

Keremet Bank OJSC

Financial Statements and Independent Auditors' Report
for the year ended 31 December 2021

Keremet Bank Open Joint Stock Company

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS for the year ended 31 December 2021

Management is responsible for the preparation of the financial statements, which present fairly, in all material respects, the financial position of Keremet Bank OJSC (hereinafter, the "Bank") as at 31 December 2021, and its financial performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Management of the Bank shall be responsible for:

- selection of appropriate accounting principles and consistent application thereof;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- disclosure of additional information in cases when compliance with IFRS requirements is not sufficient for the financial statements users to understand the influence that some or other transactions as well as other events or circumstances have in the Bank's financial position and performance; and
- assessment of the Bank's ability to continue as a going concern in the foreseeable future.

Management of the Bank shall be also responsible for:

- development, implementation and maintenance of the efficient and reliable internal controls throughout the Bank;
- maintaining of the accounting system, which allows generating, any time and reliably, information on the Bank's financial position and ensure compliance with IFRS;
- maintaining of the accounting in compliance with the legislation of the Kyrgyz Republic and IFRS;
- taking measures, within its competence, to protect assets of the Bank;
- identification and prevention of the frauds and other abuses.


The financial statements for the year ended 31 December 2021 were approved for issue by the Management Board of the Bank on 31 March 2022.

On behalf of the Management Board:



**Koichumanova J.A.
Chairman of the Board**

31 March 2022
City of Bishkek
The Kyrgyz Republic



**Toktogozhoyeva G.
Chief Accountant**

31 March 2022
City of Bishkek
The Kyrgyz Republic



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Independent Auditors' Report

To the Board of Directors and Shareholders of Keremet Bank OJSC

Opinion

We have audited the financial statements of Keremet Bank OJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the requirements prescribed in the Regulation on Minimum Requirements to External Audit of Banks and Other Financial and Credit Institutions, Licensed by the National Bank of the Kyrgyz Republic ("NBKR") approved by the Order of the NBKR Management Board No.2017- П-12/25-2 on 15 June 2017 (last revised in 2019) (the "NBKR requirements"). Our responsibilities under those standards are further described in the Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together 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 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.

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.



Expected credit losses (ECL) for loans to customers

Please refer to Notes 3, 5, 8 and 31 in the financial statements.

Key audit matter	How the matter was addressed in our audit
<p>Loans to customers represent more than 54% of assets and are stated net of allowance for expected credit losses (ECL).</p> <p>The Bank uses a model to determine its estimate of allowance for ECL in accordance with IFRS 9 <i>Financial Instruments</i> ("IFRS 9 Model"), which requires management to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> – identification of significant increases in credit risk and default events related to loans to customers and the resulting allocation between Stages 1, 2 and 3. – determination of the probability of default (PD), which is based on historic information overlaid with macroeconomic adjustment factors based on forward looking economic forecasts; – estimation of the loss given default (LGD), which is mostly based on assumptions relating to collateral valuation and estimated time periods to realise collateral; – expected cash flow forecasts for corporate loans to customers, which may be based on assumptions relating to the successful realization of borrowers' business plans, and collateral valuations which may be subjective in nature. <p>Due to the significant volume of loans to customers and the related estimation uncertainty inherent in estimation of the ECL allowance, this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to the ECL estimate for compliance with the requirements of IFRS 9, with the involvement of financial risk management specialists.</p> <p>To assess the appropriateness of professional judgement and assumptions made by the management in relation to the estimate of ECL, we performed the following audit procedures:</p> <ul style="list-style-type: none"> – We tested the design and operating effectiveness of controls related to the identification of significant increase in credit risk and default events. – We tested whether Stages were correctly determined by analysing financial and non-financial information for a sample of loans. – We critically assessed the assumptions used by the Bank to forecast future cash flows for individually financially significant corporate loans, including estimates of cash flows from collateral disposals. – For a sample of collectively assessed loans, we inspected internal and external supporting documentation for key data inputs used to derive at key assumptions, including PD and LGD, used in the IFRS 9 model. – We evaluated, with the assistance of our financial risk management specialists, macroeconomic adjustment factors included in the IFRS 9 model. – We recalculated the amount of ECL determined by the Bank and agreed the results to the financial statements. <p>We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.</p>



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 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' 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 auditors' 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 and NBKR requirements 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 and NBKR requirements, 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 auditors' 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 auditors' 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 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 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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:



Natia Tevzadze
Attorney
31 March 2022



Aida Asyrandieva
Executive Director of KPMG Bishkek LLC
Certified Auditor of the Kyrgyz Republic,
Auditor's Qualification Certificate
serial A, No. 0232 of 13 November 2014

