



**JOINT-STOCK COMMERCIAL BANK  
QISHLOQ QURILISH BANK**

**Deloitte.**

Consolidated Financial Statements and  
Independent Auditor's Report  
For the year ended 31 December 2020

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**JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"**

**Statement of Management's Responsibilities for the Preparation and Approval of  
the Consolidated Financial Statements for the Year Ended 31 December 2020**

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Management of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" and its subsidiary (collectively - the "Group") as at 31 December 2020 and the related consolidated statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Management Board of the Group on 7 June 2021.

On behalf of the Management Board:

Muratov A. A.

Chairman of the Management Board



Makhmudov Kh. T.

Chief Accountant

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Council Board of Joint-Stock Commercial Bank "Qishloq Qurilish Bank"

### Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial Bank "Qishloq Qurilish Bank" and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the *Republic of Uzbekistan*, 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 Matter

Key audit matter is that matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p><i>Allowance for loans and advances to customers for expected credit losses</i></p> <p>As disclosed in Note 8 to the consolidated financial statements, the gross value of loans and advances to customers ("loans") amounted to UZS 13,868,497 million with related allowances for expected credit losses of UZS 415,544 million as at 31 December 2020.</p> <p>Depending on the significance of loans of each single customer, management determines the</p>	<p>We updated our understanding of the processes and relevant control procedures over ECL provisioning, in particular, identification of significant increase in credit risk ("SICR" or "stage 2") and credit-impaired loans ("stage 3"), and the ECL modelling, including controls over input data and accuracy of computations.</p> <p>For loans collectively assessed for impairment, with the assistance of internal credit risk specialists, we assessed reasonableness of the Group's assumptions in respect of loans' staging,</p>

expected credit losses ("ECL") on a collective or individual basis.

In response to Covid-19 pandemic, the Group has provided a loan repayment deferral program to its borrowers ("the forbearance program") that allowed to delay monthly payments to later periods. The implementation of this forbearance program has increased judgment and higher than normal degree of uncertainty in relation to assessment of allowance for expected credit losses of loans.

For loans assessed on a collective basis, there is a risk that ECL is misstated due to errors in the underlying information in the models. The errors could be due to incomplete or inaccurate loans' data (maturity date, outstanding balances, migration matrix based on statistics of defaults), inappropriately determined risk factors such as probability of default (PD), loss given default data (LGD), exposure at default (EAD) and loss rates.

Individual assessment of ECL for significant loans involves an analysis of financial and non-financial performance of the borrower, overdue of interest or principal or restructuring events, including determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition.. Additionally, for significant loans at stage 3 the analysis involves estimation of future cash flows under the different scenarios weighted for their probabilities. Information used for such analysis could include current financial performance of the borrower, expected value of collateral, and costs and time required to sell the collateral.

Allowance for ECL is determined to be a key audit matter due to the significance of Loans and advances to customers balances and the degree of judgement and estimation uncertainty, as discussed in Note 3, Note 4, 8 and Note 29 to the consolidated financial statements.

defaulted loans, with the reference to the historical information adjusted for relevant forward looking information, including the impact of Covid-19, among other factors.

We also assessed the assumptions used in staging of loans subsequent to the forbearance program and performed the analysis of loans repayments after the year-end.

We tested, on a sample basis, the accuracy and completeness of input data and other factors in the models, including principle balances, allocation of loans by days in arrears, and checked other model's parameters, such as delinquency of interest or principle, restructuring events, existence of litigation processes, statistics for recoveries of loans.

For a sample of loans classified as stage 1 and stage 2, we challenged the Group's identification of SICR (stage 2), the assessment of credit-impaired classification (stage 3) and whether relevant impairment events had been identified on a timely manner, including delinquency of interest or principal, restructuring events and certain financial performance indicators in order to evaluate whether the loans have been appropriately classified to the respective stage.

On a sample basis, we re-performed the calculations of allowances for ECL for individually significant loans in stage 3. We also analysed the Group's documented credit assessment of the borrowers, challenging assumptions underlying ECL calculation, including future cash flow projections and the valuation of collateral, agreeing key assumptions to supporting documents.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans in accordance with IFRS requirements.

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## Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the

other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 that matter that was of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matter. We describe this matter 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.

