



**JOINT STOCK COMMERCIAL
MORTGAGE BANK**

“IPOTEKA BANK”

AND ITS SUBSIDIARIES

2020

Consolidated Financial Statements
and Independent Auditors' Report
For the Year Ended
31 December 2020



Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of JSCMB "Ipoteka Bank" ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 December 2020 and the related consolidated financial performance and consolidated cash flows for the year then ended, in accordance 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 of the Group for the year ended 31 December 2020 were approved by the Management Board on 2 June 2021.

On behalf of the Management Board:

Elyor Inomjonov
Chairman of the Board

2 June 2021
Tashkent, Uzbekistan

Elyor Normetov
Chief Accountant

2 June 2021
Tashkent, Uzbekistan



Independent Auditors' Report

To the Shareholders of Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 (IFRS).

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 *Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (*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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

Measurement of expected credit losses ("ECL") on loans and advances to customers

See Note 9 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans to customers make up 75% of assets and are recognized net of ECL, which is regularly reviewed and sensitive to assumptions used.</p> <p>To estimate ECL the Group's management needs to apply professional judgement and to make assumptions related to the following key areas:</p> <p>Timely identification of significant increase in credit risk and default events related to loans to customers (Stages 1, 2 and 3 in accordance with the IFRS 9);</p> <p>Estimate of probability of default (PD) and loss given default (LGD);</p> <p>Expected cash flows forecast on loans to customers classified to Stage 3.</p>	<p>We analyzed the key aspects of the Group's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement of financial risks management specialists.</p> <p>To analyze the adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate, we performed the following audit procedures:</p> <ul style="list-style-type: none"> - For loans to corporate customers we tested the design and operating effectiveness of internal controls for timely classification of loans to Stages of credit risk; - For the sample of corporate loans, the potential change in ECL estimate on which may have a significant impact on the consolidated financial statements, we tested whether stages are correctly assigned by the Group by analyzing financial and non-financial information on selected borrowers, as well as assumptions and professional judgments applied by the Group. - For the selected loans to corporate customers, we checked the correctness of the original data used in the calculation of PD and LGD. - In respect of small business loans and loans to individuals, we have tested the completeness and accuracy of the inputs used to calculate the ECL, the



<p>Due to the increased uncertainty in judgment and estimates resulting from COVID-19, there is an increased risk of material misstatement of the ECL allowance this year.</p> <p>Due to the significant volume of loans issued to customers, as well as the inherent uncertainty in estimating the ECL allowance, this issue is a key audit matter.</p>	<p>timely recognition of delinquencies and repayments in the respective systems and the allocation of loans by stages. On a sample basis, we compared the original model data with primary documents.</p> <p>- For a sample of loans classified to Stage 3, where ECL allowances assessed on an individual basis, we critically assessed assumptions used by the Group in calculating future cash flows forecasts, including estimated proceeds from realizable collaterals and their expected disposal terms, based on our understanding and publicly available market information. We focused on loans to customers which may potentially have the most significant impact on the consolidated financial statements.</p> <p>We have assessed the overall accuracy of the economic forecasts by comparing the Group's forecasts with our own modeled forecasts. As part of this work, we critically examined the validity of the Group's assumptions about the economic uncertainty associated with COVID-19.</p> <p>We have assessed the overall predictive power of the model and have assessed whether the disclosures in the consolidated financial statements adequately reflect the Group's exposure to credit risk.</p>
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Measurement of the fair value of borrowings from government, state and international institutions	
<p>See notes 4, 19 to the consolidated financial statements.</p>	
The key audit matter	How the matter was addressed in our audit
<p>The Group receives significant part of the targeted financing of its operations from state financial institutions under state programs, which as at 31 December 2020 comprised 53% of total liabilities. Many loans were obtained by the Group on</p>	<p>We have analyzed the resolutions of the executive authorities of the Republic of Uzbekistan regarding the financing and development programs of sectors of the economy, under which the Group attracts financing from state financial institutions.</p> <p>In order to analyze the adequacy of management's judgment and assumptions applied in determining market terms of the financing raised, we considered all criteria of government financing programs and the</p>



<p>terms that differ significantly from other borrowings.</p> <p>Due to the significant amount of loans received from state financial institutions, as well as the significant judgment applied in the assessment of the fair value of these financial liabilities, this issue is a key audit matter.</p>	<p>relationship with loans issued by the Group on preferential terms.</p> <p>We have also assessed whether the disclosures in the consolidated financial statements adequately describe the key aspects of the key assumptions made by the Group with respect to the determination of the fair value of financial liabilities.</p>
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Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those statements on 30 September 2020.

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.

Auditors' 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 auditors' 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 skepticism 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 auditors' 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 auditors' 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' 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.



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



Saidov S.K.
Engagement Director
General Director of
Audit organization "KPMG Audit" LLC

Kuznetsov A.A.
Engagement Partner

Qualification certificate of bank auditor
#16/3 dated 1 February 2020, issued by the
Central Bank of the Republic of Uzbekistan.