31 March 2022

Keremet Bank OJSC

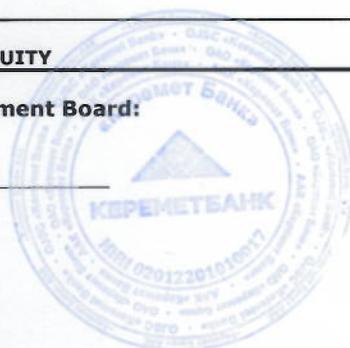
Statement of Financial Position as at 31 December 2021 (in thousands of Kyrgyz soms)

	Note	31 December 2021	31 December 2020
ASSETS:			
Cash and cash equivalents	6	2,122,135	6,067,390
Due from banks and other financial institutions		7,364	7,183
Loans to customers	8	6,339,365	5,758,941
Investment securities measured at fair value through other comprehensive income – not pledged	9	505,786	538,300
Investment securities measured at fair value through other comprehensive income – pledged	9	374,550	378,390
Investment securities measured at amortised cost		1,028,642	-
Investments in associates	28	10,118	10,118
Property, plant and equipment and intangible assets	10	465,837	507,071
Right-of-use assets	11	106,604	224,832
Income tax prepaid		93	93
Other assets	12	125,180	81,875
		11,085,674	13,574,193
Non-current assets held for sale	13	687,416	425,173
		11,773,090	13,999,366
LIABILITIES:			
Financial derivative liabilities	7	15,539	-
Other borrowed funds	14	384,235	384,235
Due to financial organisations	15	44,733	150,401
Customer accounts	16	4,579,384	6,550,216
Lease liabilities	11	128,534	319,376
Deferred tax liability	26	2,551	13,305
Other liabilities	17	101,499	78,587
		5,256,475	7,496,120
EQUITY:			
Share capital	18	8,698,746	5,998,746
Additional paid-in capital	18	-	2,700,000
Revaluation reserve for financial assets at fair value through other comprehensive income		13,331	21,032
Property revaluation reserve		82,441	86,118
Accumulated loss		(2,277,903)	(2,302,650)
		6,516,615	6,503,246
TOTAL LIABILITIES AND EQUITY		11,773,090	13,999,366

On behalf of the Management Board:


Chairman of the Board

31 March 2022
City of Bishkek
The Kyrgyz Republic




Chief Accountant

31 March 2022
City of Bishkek
The Kyrgyz Republic

The notes on pages 10-68 form an integral part of these financial statements.

Keremet Bank OJSC

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

(In thousands of Kyrgyz soms, except for loss per share denominated in Kyrgyz soms)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Interest income calculated using the effective interest method		874,541	531,496
Other interest income		61,121	58,867
Interest expense		(361,220)	(413,055)
Net interest income before impairment loss on interest-bearing assets	19	574,442	177,308
Impairment loss on interest-bearing assets	20	(162,512)	(667,839)
Net interest income/ (expense) after impairment loss		411,930	(490,531)
Net gain/ (loss) on financial instruments at fair value through profit or loss		28,607	(49,527)
Net foreign exchange gain	22	48,519	88,853
Fee and commission income	21	113,574	72,102
Fee and commission expense	21	(51,493)	(32,853)
Charge of provision for other assets and contingent liabilities	20	(649)	(21,088)
Other expenses	23	(50,136)	(77,363)
Other income	24	181,178	6,741
Net non-interest income/ (expense)		269,600	(13,135)
Operating expenses	25	(669,640)	(560,452)
Profit/ (loss) before income tax		11,890	(1,064,118)
Income tax benefit/ (expense)	26	10,754	(5,268)
Net profit/ (loss) for the year		22,644	(1,069,386)
Profit/ (loss) per share	18	0.26	(12.29)
Basic and diluted earnings (loss) per share	18	0.26	(12.29)
Other comprehensive income/ loss			
Items that are or may be reclassified subsequently to profit or loss:			
Debt instruments measured at FVOCI:			
(Loss)/ profit from changes on fair value of investments in securities measured at FVOCI, including impairment during the period		(7,701)	13,094
Items that are or may not be reclassified subsequently to profit or loss:			
Property revaluation	10	(1,574)	39,743
Other comprehensive (loss)/ income, net of income tax		(9,275)	52,837
Total comprehensive income/ (loss)		13,369	(1,016,549)

On behalf of the Management Board:


