



KDB Bank Uzbekistan

**JOINT-STOCK COMPANY
“KDB BANK UZBEKISTAN”**

**Summary financial statements derived from the financial
statements for the year ended 31 December 2023 and
Independent Auditors' Report**



Audit Organization «KPMG Audit» LLC
International Business Center
Amir Temur Avenue, 107-B, Office 11A
Tashkent, Uzbekistan 100084
+998 78 146 77 44
+997 78 146 77 45

Independent auditors' Report on the Summary Financial Statements

**To the Shareholders and Supervisory Board of Joint Stock
Company «KDB Bank Uzbekistan»**

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2023, the summary statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of the Joint Stock Company «KDB Bank Uzbekistan» (the «Bank») for the year ended 31 December 2023.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in Note 3.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by IFRS Accounting Standards as issued by the International Accounting Standards Board. Reading the summary financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 24 April 2024.

Audited entity: Joint Stock Company «KDB Bank Uzbekistan».
Registered by the Central Bank of the Republic of Uzbekistan on
1 March 1997 № 5.
Tashkent, the Republic of Uzbekistan.

AO «KPMG Audit» LLC, a company incorporated under the Laws
of the Republic of Uzbekistan, and a member firm of the KPMG
global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by
guarantee.

Registration № in the Unified State Register of Enterprises
0111887-10



Responsibilities of Management for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note 3.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *"Engagements to Report on Summary Financial Statements."*

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

Kouznetsov A. A.
Project Partner
AO «KPMG Audit» LLC

Qualification certificate of bank auditor
№ 35 issued on 28 November 2023
by the Central Bank of the Republic of
Uzbekistan

Tashkent, Uzbekistan
24 April 2024

Saidov S. K.
General Director
AO «KPMG Audit» LLC



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

<i>In millions of Uzbekistan Soums</i>	31 December 2023	31 December 2022
ASSETS		
Cash and cash equivalents	5,711,078	5,960,929
Due from other banks	873,241	1,183,885
Loans and advances to customers	1,996,390	1,659,605
Investment in debt securities	385,482	89,559
Deferred income tax asset	873	-
Premises and equipment	55,068	53,010
Intangible assets	20,532	3,819
Investment property	418	456
Right use of assets	-	717
Other assets	9,553	15,142
TOTAL ASSETS	9,052,635	8,967,122
LIABILITIES		
Due to other banks	1,238,522	341,298
Customer accounts	6,423,565	7,637,739
Deferred income tax liability	-	126
Lease liabilities	-	1,060
Other liabilities	17,202	19,453
TOTAL LIABILITIES	7,679,289	7,999,676
EQUITY		
Share capital	506,361	101,272
Retained earnings	866,985	866,214
Other reserves	-	(40)
TOTAL EQUITY	1,373,346	967,446
TOTAL LIABILITIES AND EQUITY	9,052,635	8,967,122

Approved for issue and signed on 24 April 2024.

 Young Lok Lee Chairman of the Board		 Abrorjon Juraev Chief Accountant
---	---	---

JOINT-STOCK COMPANY "KDB BANK UZBEKISTAN"
Summary Statement of Profit or Loss and Other Comprehensive Income

<i>In millions of Uzbekistan Soums</i>	2023	2022
Interest income calculated using the effective interest method	553,509	280,234
Interest expense	(36,951)	(6,650)
Net margin on interest and similar income	516,558	273,584
Credit loss allowance	(1,252)	582
Net margin on interest and similar income after credit loss allowance	515,306	274,166
Fee and commission income	76,510	64,752
Fee and commission expense	(24,193)	(21,686)
Gains less losses from trading in foreign currencies	81,322	63,201
Foreign exchange translation gains less losses	5,807	(244)
Other operating income	9,381	4,407
Administrative and other operating expenses	(136,098)	(115,362)
Profit before tax	528,035	269,234
Income tax expense	(100,854)	(53,629)
PROFIT FOR THE YEAR	427,181	215,605
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Debt securities at fair value through other comprehensive income:		
- Gains less losses arising during the year	40	(40)
Other comprehensive income for the year	40	(40)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	427,221	215,565

The summary financial statements should be read in conjunction with the financial statements from which they were derived.

