

# Independent Auditor's Report

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ОсОО Грант Торнтон

КР, 720001 Бишкек,  
ул. Токтогула 125/1

T. +996 312 97 94 90,  
Ф. +996 312 97 94 91

**Grant Thornton LLC**  
125/1 Toktogul Str.  
720010 Bishkek, KR

T + 996 312 97 94 90  
F + 996 312 97 94 91  
[www.grantthornton.kg](http://www.grantthornton.kg)

To the Shareholders and the Board of Directors of KSB Commercial Bank Closed Joint Stock Company

## **Opinion**

We have audited the financial statements of Commercial Bank KSB Closed Joint Stock Company (hereinafter – Bank), which comprise the statement of financial position as of December 31, 2024, and the statement of profit or 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 give a true and fair view of the financial position of the Bank as of December 31, 2024, and of 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 the audit in accordance with International Auditing Standards and the requirements prescribed by the Regulation "On Minimum Requirements for External Audit of Banks and Other Financial and Credit Institutions Licensed by the National Bank of the Kyrgyz Republic (hereinafter - "NBKR"), approved by Resolution of the NBKR Board dated June 15, 2017 No. 2017-P-12/25-2-(NPA) (in the latest version of Resolution No. 2024-P of the Board of the National Bank of the Kyrgyz Republic dated April 12, 2024-12/17-2- (NPA)) (hereinafter referred to as "NBKR requirements"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) The International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements applicable to our audit of 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 the most significance in our audit of the financial statements for 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)**

The description of the accounting policy is presented in Note 4.6 to the financial statements, and the credit risk analysis is provided in Note 34.1.

The provisions for expected credit losses are considered a key audit matter due to the significant nature of loans to customers and the subjectivity of the assumptions underlying the impairment assessment. The use of various judgments and assumptions can lead to significantly different results in the estimation and provisioning for expected credit losses, which may have a material impact on the Bank's financial performance.

Key areas of judgment include the interpretation of impairment requirements under IFRS 9 as reflected in the Bank's expected credit loss model, disclosures related to significant deterioration in credit quality, and assumptions used in the expected credit loss model, such as the financial condition of third parties, expected future cash flows, and forecasted macroeconomic factors. Additionally, it includes the need for supplementary measures to account for current or future external factors that are not sufficiently reflected in the expected credit loss model.

Regarding the impairment methodology, the following audit procedures were performed:

- The Bank's impairment provisioning policy based on IFRS 9 was reviewed and compared with the requirements of IFRS 9.
- The structure of relevant control mechanisms for the information used in determining the expected credit loss provision was assessed, and their operational effectiveness was tested, including transactional data obtained at the time of loan issuance, current internal credit quality assessments, expected credit loss model data, and the servicing interface.
- The design of relevant control mechanisms for the expected credit loss model was evaluated, and their operational effectiveness was tested, including model construction and validation, ongoing monitoring/review, model management, and arithmetic accuracy.
- The reasonableness of the Bank's determination of significant increases in credit risk and risk classification across different stages was reviewed.
- The accuracy of financial instrument stage classification was verified based on a selected sample of risks.
- Key modeling assumptions were assessed and tested, with particular attention given to the key assumptions adopted by the Bank and the sensitivity of provisions to changes in modeling assumptions.
- Discussions were held with management regarding the forward-looking assumptions used in the Bank's expected credit loss calculations, during which these assumptions were validated using publicly available information.
- Typical risk examples were analyzed, and procedures were implemented to ensure the timely identification of risks related to significant deterioration in credit quality and the assessment of expected losses for individually assessed risks.
- For data obtained from external sources, the selection process, relevance to the Bank, and the control and management mechanisms for such data were reviewed.
- Our IT specialists were involved in areas requiring specialized expertise (e.g., data reliability and expected credit loss modeling).

The accuracy of disclosures in the financial statements was assessed.

## *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.

## *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 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.

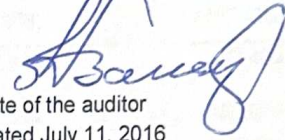
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation 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

Yulia Khokhlov is the head of the assignment, which resulted in the issuance of this independent auditors' report.

