



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 the Joint Stock Company "KDB Bank Uzbekistan" ("the Bank") as at 31 December 2017, and its financial performance and its 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 2017;
- 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 these requirements and the IESBA Code.

Our audit approach

Overview

<i>Materiality</i>	Overall Bank materiality: Uzbek Soums ("UZS") 5,523,000 thousand, which represents 5% of adjusted profit before tax.
<i>Key audit matter</i>	Impairment of loans and advances to customers, including finance lease receivables.

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 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 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.

<i>Overall Bank materiality</i>	UZS 5,523,000 thousand (2016: UZS 2,807,000)
<i>How we determined it</i>	We determined overall materiality as being 5% of the profit before tax adjusted for one-time effect of foreign exchange translation gain of UZS 142,935,640 thousand as a result of liberalization of currency regulations in Uzbekistan on 4 September 2017.
<i>Rationale for the materiality benchmark applied</i>	We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which, users and stakeholders most commonly measure the performance of the Bank as a whole, and it is a generally accepted benchmark. We chose 5% threshold as in our professional experience this is 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 276,000 thousand, 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p>Impairment of loans and advances to customers, including finance lease receivables</p> <p>We considered impairment of loans and advances to customers, including finance lease receivables as key audit matter due to the following factors:</p> <p>(i) loans and advances to customers, including finance lease receivables as at 31 December 2017 amount to UZS 323,145,176 thousand; and</p> <p>(ii) the significance of judgements involved in making estimates for loan impairment.</p> <p>The judgements and decisions made by management in estimating loan impairment are highly subjective</p>	<p>Our audit procedures over the loans and advances to customers, including finance lease receivables included:</p> <ul style="list-style-type: none"> - the assessment of the procedures over identifying whether and when a loan has become impaired; - testing that in cases when the recovery of the loan is expected from the proceeds on sale of collateral that the valuation of collateral is supported by an appropriate and current valuation; - agreeing the key inputs used in impairment calculation to source systems and source documentation; - re-performing the discounted cash flow calculations to confirm accuracy;



due to uncertainties over the timely identification of the loss events and/or the amounts of losses incurred.

The summary of significant accounting policies, critical accounting estimates and judgements relating to the calculations of impairment and details on loans and advances to customers, including finance lease receivables is provided in Notes 3, 4 and 9, respectively, to the financial statements.

The Bank's approach to the estimation of impairment losses on loans to customers, including finance lease receivables is as follows:

Individually significant loans

These are the loans to legal entities that the Bank's Credit Committee assesses individually in order to determine whether there is an objective evidence that the loan is impaired. If the individually assessed loans have no signs of impairment, they are assessed on a collective basis.

The Bank measures individually impaired loans based on the present value of estimated future cash flows from the borrower and, where applicable, from realising collateral discounted at the original effective interest rate.

Collectively assessed loans

The Bank groups loans by similar credit risk characteristics that are indicative of the borrowers' ability to pay all amounts due according to the contractual terms.

The Bank estimates future cash flows in a group of loans based on historical loss experience, prevailing economic and credit conditions and peer group experience for loans with credit risk characteristics similar to those in the group.

- the evaluation of the methodology, inputs and assumptions used by the Bank in calculating impairment assessed on a portfolio basis;
- the assessment of the adequacy of impairment allowances for individually and collectively assessed loans and advances to customers, including finance lease receivables.

We tested a sample of individually significant loans by focusing on identification of default or delinquency, considering the assumptions for timing and amount of estimated future cash flows, and the quality and valuation of collateral. Our selection was focused on possible under-collateralized loans.

For individually significant loans with no impairment identified and all other loans not considered as significant, we applied collective pool provision rates, except for the loans, which are not considered to be impaired due to a short time since their origination.

For impairment estimated collectively on a portfolio basis, we tested the design and the operation of the model and the data and assumptions used. Our work included the following steps:

1. We compared the principal assumptions made with our own knowledge and experience of the banking industry in Uzbekistan.
2. We re-performed calculation of collective impairment.

The following procedures were also performed for provision for impairment of loans and advances to customers, including finance lease receivables at 31 December 2017:

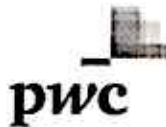
1. We re-performed the back testing to ensure that accounting estimates are appropriate and have been applied consistently.
2. We developed independent expectations in respect of collective assessments based on our understanding of the industry sectors and the banking market in Uzbekistan. We compared the impairment provision levels to other banks in Uzbekistan and investigated reasons for any major differences.

Our procedures did not identify any material adjustments to the provisions for impairment of loans and advances.

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 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, related safeguards.

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.