"Deloitte & Touche" Audit Organisation LLC  
License authorizing audit of companies registered  
by the Ministry of Finance of the Republic of  
Uzbekistan under #00776 dated 5 April 2019



Turgunboy Tokhirov  
Qualified Auditor/Engagement Director  
Auditor qualification certificate authorizing audit of  
companies, #05422 dated 20 August 2016 issued  
by the Ministry of Finance of the Republic of  
Uzbekistan

Certificate authorizing audit of banks registered  
by the Central bank of the Republic of Uzbekistan  
under #3 dated 14 October 2021

Auditor qualification certificate authorizing audit of  
banks, #6/11 dated 29 March 2021 issued by the  
Central bank of the Republic of Uzbekistan

7 June 2021  
Tashkent, Uzbekistan



Erkin Ayupov  
Director  
"Deloitte & Touche" Audit Organisation LLC

**JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"**  
**Consolidated Statement of Financial Position**  
*(in millions of Uzbekistan Soums)*

	Notes	31 December 2020	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents	6	1,050,036	445,601
Due from other banks	7	426,918	257,256
Loans and advances to customers	8	13,452,953	11,292,479
Investment securities measured at amortised cost	9	206,122	-
Financial assets at fair value through other comprehensive income	10	10,324	324
Property and equipment	11	287,312	226,350
Intangible assets	11	3,881	5,110
Deferred income tax asset	26	79,716	58,477
Current income tax prepayment		20,739	8,922
Other assets	12	44,241	74,089
<b>TOTAL ASSETS</b>		<b>15,582,242</b>	<b>12,368,608</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to other banks	13	1,105,792	932,950
Customer accounts	14	2,986,059	2,295,993
Borrowings from government and international financial institutions	15	9,283,058	7,732,948
Debt securities in issue	16	52,657	131,137
Current income tax liability		-	1,191
Other liabilities	17	61,998	43,701
<b>Total liabilities</b>		<b>13,489,564</b>	<b>11,137,920</b>
<b>EQUITY</b>			
Share capital	18	1,859,887	1,079,409
Share premium	18	942	942
Retained earnings		231,724	150,210
Other reserves		125	127
<b>Total equity</b>		<b>2,092,678</b>	<b>1,230,688</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>15,582,242</b>	<b>12,368,608</b>

Approved for issue and signed on 7 June 2021

Muratov A. A.  
Chairman of the Management Board



Makhmudov Kh. T.  
Chief Accountant

**JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
*(in millions of Uzbekistan Soums)*

	Notes	2020	2019
<b>Continuing operations</b>			
Interest income	20	1,415,992	1,125,191
Interest expense	20	(814,409)	(593,403)
<b>NET INTEREST INCOME</b>		<b>601,583</b>	<b>531,788</b>
Allowance for expected credit losses	29	(216,650)	(80,735)
Net loss on initial recognition of assets at rates below market		-	(29,802)
<b>NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS</b>		<b>384,933</b>	<b>421,251</b>
Fee and commission income	21	99,498	96,241
Fee and commission expense	21	(21,616)	(28,621)
Net gain on foreign exchange operations	22	14,355	18,476
Other income	23	7,972	6,685
Recovery of impairment losses on other operations	12	-	1,149
Income from insurance operations		9,017	1,263
Expense from insurance operations		(5,135)	(1,299)
Change in insurance reserves, net	24	(5,160)	-
<b>NET NON-INTEREST INCOME</b>		<b>98,931</b>	<b>93,894</b>
<b>OPERATING INCOME</b>		<b>483,864</b>	<b>515,145</b>
Operating expenses	25	(363,492)	(337,890)
<b>PROFIT BEFORE INCOME TAX</b>		<b>120,372</b>	<b>177,255</b>
Income tax expense	26	(38,592)	(35,400)
<b>Profit for the year from continuing operations</b>		<b>81,780</b>	<b>141,855</b>
<b>Discontinued operations</b>			
Loss for the year from discontinued operations		-	(109)
<b>PROFIT FOR THE YEAR</b>		<b>81,780</b>	<b>141,746</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>81,780</b>	<b>141,746</b>
<b>Basic and diluted earnings per preference share (expressed in UZS per share)</b>	27	<b>30</b>	<b>30</b>
<b>Basic and diluted earnings per ordinary share (expressed in UZS per share)</b>	27	<b>5</b>	<b>16</b>

Approved for issue and signed on 7 June 2021

Muratov A. A.  
Chairman of the Management Board



Makhmudov Kh. T.  
Chief Accountant

**JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"**  
**Consolidated Statement of Changes in Equity**

(in millions of Uzbekistan Soums)

