS per share)	20	177	195

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Changes in Equity

	Share capital	Retained earnings	Total equity
<i>In thousands of Uzbekistan Soums</i>			
Balance at 1 January 2015	40,444,206	152,209,496	192,653,702
Profit for the year	-	51,092,747	51,092,747
Other comprehensive income	-	-	-
Total comprehensive income for 2015	-	51,092,747	51,092,747
Payment of dividends	-	(8,119,770)	(8,119,770)
Balance at 31 December 2015	40,444,206	195,182,473	235,626,679
Profit for the year	-	46,376,663	46,376,663
Other comprehensive income	-	-	-
Total comprehensive income for 2015	-	46,376,663	46,376,663
Balance at 31 December 2016	40,444,206	241,559,136	282,003,342

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	Note	2016	2015
Cash flows from operating activities			
Interest received		30,863,040	34,002,117
Interest paid		(1,532,324)	(2,025,334)
Fee and commission received		58,844,871	52,518,821
Fee and commission paid		(5,558,759)	(4,119,278)
Income received from trading in trading securities		2,340,444	2,166,623
Losses from financial derivatives		(147,495)	-
Other operating income received		98,876	78,788
Staff costs paid		(24,902,837)	(20,877,093)
Other operating expenses paid		(11,698,300)	(10,084,295)
Income tax paid		(11,987,801)	(11,934,057)
Cash flows from operating activities before changes in operating assets and liabilities			
		36,319,715	39,726,292
<i>Net (increase) / decrease in:</i>			
- due from other banks		(136,791,334)	(79,970,555)
- loans and advances to customers, including finance lease receivables		(6,211,017)	(26,819,890)
- other assets		40,530,425	3,127,174
<i>Net increase / (decrease) in:</i>			
- due to other banks		(67,342,666)	50,619,886
- customer accounts		263,666,188	432,128,986
- other liabilities		(40,035)	(1,330,537)
Net cash from operating activities			
		130,131,276	417,481,356
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(9,065,782)	(21,539,414)
Proceeds from disposal of premises, equipment and intangible assets		-	121,616
Net cash used in investing activities			
		(9,065,782)	(21,417,798)
Cash flows from financing activities			
Dividends paid		-	(8,119,770)
Net cash used in financing activities			
		-	(8,119,770)
Effect of exchange rate changes on cash and cash equivalents			
		10,317,771	9,779,496
Net increase in cash and cash equivalents			
		131,383,265	397,723,284
Cash and cash equivalents at the beginning of the year	7	1,795,757,462	1,398,034,178
Cash and cash equivalents at the end of the year			
	7	1,927,140,727	1,795,757,462
Non-cash investing activities - acquisition of premises, equipment and intangible assets			
		21,886,189	-