Utkir Muhammadiyev
General Director/Certified Auditor
Certificate of Auditor No. 9/15
dated 16 August 2013

Grigoriy Asaturov
Auditor
Certificate of Auditor No. 9/18
dated 30 January 2015

Audit Organization "PricewaterhouseCoopers" LLC
Audit Organization "PricewaterhouseCoopers" LLC
17 April 2018
Tashkent, Uzbekistan

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

<i>In thousands of Uzbekistan Soums</i>	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	7	3,429,670,057	1,927,140,727
Due from other banks	8	1,906,614,398	788,001,221
Loans and advances to customers, including finance lease receivables	9	323,145,176	152,824,771
Current income tax prepayment		2,606,450	1,749,475
Deferred income tax asset	20	2,368,999	2,359,809
Premises and equipment	10	46,524,253	52,977,532
Intangible assets	10	2,439,006	4,027,444
Investment property	11	2,588,541	-
Other assets	12	12,618,901	20,954,062
TOTAL ASSETS		5,728,576,780	2,960,035,041
LIABILITIES			
Due to other banks	13	84,762,365	18,409,858
Customer accounts	14	5,137,082,254	2,639,756,754
Other liabilities	15	10,056,223	9,865,087
TOTAL LIABILITIES		5,211,920,842	2,668,031,699
EQUITY			
Share capital	16	40,444,206	40,444,206
Retained earnings		476,210,732	241,559,136
TOTAL EQUITY		516,654,938	282,003,342
TOTAL LIABILITIES AND EQUITY		5,728,576,780	2,960,035,041

Approved for issue and signed on 20 March 2018.


 In Joo 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 thousands of Uzbekistan Soums</i>	Notes	2017	2016
Interest income	17	90,332,280	31,105,106
Interest expense		(182,941)	(1,605,844)
Net Interest Income		90,149,339	29,499,262
Provision for impairment of loans and advances to customers, including finance lease receivables	9	(1,933,059)	(424,858)
Net interest income after provision for impairment of loans and advances to customers, including finance lease receivables		88,216,270	29,074,404
Fee and commission income	18	63,951,315	56,031,558
Fee and commission expense	18	(9,321,847)	(5,558,759)
Gains less losses from trading in foreign currencies		3,330,960	2,239,780
Foreign exchange translation gains less losses		171,122,340	15,357,404
Other operating income		889,152	99,876
Staff costs		(40,435,781)	(25,015,946)
Depreciation and amortization	10, 11	(6,294,702)	(4,343,675)
Other operating expenses	19	(19,006,172)	(11,807,721)
Profit before tax		252,451,536	56,075,921
Income tax expense	20	(17,799,940)	(9,699,256)
PROFIT FOR THE YEAR		234,651,596	46,376,663
Other comprehensive income		-	-
Total comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		234,651,596	46,376,663
Basic and diluted earnings per ordinary share (expressed in UZS per share)	21	895	177

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

<i>in thousands of Uzbekistan Soums</i>	Notes	Share capital	Retained earnings	Total equity
Balance at 1 January 2016		40,444,206	195,182,473	235,626,679
Profit for the year		-	46,376,663	46,376,663
Other comprehensive income		-	-	-
Total comprehensive income for 2016		-	46,376,663	46,376,663
Balance at 31 December 2016		40,444,206	241,559,136	282,003,342
Profit for the year		-	234,651,596	234,651,596
Other comprehensive income		-	-	-
Total comprehensive income for 2017		-	234,651,596	234,651,596
Balance at 31 December 2017		40,444,206	476,210,732	516,654,938

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	Notes	2017	2016
Cash flows from operating activities			
Interest received		84,650,478	30,863,040
Interest paid		(109,421)	(1,532,324)
Fee and commission received		63,712,113	58,844,871
Fee and commission paid		(9,321,847)	(5,558,759)
Income received from trading in foreign currencies		3,330,960	2,192,949
Other operating income received		1,034,681	98,876
Staff costs paid		(39,580,783)	(24,902,837)
Other operating expenses paid		(19,488,639)	(11,598,300)
Income tax paid		(18,666,105)	(11,987,801)
Cash flows from operating activities before changes in operating assets and liabilities			
		65,561,236	36,319,715
<i>Net (increase) / decrease in:</i>			
- due from other banks		(122,354,023)	(136,791,334)
- loans and advances to customers, including finance lease receivables		(88,165,400)	(6,211,017)
- other assets		21,218,121	40,530,425
<i>Net increase / (decrease) in:</i>			
- due to other banks		(17,878,671)	(67,342,666)
- customer accounts		(82,427,926)	263,666,188
- other liabilities		(3,923)	(40,035)
Net cash (used) / from operating activities		(224,050,586)	130,131,276
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(932,811)	(9,065,782)
Net cash used in investing activities		(932,811)	(9,065,782)
Cash flows from financing activities			
Net cash used in financing activities		-	-
Effect of exchange rate changes on cash and cash equivalents		1,727,612,725	10,317,771
Net increase in cash and cash equivalents		1,502,629,330	131,383,265
Cash and cash equivalents at the beginning of the year	7	1,927,140,727	1,795,757,462
Cash and cash equivalents at the end of the year	7	3,429,670,057	1,927,140,727
Non-cash investment activities - reclassification fixed assets as investment property			
		2,762,048	-
Non-cash investing activities - acquisition of premises, equipment and intangible assets			
		-	21,886,189