Yulia Khokhlova  
The Auditor  
Qualification certificate of the auditor  
No. 0506 dated July 24, 2021



Armen Vanyan  
Director/ Partner  
Qualification certificate of the auditor  
Series A No. 0264 dated July 11, 2016



March 4 2025  
Bishkek

Grant Thornton LLC  
License for auditing  
State Service for Regulation and Supervision of the Financial Market  
under the Government of the Kyrgyz Republic, on May 3, 2013



# Statement of profit or loss and other comprehensive income

In thousands of Kyrgyz soms

	Note	Year ended December 31, 2024	Year ended December 31, 2023
Interest and similar income	6	379,086	264,935
Interest and similar expense	6	(171,173)	(107,475)
<b>Net interest income</b>		<b>207,913</b>	<b>157,460</b>
Fee and commission income	7	284,196	165,011
Fee and commission expense	7	(255,330)	(64,346)
<b>Net fee and commission income</b>		<b>28,866</b>	<b>100,665</b>
Net trading income	8	560,172	231,073
Other income	9	2,630	28,196
Net gain on derecognition of financial assets at fair value through other comprehensive income		-	(5,886)
Provision for expected credit losses	10	(22,428)	(7,924)
Provision for impairment of other property	22	24,203	15,762
Personnel expenses	11	(227,989)	(155,513)
Depreciation of property and equipment	20	(25,123)	(16,377)
Depreciation of right-of-use assets	21	(25,612)	(17,178)
Other expenses	12	(177,370)	(99,383)
<b>Profit before income tax</b>		<b>345,262</b>	<b>230,895</b>
Income tax expense	13	(38,232)	(21,276)
<b>Profit for the year</b>		<b>307,030</b>	<b>209,619</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Revaluation gains/(losses) on equity instruments at fair value through other comprehensive income		-	4,247
Income tax on items that will not be subsequently reclassified to profit or loss		-	(508)
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>3,739</b>
<b>Total comprehensive income for the year</b>		<b>307,030</b>	<b>213,358</b>
Earnings per share	14		
Basic (som)		323.19	303.06

The accompanying notes on pages 12 to 83 form an integral part of these financial statements.



# Statement of financial position

In thousands of Kyrgyz soms	Note	December 31, 2024	December 31, 2023
<b>Assets</b>			
Cash and cash equivalents	15	6,031,190	3,403,365
Amounts due from other financial institutions	16	278,572	280,560
Derivative financial assets	17	3,983	-
Loans and advances to customers	18	2,176,018	1,868,286
Investment securities at amortised cost	19	157,085	202,319
Deferred tax assets	13	4,382	627
Property and equipment and intangible assets	20	129,239	64,377
Right-of-use assets	21	91,458	70,243
Long-term assets held for sale	22	75,958	59,987
Other assets	23	84,579	57,284
<b>Total assets</b>		<b>9,032,464</b>	<b>6,007,048</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Amounts due from other financial institutions	24	185,740	151,061
Derivative financial liabilities	17	3,278	5,596
Amounts due to customers	25	6,946,893	4,370,269
Loans received	26	84,000	142,005
Current tax liability		22,252	7,596
Other liabilities	27	338,565	165,255
<b>Total liabilities</b>		<b>7,580,728</b>	<b>4,841,782</b>
<b>Equity</b>			
Share capital	28	1,000,000	800,000
Retained earnings		451,736	365,266
<b>Total equity</b>		<b>1,451,736</b>	<b>1,165,266</b>
<b>Total liabilities and equity</b>		<b>9,032,464</b>	<b>6,007,048</b>

The financial statements were approved on March 4, 2025

Kristina Chervonova

Chairman of the Management Board

Alina Edigeeva

Chief Accountant

The accompanying notes on pages 12 to 80 form an integral part of these financial statements.



# Statement of changes in equity

In thousands of Kyrgyz soms

	Share capital	Revaluation reserve for financial assets measured at FVOCI	Retained earnings/ (accumulated loss)	Total
Balance as of January 1, 2023	670,000	(3,739)	535,647	1,201,908
Increase in share capital	130,000	-	-	130,000
Dividends to shareholders	-	-	(380,000)	(380,000)
Transactions with owners	130,000	-	(380,000)	(250,000)
Income for the year	-	-	209,619	209,619
Other comprehensive income	-	3,739	-	3,739
Balance as of December 31, 2023	800,000	-	365,266	1,165,266
Increase in share capital	100,000	-	-	100,000
Dividends to shareholders	100,000	-	(220,560)	(120,560)
Transactions with owners	200,000	-	(220,560)	(20,560)
Income for the year	-	-	307,030	307,030
Other comprehensive income	-	-	-	-
Balance as of December 31, 2024	1,000,000	-	451,736	1,451,736

The accompanying notes on pages 12 to 83 form an integral part of these financial statements.

