

DIGITAL BANKING

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

**CONSOLIDATED FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2021 AND
INDEPENDENT AUDITOR'S REPORT**



QISHLOQQURILISHBANK

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021	1
INDEPENDENT AUDITOR'S REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021:	
Consolidated Statement of Financial Position.....	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	7
Consolidated Statement of Changes in Equity.....	8
Consolidated Statement of Cash Flows.....	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS:	
1. Introduction.....	10
2. Operating Environment of the Group.....	10
3. Significant Accounting Policies.....	11
4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty.....	27
5. Application of new and revised International Financial Reporting Standards (IFRSs).....	29
6. Cash and Cash Equivalents.....	33
7. Due from Other Banks.....	33
8. Loans and Advances to Customers.....	34
9. Investment securities measured at amortised cost.....	39
10. Financial Assets at Fair Value Through Other Comprehensive Income.....	40
11. Property, Equipment and Intangible Assets.....	40
12. Other Assets.....	41
13. Due to Other Banks.....	43
14. Customer Accounts.....	43
15. Borrowings from Government and International Financial Institutions.....	44
16. Debt Securities in Issue.....	47
17. Other Liabilities.....	48
18. Share Capital.....	48
19. Net Debt Reconciliation.....	49
20. Net Interest Income.....	50
21. Fee and Commission Income and Expense.....	50
22. Net Gain on Foreign Exchange Operations.....	50
23. Other Income.....	51
24. Change in insurance reserves, net.....	51
25. Operating Expenses.....	51
26. Income Taxes.....	52
27. Earnings per Shares.....	53
28. Segment Reporting.....	54
29. Financial Risk Management.....	54
30. Management of Capital.....	72
31. Commitments and Contingencies.....	73
32. Fair Value of Financial Instruments.....	74
33. Transactions with Related Parties.....	75
34. Subsequent Events.....	77

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 2021

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 2021 and the related consolidated statements of profit or loss and other comprehensive income, 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 2021 were approved by the Management Board of the Group on 9 June 2022.

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 Supervisory 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 2021 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 2021 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 17,776,270 million with related allowances for expected credit losses of UZS 891,212 million as at 31 December 2021.</p>	<p>We obtained 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 control in respect to completeness of the list of restructured loans during 2021 and whether their stages are properly identified in the ECL calculation model.</p>

Turgunboy Tokhirov, Qualified Auditor/Engagement Director



Depending on the significance of loans, the management determines the expected credit losses ("ECL") on a collective or individual basis.

During the year, some borrowers were still affected by the consequences of COVID-19, which resulted in increased number of loans that have been restructured and loans in litigation. The changes in loan repayment schedules have increased judgment in relation to classification of loans into various impairment stages as stipulated in IFRS 9.

The underlying information used in the ECL model on loans assessed on a collective basis may include errors. The errors could be due to incomplete or inaccurate loans' data (maturity date, outstanding balances, and days overdue). The errors in the underlying information used in the ECL might affect the risk factors such as probability of default (PD), loss given default data (LGD), exposure at default (EAD), migration matrix based on statistics of defaults and loss rates.

Individual assessment of ECL for significant loans involves an analysis of 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. The appropriate identification of stage of impairment for individually assessed loans require considerable judgement in relation to the quantitative and qualitative information.

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 includes expected value of collateral, 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 4, 8 and Note 29 to the consolidated financial statements.

We also assessed the Group's impairment methodology for compliance with the requirements of IFRS 9.

For loans collectively assessed for impairment, with the assistance of internal credit risk specialists, we assessed the integrity and mathematical accuracy of the ECL models.

We obtained a list of loans that have been restructured and a list of legal claims, assessed accuracy and completeness of data and ascertained that stages of the restructured loans and the litigation cases were accurately reflected in the Group's loan portfolio. To test completeness of the list of such loans, we had selected a sample of loans and verified that classification of those loans was accurate.

We tested, on a sample basis, the accuracy and completeness of input data 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, including off-balances, restructuring events, existence of litigation processes and statistics for recoveries of loans.

For individually assessed loans we analysed the appropriateness of loans' staging by selecting a sample from these loans and testing whether conditions, including existence of overdue days, restructuring and current financial performance of the borrower for classification into respective stages were met.

