

Keremet Bank OJSC

Financial statements

*For the year ended 31 December 2023
and independent auditor's report*

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS****For the year ended 31 December 2023**

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 2023, 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 is 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 2023 were approved by the Management Board of the Bank on 7 March 2024.

On behalf of the Management Board of the Bank:


T.O. Berbaev
Chairman of the Management Board

11 March 2024

Bishkek
Kyrgyz Republic




G.A. Toktogozhueva
Chief Accountant

11 March 2024

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 2023, 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 2023 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”). 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 tested the operational effectiveness of appropriate controls over the data used to determine the allowance for impairment, including transactional data obtained at loan origination, current internal credit quality assessments, other data related to the expected credit loss model;
- 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 2023;
- 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.

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, IRN № 11171

Managing partner
Abduvaliev Zarylbek, FCCA, IRN № 18102



March 11, 2024


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 Ministry of economy and commerce
of the Kyrgyz Republic, IRN No. 2101006

Toktogul str. 108, 6th floor, Bishkek, Kyrgyz Republic
+996 312 66 30 02; +996 558 86 55 05
office@kreston.kg.

STATEMENT OF FINANCIAL POSITION**As at 31 December 2023***(in thousands of Kyrgyz Som)*

	Notes	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	5	4,036,696	3,554,087
Amounts due from banks and other financial institutions		8,733	11,463
Loans to customers	7	6,905,255	6,518,944
Assets held for sale	12	908,865	532,567
Investment securities at fair value through other comprehensive income	8	728,113	691,406
Investment securities at amortized cost	8	1,117,688	1,056,612
Investments in associates		15,006	15,006
Property and equipment	9	354,072	294,577
Intangible assets	9	125,865	133,399
Right-of-use assets	10	92,796	125,903
Income tax asset		93	93
Other assets	11	144,158	207,177
Total assets		14,437,340	13,141,234
Liabilities and equity			
Liabilities			
Derivative financial liabilities	6	9,769	18,667
Other borrowed funds	13	547,215	181,371
Amounts due to financial institutions	14	72,345	125,228
Amounts due to customers	15	5,690,116	5,615,853
Lease liabilities	10	84,563	127,827
Deferred income tax liabilities	25	13,483	13,483
Other liabilities	16	125,193	215,857
Total liabilities		6,542,684	6,298,286
Equity			
Share capital	17	8,698,746	8,698,746
Provision for revaluation of financial assets measured at fair value through other comprehensive income		(15,160)	(19,619)
Property and equipment revaluation reserve		159,689	80,339
Accumulated loss		(948,619)	(1,916,518)
Total equity		7,894,656	6,842,948
Total liabilities and equity		14,437,340	13,141,234

On behalf of the Management Board of the Bank:


T.O. Berbaev
Chairman of the Management Board

11 March 2024
Bishkek
Kyrgyz Republic





G.A. Toktogozhoeva
Chief Accountant

11 March 2024
Bishkek
Kyrgyz Republic

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2023***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	2023	2022
Interest income calculated using effective interest rate		1,211,301	962,771
Other interest income		154,198	36,483
Interest expense		(354,988)	(305,729)
Net interest income	18	<u>1,010,511</u>	<u>693,525</u>
Credit loss recovery/(expenses)	19	544,892	(15,423)
Net interest income after credit loss expense		<u>1,555,403</u>	<u>678,102</u>
Fee and commission income	20	186,602	177,164
Fee and commission expenses	20	(135,642)	(116,055)
Net (losses)/gains from financial instruments at fair value through profit or loss		12,588	(23,910)
Net gains from transactions with foreign currencies	21	104,968	386,203
Other income	22	16,441	44,942
Non-interest income		<u>184,957</u>	<u>468,344</u>
Operating expenses	24	(765,152)	(700,869)
Other losses from impairment and recognition of provisions		40,722	(62,307)
Other expenses	23	(50,313)	(13,055)
Non-interest expense		<u>(774,743)</u>	<u>(776,231)</u>
Profit before income tax expense		965,617	370,215
Income tax benefit / (expense)	25	-	(10,932)
Profit for the year		<u>965,617</u>	<u>359,283</u>
Attributable to:			
- shareholders of the Bank		965,617	359,283
- non-controlling interests		-	-
		<u>965,617</u>	<u>359,283</u>
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		(1,073)	(33,465)
Changes in allowance for expected credit losses of debt instruments at fair value through other comprehensive income		5,532	515
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Revaluation of buildings		81,632	-
Other comprehensive loss for the year, net of taxes		<u>86,091</u>	<u>(32,950)</u>
Total comprehensive income for the year		<u>1,051,708</u>	<u>326,333</u>
Attributable to:			
- shareholders of the Bank		1,051,708	326,333
- non-controlling interests		-	-
		<u>1,051,708</u>	<u>326,333</u>
Earnings per share, som	17	11.10	4.13

