



Independent Auditor's Report

To the Shareholders and Supervisory Board 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 2022, and the Bank's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- 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) 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 the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Our audit approach

Overview

Materiality Overall Bank materiality: Uzbek Soums ("UZS") 13,400 million, which represents 5% of profit before tax.

Key audit matters Assessment of expected credit losses (ECL) provision for loans and advances to customers, including finance lease receivables 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 13,400 million (2021: UZS 6,100 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 Supervisory Board of the Bank that we would report to them misstatements identified during our audit above UZS 1,340 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
<p data-bbox="276 663 836 815">Assessment of expected credit losses (ECL) provision for loans and advances to customers, including finance lease receivables in accordance with IFRS 9, Financial Instruments.</p> <p data-bbox="276 835 836 1048">We considered impairment of loans and advances to customers, including finance lease receivables as a key audit matter due to the significance of this balance and a complex financial reporting standard, which requires significant judgment to determine the ECL provision.</p> <p data-bbox="276 1059 836 1149">Collective assessment of ECL is based on models, which use internally developed risk metrics assigned to the balances.</p> <p data-bbox="276 1160 836 1344">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.</p> <p data-bbox="276 1355 836 1603">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.</p>	<p data-bbox="865 663 1476 752">In assessing the ECL provision we have performed, among others, the following audit procedures:</p> <ul data-bbox="865 763 1476 1897" style="list-style-type: none"> <li data-bbox="865 763 1476 1012">• 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. <li data-bbox="865 1023 1476 1272">• On a sample basis we performed an individual assessment of the ECL provision levels to determine if the assessment appropriately considered the risk profile, credit risk and macroeconomic environment. We considered trends in the economy and industries to which the Bank’s borrowers are exposed. <li data-bbox="865 1283 1476 1487">• We tested the assumptions, inputs and formulae 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. <li data-bbox="865 1498 1476 1646">• 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. <li data-bbox="865 1657 1476 1724">• On a sample basis we tested segmentation of loans and their allocation to stages. <li data-bbox="865 1736 1476 1897">• 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 and 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 relevant accounting standards.

Responsibilities of management and Supervisory Board of the Bank for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, 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.

The Supervisory Board 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 the Supervisory Board 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 the Supervisory Board 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 the Supervisory Board, 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.

Report on other legal and regulatory requirements

Report of findings from procedures performed in accordance with the requirements of the Law No. 580, dated 5 November 2019, On Banks and Banking Activity

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

In accordance with Article 74 of the Law No. 580, dated 5 November 2019, On Banks and Banking Activity (the "Law"), we have performed procedures to check:

- the Bank's compliance with prudential ratios as at 31 December 2022 established by the Central Bank of the Republic of Uzbekistan;
- whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Central Bank of the Republic of Uzbekistan, and recalculations, comparisons and reconciliations of numerical data and other information.

We have not performed any procedures on the accounting records maintained by the Bank, other than those which we considered necessary to enable us to express an opinion as to whether the Bank's financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Our findings from the procedures performed are reported below.

Based on our procedures with respect to the Bank's compliance with the prudential ratios established by the Central Bank of the Republic of Uzbekistan, we found that the Bank's prudential ratios, as at 31 December 2022, were within the limits established by the Central Bank of the Republic of Uzbekistan.

Based on our procedures with respect to whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Central Bank of the Republic of Uzbekistan, we found that:

- As at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- The frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Bank's Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems.
- As at 31 December 2022 the Bank has the established Information security function as required by the Central Bank of the Republic of Uzbekistan, and the information security policy was approved by the Bank's management board. Information security function was subordinated to, and reported directly to, the Chairman of the management board.
- Reports by the Bank's Information security function to the Chairman of the management board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks.
- The Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing the Bank's significant risks: credit risk, liquidity risk, market risk, operating risk, fraud risk, compliance risk, business disruptions and system failures/IT risk, and for stress-testing, was approved by the authorised management bodies of the Bank in accordance with the regulations and recommendations issued by the Central Bank of the Republic of Uzbekistan.
- As at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank capital.
- The frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks, risk management system and recommendations for improvement.
- As at 31 December 2022, the Supervisory Board and management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, the Supervisory Board and management of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.



Procedures with respect to elements of the Bank's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Law and as described above, comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

A handwritten signature in blue ink, appearing to read 'Otabek Abdukodirov', written over a horizontal line.