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 market valuation of collateral, agreeing to available market and internal information.

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

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 IFRSs, 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.

Turgunboy Tokhirov, Qualified Auditor/Engagement Director



- 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 those matters that were of most significance in the audit of the consolidated 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.

"Deloitte & Touche" Audit Organisation LLC is included in the register of audit organisations of the Ministry of Finance of the Republic of Uzbekistan dated 8 June 2021



9 June 2022
Tashkent, Uzbekistan

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

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

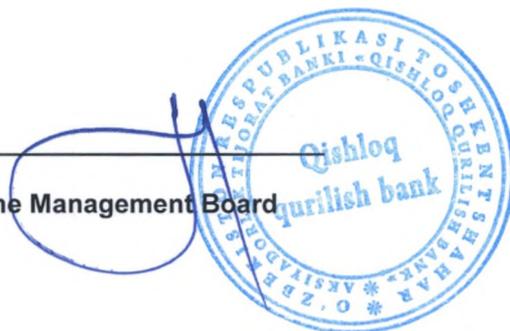
Erkin Ayupov
Director
"Deloitte & Touche" Audit Organisation LLC

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

	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	6	1,311,121	1,050,036
Due from other banks	7	362,799	426,918
Loans and advances to customers	8	16,885,058	13,452,953
Investment securities measured at amortised cost	9	787,552	206,122
Financial assets at fair value through other comprehensive income	10	15,925	10,324
Property and equipment	11	325,777	287,312
Intangible assets	11	3,116	3,881
Deferred income tax asset	26	147,358	79,716
Current income tax prepayment		30,862	20,739
Other assets	12	75,321	44,241
TOTAL ASSETS		19,944,889	15,582,242
LIABILITIES AND EQUITY			
LIABILITIES			
Due to other banks	13	1,401,962	1,105,792
Customer accounts	14	4,169,128	2,986,059
Borrowings from government and international financial institutions	15	12,131,007	9,283,058
Debt securities in issue	16	94,456	52,657
Other liabilities	17	42,073	61,998
Total liabilities		17,838,626	13,489,564
EQUITY			
Share capital	18	1,859,887	1,859,887
Share premium	18	942	942
Retained earnings		244,828	231,724
Investment revaluation reserve		481	-
Other reserves		125	125
Total equity		2,106,263	2,092,678
TOTAL LIABILITIES AND EQUITY		19,944,889	15,582,242

Approved for issue and signed on 9 June 2022

Muratov A. A.
Chairman of the Management Board



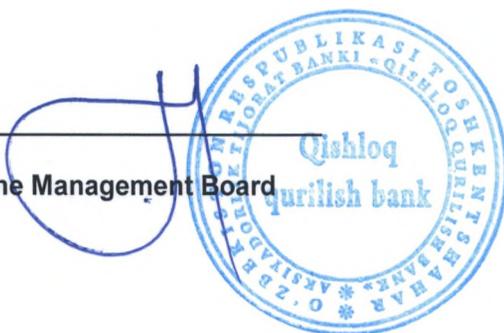
Makhmudov Kh. T.
Chief Accountant

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

	Notes	2021	2020
Interest income	20	1,901,717	1,415,992
Interest expense	20	(1,055,887)	(814,409)
NET INTEREST INCOME		845,830	601,583
Allowance for expected credit losses	29	(446,212)	(216,650)
NET INTEREST INCOME AFTER PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS		399,618	384,933
Fee and commission income	21	141,092	99,498
Fee and commission expense	21	(28,596)	(21,616)
Net gain on foreign exchange operations	22	24,464	14,355
Other income	23	7,247	7,972
Impairment losses on other operations	12	(27,359)	-
Income from insurance operations		22,280	9,017
Expense from insurance operations		(13,350)	(5,135)
Change in insurance reserves, net	24	(8,865)	(5,160)
NET NON-INTEREST INCOME		116,913	98,931
OPERATING INCOME		516,531	483,864
Operating expenses	25	(501,715)	(363,492)
PROFIT BEFORE INCOME TAX		14,816	120,372
Income tax expense	26	(1,444)	(38,592)
PROFIT FOR THE YEAR		13,372	81,780
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of equity instruments classified as FVTOCI	10	601	-
Income tax relating to the equity instruments classified as FVTOCI	26	(120)	-
Other comprehensive income for the year		481	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,853	81,780
Basic and diluted earnings per ordinary share (expressed in UZS per share)	27	1	5