	Notes	Share capital	Share premium	Retained earnings	Other reserves*	Total equity
<b>31 December 2018</b>		<b>1,079,409</b>	<b>942</b>	<b>35,869</b>	-	<b>1,116,220</b>
Profit for the year		-	-	141,746	-	141,746
Change in other insurance reserves		-	-	(127)	127	-
Dividends declared - ordinary shares		-	-	(27,010)	-	(27,010)
Dividends declared - preference shares		-	-	(268)	-	(268)
<b>31 December 2019</b>		<b>1,079,409</b>	<b>942</b>	<b>150,210</b>	<b>127</b>	<b>1,230,688</b>
Profit for the year		-	-	81,780	-	81,780
Change in other insurance reserves		-	-	2	(2)	-
Issue of ordinary shares in exchange for debt by the shareholders	18	780,478	-	-	-	780,478
Dividends declared - preference shares	18	-	-	(268)	-	(268)
<b>31 December 2020</b>		<b>1,859,887</b>	<b>942</b>	<b>231,724</b>	<b>125</b>	<b>2,092,678</b>

\*Please, refer to Note 18 to the consolidated financial statements for the composition of this account balance.

Approved for issue and signed on 7 June 2021

Muratov A. A.  
Chairman of the Management Board



Makhmudov Kh. T.  
Chief Accountant

**JOINT-STOCK COMMERCIAL BANK "QISHLOQ QURILISH BANK"**

**Consolidated Statement of Cash Flows**

(in millions of Uzbekistan Soums)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received		1,344,809	1,118,861
Interest paid		(793,410)	(549,982)
Fees and commissions received		100,914	98,968
Fees and commissions paid		(21,616)	(28,621)
Income received from trading in foreign currencies		9,527	6,750
Income from insurance operations received		9,017	2,244
Expense from insurance operations paid		(5,135)	(1,299)
Other income received		2,894	4,130
Staff costs paid		(260,953)	(234,664)
Operating expenses paid		(73,333)	(64,110)
Income tax paid		(72,839)	(71,158)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>239,875</b>	<b>281,119</b>
<b>Net (increase)/decrease in:</b>			
- due from other banks		(160,463)	(56,162)
- loans and advances to customers		(2,198,871)	(2,718,574)
- other assets		23,235	25,334
<b>Net increase/(decrease) in:</b>			
- due to other banks		101,750	628,171
- debt securities		(78,400)	(15,600)
- customer accounts		669,513	(472,611)
- other liabilities		5,908	(3,594)
<b>Net cash used in operating activities</b>		<b>(1,397,453)</b>	<b>(2,331,917)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, equipment and intangible assets		(82,838)	(133,281)
Proceeds from sale of property and equipment		9,537	3,350
Acquisition of financial assets at fair value through other comprehensive income		(10,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	89
Acquisition of Investment securities measured at amortised cost		(203,110)	-
Proceeds from disposal of subsidiary and its associates		-	100
Dividend income received		96	53
<b>Net cash used in investing activities</b>		<b>(286,315)</b>	<b>(129,689)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Dividends paid	18	(241)	(27,264)
Proceeds from borrowings from government and international financial institutions		3,121,332	3,389,305
Repayment of borrowings from government and international financial institutions		(871,069)	(968,493)
<b>Net cash from financing activities</b>		<b>2,250,022</b>	<b>2,393,548</b>
Effect of changes in foreign exchange rate on cash and cash equivalents		38,066	31,665
Effect of changes in expected credit losses		115	14
<b>Net increase in cash and cash equivalents</b>		<b>604,435</b>	<b>(36,379)</b>
<b>CASH AND CASH EQUIVALENTS at the beginning of the year</b>	6	<b>445,601</b>	<b>481,980</b>
<b>CASH AND CASH EQUIVALENTS at the end of the year</b>	6	<b>1,050,036</b>	<b>445,601</b>
	Note	2020	2019
<b>Non-cash financing activities</b>			
Issue of ordinary shares in exchange for debt by the shareholders	18	780,478	-
<b>Total non-cash financing activities</b>		<b>780,478</b>	<b>-</b>

Approved for issue and signed on 7 June 2021

Muratov A. A.  
Chairman of the Management Board



Makhmudov Kh. T.  
Chief Accountant