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

	Share capital	Retained earnings	Revaluation reserve for securities at FVOCI	Total Equity
<i>In millions of Uzbekistan Soums</i>				
Balance at 1 January 2022	101,272	650,609	-	751,881
Profit for the year	-	215,605	-	215,605
Other comprehensive income	-	-	(40)	(40)
Total comprehensive income for 2022	-	215,605	(40)	215,565
Balance at 31 December 2022	101,272	866,214	(40)	967,446
Profit for the year	-	427,181	-	427,181
Other comprehensive income	-	-	40	40
Total comprehensive income for 2023	-	427,181	40	427,221
Issue of additional shares	405,089	-	-	405,089
Dividends paid	-	(426,410)	-	(426,410)
Balance at 31 December 2023	506,361	866,985	-	1,373,346

The summary financial statements should be read in conjunction with the financial statements from which they were derived.

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

<i>In millions of Uzbekistan Soums</i>	2023	2022
Cash flows from operating activities		
Interest income received calculated using the effective interest method, excluding interest income on investments in debt securities	506,187	269,559
Interest paid calculated using the effective interest method	(33,926)	(5,359)
Fees and commissions received	76,510	64,752
Fees and commissions paid	(24,193)	(21,686)
Income received from trading in foreign currencies	81,322	63,201
Other operating income received	10,645	2,375
Staff costs paid	(98,261)	(82,632)
Administrative and other operating expenses paid	(29,179)	(25,093)
Income tax paid	(101,853)	(49,216)
Cash flows from operating activities before changes in operating assets and liabilities	387,252	215,901
<i>Net (increase)/decrease in:</i>		
- due from other banks	549,411	678,973
- loans and advances to customers	(203,041)	(441,021)
- other assets	6,833	(5,918)
<i>Net increase/(decrease) in:</i>		
- due to other banks	847,271	329,364
- customer accounts	(1,817,361)	615,830
- other financial liabilities	(6,588)	4,751
Net cash used in/generated from operating activities	(236,223)	1,397,880
Cash flows from investing activities		
Interest income received on investments in debt securities	35,887	6,816
Acquisition of investments in debt securities at fair value through other comprehensive income	(1,762,281)	(366,465)
Proceeds from redemption of debt securities at fair value through other comprehensive income	1,479,618	297,973
Acquisition of premises and equipment	(28,592)	(9,432)
Net cash used in investing activities	(275,368)	(71,108)
Cash flows from financing activities		
Issue of additional shares	405,089	-
Dividends paid	(426,410)	-
Net cash used in financing activities	(21,321)	-
Effect of exchange rate changes on cash and cash equivalents	283,061	67,778
Net (decrease)/increase in cash and cash equivalents	(249,851)	1,394,550
Cash and cash equivalents at the beginning of the year	5,960,929	4,566,379
Cash and cash equivalents at the end of the year	5,711,078	5,960,929

The summary financial statements should be read in conjunction with the financial statements from which they were derived.

1 Introduction

These summary financial statements have been derived from the audited financial statements of the Joint-Stock Company "KDB Bank Uzbekistan" (the "Bank") for the year ended 31 December 2023.

The Bank was incorporated and is domiciled in the Republic of Uzbekistan. The Bank is a joint stock company limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan. As of 31 December 2023 and 31 December 2022 the Bank's immediate and ultimate controlling parent company was Korean Development Bank, which is ultimately controlled by Republic of Korea.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Uzbekistan. The Bank has operated under a full banking licence #5 re-issued by the Central Bank of the Republic of Uzbekistan ("CBU") dated 25 December 2021. The Bank participates in the state deposit insurance scheme, which was introduced by Law # 360-II "Deposits of individuals insurance in the Republic of Uzbekistan" dated 5 April 2002. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits in the case of the withdrawal of a licence of a bank.

