



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 Joint Stock Company "KDB Bank Uzbekistan" ("the Bank") as at 31 December 2021, and the Bank's financial performance and 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 2021;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and 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 the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Our audit approach

Overview

Materiality Overall Company materiality: Uzbek Soums ("UZS") 6,100 million, which represents 5% of profit before tax.

Key audit matters Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, Financial Instruments.

As part of designing our audit, we determined materiality and assessed 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. As in all of our audits, 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 the 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.

Overall Bank materiality UZS 6,100 million (2020: UZS 4,380 million)

How we determined it We determined overall materiality as being 5% of the profit before tax

Rationale for the materiality benchmark applied We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank is most commonly measured by users, and is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is a widely accepted quantitative measure for this benchmark.

We agreed with the management and the Council of the Bank that we would report to them misstatements identified during our audit above UZS 400 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.



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.

Key audit matter

How our audit addressed the key audit matter

Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, Financial Instruments.

We considered impairment of loans and advances to customers as a key audit matter due to the significance of loans and advances to customer balance and a complex financial reporting standard, which requires significant judgment to determine the ECL provision.

Collective assessment of ECL is based on models, which use internally developed risk metrics assigned to the balances.

The calculation of ECL involves estimation techniques that use significant unobservable inputs and factors and expert judgement. These techniques are used to estimate key risk parameters – probability of default, loss given default and exposure at default.

Note 3 “Significant accounting policies”, Note 4 “Critical Accounting Estimates, and Judgements in Applying Accounting Policies”, Note 10 “Loans and Advances to Customers, including Finance Lease Receivables” and Note 22 “Financial Risk Management” to the financial statements provide detailed information on the credit loss allowance.

In assessing the ECL provision we have performed, among others, the following audit procedures:

- We assessed the methodology and models for ECL provision assessment developed by the Bank in order to evaluate its compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining a “significant increase in credit risk”, allocation of the loans to stages, and estimation of key risk parameters;
- On a sample basis we performed an individual assessment of the ECL provision levels to determine if they were appropriately considering the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank’s borrowers are exposed.
- We tested the assumptions, inputs and formulas used in ECL models for collective provision assessment. This included assessing the appropriateness of model design and formulae used, and recalculating the probability of default, loss given default and exposure at default.
- We performed analytical procedures over reasonableness of assumptions used for calculation of ECL rates by comparing ECL rates of the Bank with ECL rates of local commercial banks with similar risks;
- On a sample basis we tested segmentation and allocation to stages;
- To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements;



- We checked that estimation of ECL provision is made in accordance with the Bank's methodology and models and is in line with IFRS 9 requirements;
- We assessed the adequacy and appropriateness of disclosures related to ECL provision for compliance with the accounting standards;

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



- 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, actions taken to eliminate threats or safeguards applied.

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.

Otabek Abdulkodirov,
Acting General Director

Certificate of auditor No. 05618
dated 28 July 2017 issued by
Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/19
dated 27 August 2018 issued by
Central Bank of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

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11 April 2022

Tashkent, Uzbekistan


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

<i>In millions of Uzbekistan Soums</i>	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	4,566,379	4,223,800
Due from other banks	8	1,791,526	1,056,619
Loans and advances to customers, including finance lease receivables	10	1,172,137	943,732
Investment in debt securities	9	19,701	-
Current income tax prepayment		3,757	3,214
Deferred income tax asset	20	530	902
Premises and equipment	12	52,377	49,618
Intangible assets	12	1,991	1,100
Investment property		944	2,052
Right use of assets		3,584	1,774
Other assets	11	8,855	4,579
TOTAL ASSETS		7,621,781	6,287,390
LIABILITIES			
Due to other banks	13	3,583	3,917
Customer accounts	14	6,849,855	5,621,216
Lease liabilities		3,584	1,849
Other liabilities	15	12,878	6,543
TOTAL LIABILITIES		6,869,900	5,633,525
EQUITY			
Share capital	16	101,272	101,272
Retained earnings		650,609	552,593
TOTAL EQUITY		751,881	653,865
TOTAL LIABILITIES AND EQUITY		7,621,781	6,287,390

Approved for issue and signed on 11 April 2022.


 Heung Sang Kim
 Chairman of the Board




 Abrorjon Juraev
 Chief Accountant

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

<i>In millions of Uzbekistan Soums</i>	Note	2021	2020
Interest income calculated using the effective interest method	17	155,315	138,792
Interest expense	17	(1,241)	(488)
Net margin on interest and similar income		154,074	138,304
Credit loss allowance release/(charge)	7,8,10	1,072	(3,150)
Net margin on interest and similar income after credit loss allowance		155,146	135,154
Fee and commission income	18	45,433	41,875
Fee and commission expense	18	(15,078)	(10,234)
Gains less losses from trading in foreign currencies		36,783	4,541
Foreign exchange translation gains less losses		593	4,545
Other operating income		4,408	2,172
Administrative and other operating expenses	19	(103,428)	(90,666)
Profit before tax		123,857	87,387
Income tax expense	20	(25,841)	(18,436)
PROFIT FOR THE YEAR		98,016	68,951
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,016	68,951
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in UZS per share)	21	144	101

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

	Attributable to owners of the Bank		Total Equity
	Share capital	Retained earnings	
<i>In millions of Uzbekistan Soums</i>			
Balance at 1 January 2020	101,272	483,642	584,914
Profit for the year	-	68,951	68,951
Other comprehensive income	-	-	-
Total comprehensive income for 2020	-	68,951	68,951
Balance at 31 December 2020	101,272	552,593	653,865
Profit for the year	-	98,016	98,016
Other comprehensive income	-	-	-
Total comprehensive income for 2021	-	98,016	98,016
Balance at 31 December 2021	101,272	650,609	751,881

JOINT-STOCK COMPANY “KDB BANK UZBEKISTAN”
Statement of Cash Flows

<i>In millions of Uzbekistan Soums</i>	Note	2021	2020
Cash flows from operating activities			
Interest income calculated using the effective interest method received, excluding interest income on investments in debt securities		148,438	139,896
Interest paid calculated using the effective interest method		(1,241)	-
Fees and commissions received		45,433	42,058
Fees and commissions paid		(15,078)	(10,234)
Income received from trading in foreign currencies		36,783	6,959
Other operating income received		2,932	2,175
Staff costs paid		(77,442)	(68,521)
Administrative and other operating expenses paid		(18,141)	(17,293)
Income tax paid		(26,012)	(19,255)
Cash flows from operating activities before changes in operating assets and liabilities		95,672	75,785
<i>Net (increase)/decrease in:</i>			
- due from other banks		(583,247)	116,747
- loans and advances to customers		(200,028)	(146,466)
- other assets		(2,811)	(867)
<i>Net increase/(decrease) in:</i>			
- due to other banks		(907)	1,556
- customer accounts		1,046,849	1,957,592
- other financial liabilities		5,034	(460)
Net cash from operating activities		360,562	2,003,887
Cash flows from investing activities			
Interest income received on investments in debt securities		3,879	-
Acquisition of investments in debt securities at fair value through other comprehensive income		(151,546)	-
Proceeds from redemption of debt securities at fair value through other comprehensive income		132,202	-
Acquisition of premises and equipment		(9,521)	(4,965)
Net cash used in investing activities		(24,986)	(4,965)
Effect of exchange rate changes on cash and cash equivalents		7,003	171,940
Net increase in cash and cash equivalents		342,579	2,170,862
Cash and cash equivalents at the beginning of the year	7	4,223,800	2,052,938
Cash and cash equivalents at the end of the year		4,566,379	4,223,800