# Statement of cash flows

In thousands of Kyrgyz soms

	December 31, 2024	December 31, 2023
Cash flows from operating activities		
Interest received	351,719	232,192
Interest paid	(217,617)	(127,815)
Commissions received	284,196	165,011
Commissions paid	(255,330)	(64,346)
Foreign exchange operations, net	281,616	294,690
Other income received	2,630	8,225
Other expenses	(263,071)	(220,876)
Cash flows from operating activities before changes in operating assets and liabilities	184,143	287,081
<i>(Increase)/decrease in operating assets</i>		
Amounts due from other financial institutions	(268,192)	28,346
Derivative financial assets	(118,531)	2,726,489
Loans and advances to customers	(5,046)	(375,263)
Other assets	(186,979)	(5,135)
<i>(Increase)/decrease in operating liabilities</i>		
Derivative financial liabilities	(5,246)	(2,923,451)
Amounts due from other financial institutions	(22,776)	(55,321)
Amounts due to customers	3,091,509	970,899
Other liabilities	131,973	43,651
Net cash flow from/(used in) operating activities before income tax	2,800,855	697,296
Income tax paid	(27,331)	(29,072)
Net cash from/(used in) operating activities	2,773,524	668,224



In thousands of Kyrgyz soms

	December 31, 2024	December 31, 2023
Cash flows from investing activities		
Purchase of property and equipment	(115,597)	(31,616)
Dividends from investment securities		961
Purchase of investment securities	(1,536,569)	(2,034,427)
Redemption of investment securities	1,619,179	2,500,785
Net cash from/(used in) investing activities	(32,987)	435,703
Cash flows from financing activities		
Proceeds from issue of shares	200,000	130,000
Subordinated loan received	(79,894)	-
Dividends paid	(220,560)	(250,000)
Payment of lease liabilities	(33,002)	(20,816)
Net cash from/ (used in) financing activities	(133,456)	(140,816)
Net increase/(decrease) in cash and cash equivalents	2,601,981	963,111
Effect of exchange rate changes on the balance of cash and cash equivalents	25,844	15,267
Change in ECL	(5,100)	3,818
Cash and cash equivalents at the beginning of the year	3,403,365	2,421,169
Cash and cash equivalents at the end of the year (Note 15)	6,031,190	3,403,365

The accompanying notes on pages 12 to 83 form an integral part of these financial statements.

	2024			
In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<b>Mortgage loans</b>				
<b>Balance at January 1</b>	<b>170,291</b>	-	<b>17,393</b>	<b>187,684</b>
Purchased or newly originated financial assets	93,637	-	-	93,637
Fully repaid financial assets	(17,611)	-	-	(17,611)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Other net changes in the loan portfolio (partial repayment, foreign exchange rate changes, interest accrual and repayment)	(52,641)	-	-	(52,641)
Amounts written off during the year	-	-	-	-
Recoveries during the year	-	-	-	-
<b>Balance at December 31</b>	<b>193,676</b>	-	<b>17,393</b>	<b>211,069</b>

	2024			
In thousands of Kyrgyz soms	Stage 1	Stage 2	Stage 3	Total
<b>Consumer loans</b>				
<b>Balance at January 1</b>	<b>72,515</b>	<b>4,730</b>	<b>24</b>	<b>77,269</b>
Purchased or newly originated financial assets	115,119	-	-	115,119
Fully repaid financial assets	(19,925)	-	(34)	(19,959)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	(4,730)	4,730	-
Other net changes in the loan portfolio (partial repayment, foreign exchange rate changes, interest accrual and repayment)	(1,695)	-	(721)	(2,416)
Amounts written off during the year	-	-	-	-
Recoveries during the year	-	-	-	-
<b>Balance at December 31</b>	<b>166,014</b>	-	<b>3,999</b>	<b>170,013</b>