Chairman of the Board

31 March 2022
City of Bishkek
The Kyrgyz Republic


Chief Accountant

31 March 2022
City of Bishkek
The Kyrgyz Republic

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Keremet Bank OJSC

Statement of Changes in Equity for the year ended 31 December 2021 (in thousands of Kyrgyz soms)

	Note	Share capital	Additional paid-in capital	Reserve funds		Accumulated loss	Total equity
				Revaluation reserve for financial assets at FVOCI	Property revaluation reserve		
1 January 2020		4,498,746	-	7,938	47,684	(1,234,573)	3,319,795
Net loss for the year		-	-	-	-	(1,069,386)	(1,069,386)
Other comprehensive income		-	-	13,094	39,743	-	52,837
Total comprehensive loss		-	-	13,094	39,743	(1,069,386)	(1,016,549)
Issue of share capital	18	1,500,000	-	-	-	-	1,500,000
Additional paid-in capital contributed	18	-	2,700,000	-	-	-	2,700,000
Transfer of property revaluation reserve as a result of depreciation and disposal of previously revalued property		-	-	-	(1,309)	1,309	-
31 December 2020		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 income		-	-	(7,701)	(1,574)	22,644	13,369
Issue of share capital	18	2,700,000	(2,700,000)	-	-	-	-
Additional paid-in capital contributed	18	-	-	-	-	-	-
Transfer of property revaluation reserve as a result of depreciation and disposal of previously revalued property		-	-	-	(2,103)	2,103	-
31 December 2021		8,698,746	-	13,331	82,441	(2,277,903)	6,516,615

On behalf of the Management Board:

Chairman of the Board

31 March 2022
City of Bishkek
The Kyrgyz Republic

Chief Accountant

31 March 2022
City of Bishkek
The Kyrgyz Republic

The notes on pages 10-68 form an integral part of these financial statements.

Keremet Bank OJSC

Statement of Cash Flows for the year ended 31 December 2021 (in thousands of Kyrgyz soms)

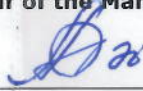
	Note	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		737,289	453,521
Interest paid		(386,269)	(384,020)
Services and commission income received		102,174	72,102
Services and commission expenses paid		(51,493)	(32,853)
Receipts from dealing in foreign currencies		45,928	37,524
Net realised loss on other financial instruments at fair value through profit or loss		28,607	(49,527)
Administrative and other operating expenses paid		(518,669)	(404,376)
Other operating income received		11,157	7,807
Cash flows used in operating activities before changes in operating assets and liabilities		(31,276)	(299,822)
Change in operating assets and liabilities			
Net (decrease)/increase in derivative financial instruments		15,539	(12,480)
Net increase in due from banks and other financial institutions		-	(477)
Net increase in loans to customers		(757,482)	(1,291,814)
Net decrease in non-current assets held for sale		6,148	36,833
Net (increase)/decrease in other assets		(55,701)	(34,318)
Net (decrease)/increase in due to financial institutions		(108,543)	(103,894)
Net increase in customers accounts		(1,961,061)	2,750,001
Net decrease in other liabilities		(8,794)	(57,082)
Cash flows from/(used in) operating activities		(2,901,170)	986,947
Income tax paid		-	-
Net cash flows from/(used in) operating activities		(2,901,170)	986,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities measured at amortised cost		(999,406)	-
Proceeds from sale and maturity of investment securities measured at FVOCI		48,577	76,525
Purchases of shares of associates		-	-
Acquisition of property, plant and equipment and intangible assets		(42,675)	(79,329)
Proceeds from disposal of property, plant and equipment		3,651	-
Net cash used in investing activities		(989,853)	(2,804)

Keremet Bank OJSC

Statement of Cash Flows for the year ended 31 December 2021 (in thousands of Kyrgyz soms)

	Note	Year ended 31 December 2021	Year ended 31 December 2020
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from shares issued	18	-	4,200,000
Lease payments	14	(74,674)	(57,138)
Net cash from financing activities		(74,674)	4,142,862
Effect of exchange rate changes on the balance of cash held in foreign currencies		20,442	116,856
Net increase in cash and cash equivalents		(3,965,697)	5,127,005
CASH AND CASH EQUIVALENTS at the beginning of the year	6	6,067,390	823,529
CASH AND CASH EQUIVALENTS at the end of the year	6	2,122,135	6,067,390

On behalf of the Management Board:


Chairman of the Board

31 March 2022
City of Bishkek
The Kyrgyz Republic


Chief Accountant

31 March 2022
City of Bishkek
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The notes on pages 10-68 form an integral part of these financial statements.