On behalf of the Management Board of the Bank:


 T.O. Berbaev
 Chairman of the Management Board

11 March 2024
 Bishkek
 Kyrgyz Republic




 G.A. Toktogozhoeva
 Chief Accountant

11 March 2024
 Bishkek
 Kyrgyz Republic

STATEMENT OF CHANGES IN EQUITY**For the year ended 31 December 2023***(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 2022	8,698,746	—	13,331	82,441	(2,277,903)	6,516,615
Net profit for the year	—	—	—	—	359,283	359,283
Other comprehensive income	—	—	(32,950)	—	—	(32,950)
Total comprehensive loss 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
Net profit for the year	—	—	—	—	965,617	965,617
Other comprehensive loss	—	—	4,459	81,632	—	86,091
Total comprehensive income for the year	—	—	4,459	81,632	965,617	1,051,708
Transfer of property and equipment revaluation reserve as a result of depreciation and disposal	—	—	—	(2,282)	2,282	—
As at 31 December 2023	8,698,746	—	(15,160)	159,689	(948,619)	7,894,656

On behalf of the Management Board of the Bank:



T.O. Berbaev
Chairman of the Management Board

11 March 2024
Bishkek
Kyrgyz Republic




G.A. Toktogochoeva
Chief Accountant

11 March 2024
Bishkek
Kyrgyz Republic

The accompanying notes 1-33 on pages 6 to 56 are an integral part of these financial statements.


STATEMENT OF CASH FLOWS**For the year ended 31 December 2023***(in thousands of Kyrgyz Som)*

	<i>Notes</i>	<i>2023</i>	<i>2022</i>
Cash flows from operating activities			
Interest received		1,280,712	871,767
Interest paid		(296,625)	(298,755)
Fees and commissions received		186,602	177,164
Fees and commissions paid		(135,642)	(116,055)
Realised gains less losses from foreign currency transactions		84,795	354,453
Realised gains less losses from financial instruments at fair value through profit or loss		17,954	(23,910)
Administrative and other operating expenses paid		(514,718)	(591,526)
Other operating income received		15,964	9,158
Cash flows from operating activities before changes in operating assets and liabilities		639,042	382,296
Net (increase)/decrease in operating assets and liabilities			
Amounts due from banks and other financial institutions		3,208	(2,159)
Loans to customers		(472,944)	(130,027)
Assets held for sale		29,176	174,363
Other assets		66,854	48,331
Amounts due to financial institutions		(51,689)	76,565
Amounts due to customers		43,332	967,784
Derivative financial liabilities		(14,263)	(40,650)
Other liabilities		(81,034)	36,990
Net cash flows from operating activities before income tax		161,682	1,513,493
Income tax paid		–	–
Net cash flows from / (used in) operating activities		161,682	1,513,493
Cash flows from investing activities			
Purchase of investment securities		(20,000)	–
Proceeds from sale and redemption of investment securities		–	181,000
Acquisition of property and equipment and intangible assets		(42,714)	(35,662)
Proceeds from sale of property and equipment		56	64
Net cash used in investing activities		(62,658)	145,402

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

	<i>Notes</i>	2023	2022
Cash flows from financing activities			
Proceeds from other borrowed funds	13	429,862	249,562
Repayment of other borrowed funds	13	–	(397,563)
Lease payments	10	(72,826)	(85,943)
Net cash used in financing activities		<u>357,036</u>	<u>(233,944)</u>
Effect of allowance for expected credit losses on cash and cash equivalents		5,751	(8,569)
Effect of exchange rates changes on balance of cash and cash equivalents denominated in foreign currencies		20,798	15,570
Net increase/(decrease) in cash and cash equivalents		<u>482,609</u>	<u>1,431,952</u>
Cash and cash equivalents, beginning		<u>3,554,087</u>	<u>2,122,135</u>
Cash and cash equivalents, ending	5	<u>4,036,696</u>	<u>3,554,087</u>

On behalf of the Management Board of the Bank:


 T.O. Berbaev
 Chairman of the Management Board

11 March 2024
 Bishkek
 Kyrgyz Republic




 G.A. Toktogozhoeva
 Chief Accountant

11 March 2024
 Bishkek
 Kyrgyz Republic

The accompanying notes 1-33 on pages 6 to 56 are an integral part of these financial statements.