

Keremet Bank OJSC**Financial statements**

*For the year ended 31 December 2022
and independent auditor's report*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS****For the year ended 31 December 2022**

Management is responsible for the preparation of the financial statements that present fairly the financial position of Keremet Bank OJSC ("the Bank") as at 31 December 2022, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying appropriate accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with separate IFRS requirements are insufficient to enable users to understand the impact of particular transactions, other events on the bank's financial position or financial performance; and
- Making an assessment of the Bank's ability to continue as a going concern.

The Bank's management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining accounting records in compliance with the legislation of the Kyrgyz Republic and IFRS;
- Taking all reasonably available measures to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

These financial statements for the year ended 31 December 2022 were approved by the Management Board of the Bank on 7 August 2023.

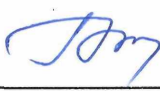
On behalf of the Management Board of the Bank:


T.O. Berbaev
Chairman of the Management Board

7 August 2023

Bishkek
Kyrgyz Republic




G.A. Toktogozhoeva
Chief Accountant

7 August 2023

Bishkek
Kyrgyz Republic

Independent auditor's report

To the shareholders and Board of Directors of Keremet Bank Open Joint Stock Company

Opinion

We have audited the financial statements of Keremet Bank Open Joint Stock Company (hereinafter – the Bank), which comprise the statement of financial position as of 31 December 2022, and the statement of profit and 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 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

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 are independent in relation to the Bank in accordance 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 those ethical requirements. 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.

Allowance for expected credit losses

Note 3 of the financial statements discloses accounting policies and Note 28.1 discloses credit risk analysis.

The allowance for expected credit losses has been considered a key audit matter due to the significance of the loans as well as the subjectivity of the assumptions underlying the impairment assessment. The application of different judgements and assumptions could result in significant differences in the results of the allowance for expected credit losses, which could have a material impact on the Bank's financial results.

Key areas of judgment included: the assessment of the business model within which the assets are held, the assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding, the interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Bank's expected credit loss model, the identification of exposures with a significant deterioration in credit quality, assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward looking macroeconomic factors and the need to apply additional overlays to reflect current or future external factors that are not appropriately captured by the expected credit loss model.

With regard to the classification and measurement of financial assets and financial liabilities, our audit procedures included the following;

- We reviewed the classification and measurement of the Bank's financial assets and financial liabilities policies based on IFRS 9 and compared them with the requirements of IFRS 9;

- We assessed the design and operational effectiveness of appropriate controls over the expected credit loss model, including model construction and validation, ongoing monitoring/validation of model management and mathematical accuracy;
- We tested the appropriateness of the Bank's definition of a significant increase in credit risk and the basis for categorising exposures into different stages;
- For the forecast assumptions used by the Bank's management in their ECL calculations, we held discussions with management and validated the assumptions using publicly available information about macroeconomical indicators in the Kyrgyz Republic;
- We verified the completeness of loans, investment securities, deposits and funds in other financial institutions included in the ECL calculations as at 31 December 2022;
- We understood the theoretical soundness and tested the mathematical integrity of the models;
- We verified the correctness of the opening balance sheet adjustments;
- We assessed the accuracy of the disclosures in the financial statements.

Important circumstances

We draw attention to Note 26 "Contractual and Contingent Liabilities", which states that during the year ended December 31, 2022, client transactions for money transfers and cash withdrawals were carried out in violation of a number of internal policies and legislation of the Kyrgyz Republic. The Bank has created a reserve for possible penalties from the regulator, however, the final decision from the regulator or the judicial authorities on these facts has not yet been made. We do not express a modified opinion in connection with this issue.

Other questions

The financial statements of the Bank for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on these financial statements on 31 March 2022.

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.

Responsibilities Of Auditor's 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.

We also provide those charged with governance 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 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 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.

Audit Partner
Dzhunusov Ulukman

Managing partner
Abduvaliev Zarylbek



August 7, 2023

Kreston Bishkek LLC
Registered in the Unified State Register of
auditors, audit organizations, professional
audit associations under the State Service
for Regulation and Supervision of the Financial
Market under the Government of the Kyrgyz
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STATEMENT OF FINANCIAL POSITION


As at 31 December 2022

(in thousands of Kyrgyz Som)