Otabek Abdukodirov,
Acting General Director

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

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

PricewaterhouseCoopers LLC

Audit Organization "PricewaterhouseCoopers" LLC
Tashkent, Uzbekistan
7 April 2023


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

<i>In millions of Uzbekistan Soums</i>	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	7	5,960,929	4,566,379
Due from other banks	8	1,183,885	1,791,526
Loans and advances to customers, including finance lease receivables	10	1,659,605	1,172,137
Investment in debt securities	9	89,559	19,701
Current income tax prepayment		-	3,757
Deferred income tax asset	20	-	530
Premises and equipment	12	53,010	52,377
Intangible assets	12	3,819	1,991
Investment property		456	944
Right use of assets		717	3,584
Other assets	11	15,142	8,855
TOTAL ASSETS		8,967,122	7,621,781
LIABILITIES			
Due to other banks	13	341,298	3,583
Customer accounts	14	7,637,739	6,849,855
Deferred income tax liability	20	126	-
Lease liabilities		1,060	3,584
Other liabilities	15	19,453	12,878
TOTAL LIABILITIES		7,999,676	6,869,900
EQUITY			
Share capital	16	101,272	101,272
Retained earnings		866,214	650,609
Other reserves		(40)	-
TOTAL EQUITY		967,446	751,881
TOTAL LIABILITIES AND EQUITY		8,967,122	7,621,781

Approved for issue and signed on 7 April 2023.


 Young Lok Lee
 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	2022	2021
Interest income calculated using the effective interest method	17	280,234	155,315
Interest expense	17	(6,650)	(1,241)
Net margin on interest and similar income		273,584	154,074
Credit loss allowance	7,8,10	582	1,072
Net margin on interest and similar income after credit loss allowance		274,166	155,146
Fee and commission income	18	64,752	45,433
Fee and commission expense	18	(21,686)	(15,078)
Gains less losses from trading in foreign currencies		63,201	36,783
Foreign exchange translation gains less losses		(244)	593
Other operating income		4,407	4,408
Administrative and other operating expenses	19	(115,362)	(103,428)
Profit before tax		269,234	123,857
Income tax expense	20	(53,629)	(25,841)
PROFIT FOR THE YEAR		215,605	98,016
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Debt securities at fair value through other comprehensive income:	9		
- Gains less losses arising during the year		(40)	-
Other comprehensive income for the year		(40)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		215,565	98,016
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in UZS per share)	21	316	144

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

<i>In millions of Uzbekistan Soums</i>	Note	Share capital	Retained earnings	Revaluation reserve for securities at FVOCI	Total Equity
Balance at 1 January 2021		101,272	552,593	-	653,865
Profit for the year		-	98,016	-	98,016
Other comprehensive income	9	-	-	-	-
Total comprehensive income for 2021		-	98,016	-	98,016
Balance at 31 December 2021		101,272	650,609	-	751,881
Profit for the year		-	215,605	-	215,605
Other comprehensive income	9	-	-	(40)	(40)
Total comprehensive income for 2022		-	215,605	(40)	215,565
Balance at 31 December 2022		101,272	866,214	(40)	967,446

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

<i>In millions of Uzbekistan Soums</i>	Note	2022	2021
Cash flows from operating activities			
Interest income received calculated using the effective interest method, excluding interest income on investments in debt securities		269,559	148,438
Interest paid calculated using the effective interest method		(5,359)	(1,241)
Fees and commissions received		64,752	45,433
Fees and commissions paid		(21,686)	(15,078)
Income received from trading in foreign currencies		63,201	36,783
Other operating income received		2,375	2,932
Staff costs paid		(82,632)	(77,442)
Administrative and other operating expenses paid		(25,093)	(18,141)
Income tax paid		(49,216)	(26,012)
Cash flows from operating activities before changes in operating assets and liabilities		215,901	95,672
<i>Net (increase)/decrease in:</i>			
- due from other banks		678,973	(583,247)
- loans and advances to customers		(441,021)	(200,028)
- other assets		(5,918)	(2,811)
<i>Net increase/(decrease) in:</i>			
- due to other banks		329,364	(907)
- customer accounts		615,830	1,046,849
- other financial liabilities		4,751	5,034
Net cash from operating activities		1,397,880	360,562
Cash flows from investing activities			
Interest income received on investments in debt securities		6,816	3,879
Acquisition of investments in debt securities at fair value through other comprehensive income		(366,465)	(151,546)
Proceeds from redemption of debt securities at fair value through other comprehensive income		297,973	132,202
Acquisition of premises and equipment		(9,432)	(9,521)
Net cash used in investing activities		(71,108)	(24,986)
Cash flows from financing activities			
Dividends paid		-	-
Net cash from/(used in) financing activities		-	-
Effect of exchange rate changes on cash and cash equivalents		67,778	7,003
Net increase/(decrease) in cash and cash equivalents		1,394,550	342,579
Cash and cash equivalents at the beginning of the year	7	4,566,379	4,223,800
Cash and cash equivalents at the end of the year	7	5,960,929	4,566,379