The Bank conducts its operations from its head office located in Tashkent along with one branch (2022: two branches). The Bank had 241 employees at 31 December 2023 (2022: 243 employees).

Registered address and place of business. The Bank's registered address is: 3, Bukhoro Street, 100047, Tashkent, Republic of Uzbekistan.

Presentation currency. These financial statements are presented in millions of Uzbekistan Soums ("UZS"), unless otherwise stated.

2 Operating Environment of the Bank

Republic of Uzbekistan. The Uzbekistan economy displays characteristics of an emerging market, including but not limited to, a currency that is not freely convertible outside of the country and a low level of liquidity in debt and equity markets. Also, the banking sector in Uzbekistan is particularly impacted by local political, legislative, fiscal and regulatory developments. The largest Uzbek banks are state-controlled and act as an arm of Government to develop the country's economy. The Government distributes funds from the country's budget, which flow through the banks to various government agencies, and other state- and privately-owned entities. Economic stability in Uzbekistan is largely dependent upon the effectiveness of economic measures undertaken by the Government, together with other legal, regulatory and political developments, all of which are beyond the Bank's control. The Bank's financial position and operating results will continue to be affected by future political and economic developments in Uzbekistan including the application and interpretation of existing and future legislation and tax regulations which greatly impact Uzbek financial markets and the economy overall.

The Bank's Management is unable to predict all developments which could have an impact on the banking sector and consequently what effect, if any, they could have on the future financial position of the Bank (according to cbr.uz)

- Inflation: 8.7% (2022: 12.3%)
- Official exchange rates: 31 December 2023: USD 1 = UZS 12,338.77 (31 December 2022: USD 1 = UZS 11,225.46).
- GDP growth: 6% (2022: 5.7%).
- Central Bank refinancing rate – 14% (2022: 14%).

2 Operating Environment of the Bank (continued)

The long-term effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 4 and 21 provide more information of how the Bank incorporated forward-looking information in the ECL models.

Geopolitical events in the world. In February 2022, due to the conflict between the Russian Federation and Ukraine, numerous sanctions were announced against the Russian Federation by most Western countries. These sanctions are intended to have a negative economic impact on the Russian Federation. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and Euro.

This conflict affected some export-import operations of the local entities. However, since the Bank's customers' principal activities are within the Republic of Uzbekistan, these developments did not significantly impact on the operations of the Bank. In order to minimize the impact on consumers, the Government of Uzbekistan adopted the relevant regulatory Document. In accordance with this Document, banks were recommended to modify the repayment schedules for corporate loans and advances with "no accrued penalties and fines" and they are not classified as restructured loans for regulatory purposes. These documents have no significant accounting implications for the Bank's as there are no corporate loans in the loan portfolio.

In order to reduce the impact of the external environment on the economy of the Republic of Uzbekistan, on 17 March 2022, the Board of the Central Bank of the Republic of Uzbekistan increased the CBU refinancing rate by 3% to 17%. In June 2022 and then in July 2022, after some decrease in the degree of influence of the external environment on the economy, the Board of the Central Bank of Uzbekistan decreased the CBU refinancing rate to 16% and 15% respectively and as at 31 December 2023, it was 14%.

For the purpose of managing the country risk, the Bank controls transactions with counterparties within the limits set by the Bank's Supervisory board, which are reviewed regularly. The Bank continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance. The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results. The management is taking necessary measures to ensure sustainability of the Bank's operations and to support its employees.

3 Material Accounting Policies

Basis of preparation. Financial statements of the Bank as at and for the year ended 31 December 2023 have been prepared in accordance with IFRS financial reporting standards issued by the International Accounting Standards Board (IASB).

These summary financial statements are derived from the financial statements, except that substantially all note disclosures are omitted.