	Notes	31 December 2022	31 December 2021*
Assets			
Cash and cash equivalents	5	3,554,087	2,122,135
Amounts due from banks and other financial institutions		11,463	7,364
Loans to customers	7	6,518,944	6,339,365
Assets held for sale	12	532,567	687,416
Investment securities at fair value through other comprehensive income	8	691,406	880,336
Investment securities at amortized cost	8	1,056,612	1,028,642
Investments in associates		15,006	10,118
Property and equipment	9	294,577	316,332
Intangible assets	9	133,399	149,505
Right-of-use assets	10	125,903	106,604
Income tax asset		93	93
Other assets	11	207,177	125,180
Total assets		13,141,234	11,773,090
Liabilities and equity			
Liabilities			
Derivative financial liabilities	6	18,667	15,539
Other borrowed funds	13	181,371	384,235
Amounts due to financial institutions	14	125,228	44,733
Amounts due to customers	15	5,615,853	4,579,384
Lease liabilities	10	127,827	128,534
Deferred income tax liabilities	25	13,483	2,551
Other liabilities	16	215,857	101,499
Total liabilities		6,298,286	5,256,475
Equity			
Share capital	17	8,698,746	8,698,746
Provision for revaluation of financial assets measured at fair value through other comprehensive income		(19,619)	13,331
Property and equipment revaluation reserve		80,339	82,441
Accumulated loss		(1,916,518)	(2,277,903)
Total equity		6,842,948	6,516,615
Total liabilities and equity		13,141,234	11,773,090


* Certain amounts given in this column are not consistent with the financial statements for the year ended 31 December 2021 as they reflect the reclassifications disclosed in detail in Note 2.

On behalf of the Management Board of the Bank:


T.O. Berbaev
Chairman of the Management Board

7 August 2023
Bishkek
Kyrgyz Republic




G.A. Toktogozhoeva
Chief Accountant

7 August 2023
Bishkek
Kyrgyz Republic

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2022***(in thousands of Kyrgyz Som)*

	Notes	2022	2021
Interest income calculated using effective interest rate		962,771	874,541
Other interest income		36,483	61,121
Interest expense		(305,729)	(361,220)
Net interest income	18	693,525	574,442
Credit loss expenses	19	(15,423)	(162,512)
Net interest income after credit loss expense		678,102	411,930
Fee and commission income	20	177,164	113,574
Fee and commission expenses	20	(116,055)	(51,493)
Net (losses)/gains from financial instruments at fair value through profit or loss		(23,910)	28,607
Net gains from transactions with foreign currencies	21	386,203	48,519
Other income	22	44,942	181,178
Non-interest income		468,344	320,385
Operating expenses	24	(700,869)	(669,640)
Other losses from impairment and recognition of provisions		(62,307)	(649)
Other expenses	23	(13,055)	(50,136)
Non-interest expense		(776,231)	(720,425)
Profit before income tax expense		370,215	11,890
Income tax benefit / (expense)	25	(10,932)	10,754
Profit for the year		359,283	22,644
Attributable to:			
- shareholders of the Bank		359,283	22,644
- non-controlling interests		—	—
		359,283	22,644
Other comprehensive loss			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of debt instruments at fair value through other comprehensive income		(33,465)	(7,751)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		515	50
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of buildings	10	—	(1,574)
Other comprehensive loss for the year, net of taxes		(32,950)	(9,275)
Total comprehensive income for the year		326,333	13,369
Attributable to:			
- shareholders of the Bank		326,333	13,369
- non-controlling interests		—	—
		326,333	13,369
Earnings per share, som	18	4.13	0.26

On behalf of the Management Board of the Bank:

T.O. Berbaev
Chairman of the Management Board

7 August 2023
Bishkek
Kyrgyz Republic

G.A. Toktogozhoeva
Chief Accountant

7 August 2023
Bishkek
Kyrgyz Republic

The accompanying notes on pages 6 to 58 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

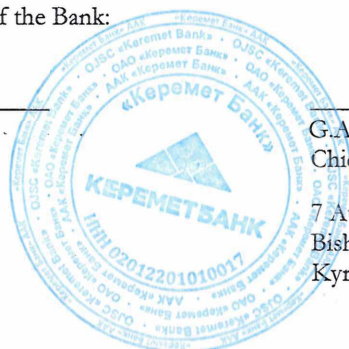
(in thousands of Kyrgyz Som)