Approved for issue and signed on 9 June 2022

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)

	Note	Share capital	Share premium	Retained earnings	Investment revaluation reserve	Other reserves	Total equity
31 December 2019		1,079,409	942	150,210	-	127	1,230,688
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)
31 December 2020		1,859,887	942	231,724	-	125	2,092,678
Profit for the year		-	-	13,372	-	-	13,372
Other comprehensive income for the year, net of income tax		-	-	-	481	-	481
Dividends declared - preference shares	18	-	-	(268)	-	-	(268)
31 December 2021		1,859,887	942	244,828	481	125	2,106,263

Approved for issue and signed on 9 June 2022

Muratov A. A.
Chairman of the Management Board



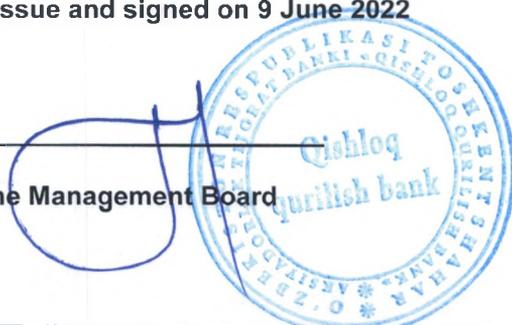
Makhmudov Kh. T.
Chief Accountant

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

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		1,833,959	1,344,809
Interest paid		(1,023,573)	(793,410)
Fees and commissions received	21	141,338	100,914
Fees and commissions paid		(28,596)	(21,616)
Income received from trading in foreign currencies		25,921	9,527
Income from insurance operations received		22,280	9,017
Expense from insurance operations paid		(13,350)	(5,135)
Other income received		4,132	2,894
Staff costs paid		(372,345)	(260,953)
Operating expenses paid		(121,444)	(73,333)
Income tax paid		(79,329)	(72,839)
Cash flows from operating activities before changes in operating assets and liabilities		388,993	239,875
Net (increase)/decrease in:			
- due from other banks		74,029	(160,463)
- loans and advances to customers		(3,758,278)	(2,198,871)
- other assets		(19,606)	23,235
Net increase/(decrease) in:			
- due to other banks		295,207	101,750
- debt securities		41,600	(78,400)
- customer accounts		1,170,421	669,513
- other liabilities		(16,085)	5,908
Net cash used in operating activities		(1,823,719)	(1,397,453)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(73,825)	(82,838)
Proceeds from sale of property and equipment		5,925	9,537
Acquisition of financial assets at fair value through other comprehensive income		(5,000)	(10,000)
Acquisition of Investment securities measured at amortised cost		(790,367)	(203,110)
Proceeds from disposal of Investment securities measured at amortised cost		205,569	-
Dividend income received		464	96
Net cash used in investing activities		(657,234)	(286,315)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(393)	(241)
Proceeds from borrowings from government and international financial institutions	19	4,342,803	3,121,332
Repayment of borrowings from government and international financial institutions	19	(1,615,683)	(871,069)
Net cash from financing activities		2,726,727	2,250,022
Effect of changes in foreign exchange rate on cash and cash equivalents		15,280	38,066
Effect of changes in expected credit losses		31	115
Net increase in cash and cash equivalents		261,085	604,435
CASH AND CASH EQUIVALENTS at the beginning of the period	6	1,050,036	445,601
CASH AND CASH EQUIVALENTS at the end of the period	6	1,311,121	1,050,036
		2021	2020
Non-cash financing activities			
Issue of ordinary shares in exchange for debt by the shareholders		-	780,478
Total non-cash financing activities		-	780,478

Approved for issue and signed on 9 June 2022

Muratov A. A.
Chairman of the Management Board



Makhmudov Kh. T.
Chief Accountant