	Share capital	Additional paid-in capital	Reserve funds			Total equity
			Provision for revaluation of financial assets measured at fair value through other comprehensive income	Property and equipment revaluation reserve	Accumulated loss	
As at 1 January 2021	5,998,746	2,700,000	21,032	86,118	(2,302,650)	6,503,246
Net profit for the year	—	—	—	—	22,644	22,644
Other comprehensive income	—	—	(7,701)	(1,574)	—	(9,275)
Total comprehensive loss for the year	—	—	(7,701)	(1,574)	22,644	13,369
Issue of share capital	2,700,000	(2,700,000)	—	—	—	—
Transfer of property and equipment revaluation reserve as a result of depreciation and disposal	—	—	—	(2,103)	2,103	—
As at 31 December 2021	8,698,746	—	13,331	82,441	(2,277,903)	6,516,615
Net profit for the year	—	—	—	—	359,283	359,283
Other comprehensive loss	—	—	(32,950)	—	—	(32,950)
Total comprehensive income for the year	—	—	(32,950)	—	359,283	326,333
Transfer of property and equipment revaluation reserve as a result of depreciation and disposal	—	—	—	(2,102)	2,102	—
As at 31 December 2022	8,698,746	—	(19,619)	80,339	(1,916,518)	6,842,948

On behalf of the Management Board of the Bank:


T.O. Berbaev
Chairman of the Management Board

7 August 2023
Bishkek
Kyrgyz Republic




G.A. Toktogozhoeva
Chief Accountant

7 August 2023
Bishkek
Kyrgyz Republic

Notes No. 1- 32 are an integral part of these financial statements.

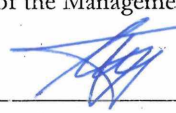
STATEMENT OF CASH FLOWS**For the year ended 31 December 2022***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	<i>2022</i>	<i>2021</i>
Cash flows from operating activities			
Interest received		871,767	737,289
Interest paid		(298,755)	(386,269)
Fees and commissions received		177,164	102,174
Fees and commissions paid		(116,055)	(51,493)
Realised gains less losses from foreign currency transactions		354,453	45,928
Realised gains less losses from financial instruments at fair value through profit or loss		(23,910)	28,607
Administrative and other operating expenses paid		(591,526)	(518,669)
Other operating income received		9,158	11,157
Cash flows from operating activities before changes in operating assets and liabilities		382,296	(31,276)
Net (increase)/decrease in operating assets and liabilities			
Amounts due from banks and other financial institutions		(2,159)	—
Loans to customers		(130,027)	(757,482)
Assets held for sale		174,363	6,148
Other assets		48,331	(55,701)
Amounts due to financial institutions		76,565	(108,543)
Amounts due to customers		967,784	(1,961,061)
Derivative financial liabilities		(40,650)	15,539
Other liabilities		36,990	(8,794)
Net cash flows from operating activities before income tax		1,513,493	(2,901,170)
Income tax paid		—	—
Net cash flows from / (used in) operating activities		1,513,493	(2,901,170)
Cash flows from investing activities			
Purchase of investment securities		—	(999,406)
Proceeds from sale and redemption of investment securities		181,000	48,577
Acquisition of property and equipment and intangible assets		(35,662)	(42,675)
Proceeds from sale of property and equipment		64	3,651
Net cash used in investing activities		145,402	(989,853)

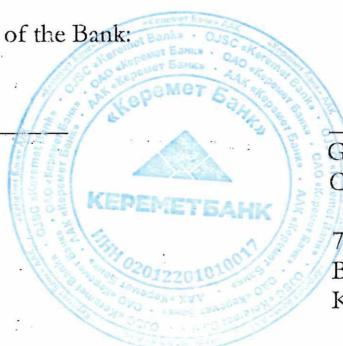
STATEMENT OF CASH FLOWS (continued)*(in thousands of Kyrgyz Som)*

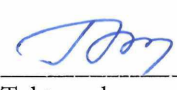
	<i>Notes</i>	<i>2022</i>	<i>2021</i>
Cash flows from financing activities			
Proceeds from other borrowed funds	13	249,562	—
Repayment of other borrowed funds	13	(397,563)	—
Lease payments	10	(85,943)	(74,674)
Net cash used in financing activities		(233,944)	(74,674)
Effect of allowance for expected credit losses on cash and cash equivalents		(8,569)	—
Effect of exchange rates changes on balance of cash and cash equivalents denominated in foreign currencies		15,570	20,442
Net increase/(decrease) in cash and cash equivalents		1,431,952	(3,945,255)
Cash and cash equivalents, beginning		2,122,135	6,067,390
Cash and cash equivalents, ending	5	3,554,087	2,122,135

On behalf of the Management Board of the Bank:


 T.O. Berbaev
 Chairman of the Management Board

7 August 2023
 Bishkek
 Kyrgyz Republic




 G.A. Toktogozhoeva
 Chief Accountant

7 August 2023
 Bishkek
 Kyrgyz Republic