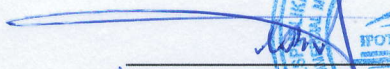
Audit organization "KPMG Audit" LLC
Tashkent, the Republic of Uzbekistan

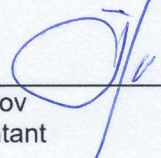
2 June 2021

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Consolidated Statement of Financial Position as at 31 December 2020

<i>In millions of Uzbekistan Soums</i>	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7	5,147,641	2,630,173
Due from other banks	8	1,810,524	845,018
Loans and advances to customers	9	24,345,221	19,839,756
Debt securities at amortized cost	10	776,819	131,149
- Held by the Group		362,545	131,149
- Pledged under sale and repurchase agreements		414,274	-
Financial assets at fair value through other comprehensive income	11	4,889	6,572
Investments		-	-
Investment in associates	12	20,354	1,964
Premises, equipment and intangible assets	13	328,673	276,601
Current income tax prepayment		2,420	8
Deferred income tax asset	28	71,959	57,451
Other financial assets	14	14,625	5,210
Other non-financial assets	15	80,954	51,076
TOTAL ASSETS		32,604,079	23,844,978
LIABILITIES			
Due to other banks	16	520,151	284,533
Customer accounts	17	9,211,107	7,935,719
Debt securities in issue	18	3,148,617	14,850
Borrowings from government, state and international financial institutions	19	15,117,378	11,530,321
Subordinated debt (31 December 2019: Other borrowed funds)	20	425,905	425,905
Other financial liabilities	21	14,718	53,050
Other non-financial liabilities	21	125,897	52,445
TOTAL LIABILITIES		28,563,773	20,296,823
EQUITY			
Share capital	22	2,868,205	2,815,810
Share subscription reserve		-	-
Share premium		-	-
Share capital reserve	22	122,359	90,656
Retained earnings	22	1,049,707	644,542
Revaluation reserve of financial assets at fair value through other comprehensive income		35	(225)
Net assets attributable to the Bank's owners		4,040,306	3,550,783
Non-controlling interest		-	(2,628)
TOTAL EQUITY		4,040,306	3,548,155
TOTAL LIABILITIES AND EQUITY		32,604,079	23,844,978

Approved for issue and signed on behalf of the Management Board on 2 June 2021.


Elyor Inomjonov
Chairman of the Board


Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended
31 December 2020

<i>In millions of Uzbekistan Soums</i>	Notes	2020	2019
Interest income calculated using the effective interest rate	23	2,517,060	1,927,799
Other interest income	23	27,681	24,985
Interest expense	23	(1,134,672)	(917,559)
Net interest income before charge for expected credit losses		1,410,069	1,035,225
Charge for credit losses on loans and advances to customers	6	(609,720)	(274,856)
Net interest income		800,349	760,369
Fee and commission income	24	312,292	255,425
Fee and commission expense	24	(57,012)	(47,748)
Net gain from trading in foreign currencies		7,259	16,727
Net gain from foreign exchange translation		56,083	20,070
Net effect of initial recognition of financial instruments at fair value		16,095	-
<i>Loans and advances to customers</i>		(39,644)	-
<i>Borrowings from government, state and international financial institutions</i>		55,739	-
Dividend income		1,960	181
Impairment charge on other financial assets and contingencies	6	(9,460)	(5,774)
Other operating income	25	48,141	31,127
Administrative and other operating expenses	26	(665,161)	(619,152)
Share of result of associates	12	354	(276)
Profit before tax		510,900	410,949
Income tax expense	28	(105,251)	(71,682)
Profit for the year from continuing operations		405,649	339,267
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	27	(484)	(249)
NET PROFIT FOR THE YEAR		405,165	339,018
Profit attributable to:			
- Owners of the Bank		405,165	339,219
- Non-controlling interest		-	(201)
NET PROFIT FOR THE YEAR		405,165	339,018
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
<i>Fair value adjustment on financial assets at fair value through other comprehensive income</i>		325	656
Tax effect	28	(65)	(150)
Total other comprehensive income for the year		260	506
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		405,425	339,524
Total comprehensive income attributable to:			
- Owners of the Bank		405,425	339,725
- Non-controlling interest		-	(201)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		405,425	339,524
Basic and diluted earnings per ordinary share in UZS	29	0.14	0.12

Approved for issue and signed on behalf of the Management Board on 2 June 2021.

Elyor Inomjonov
Chairman of the Board

Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Attributable to owners of the Bank					Revaluation reserve of financial assets at fair value through other comprehensive income	Total	Non-controlling interest	Total equity
		Share capital	Share subscription reserve	Share premium	Share capital reserve	Retained earnings				
<i>In millions of Uzbekistan Soums</i>										
31 December 2018		983,979	124,723	754	60,873	443,726	(731)	1,613,324	(1,199)	1,612,125
Net profit / (loss) for the year		-	-	-	-	339,219	-	339,219	(201)	339,018
Other comprehensive income for the year		-	-	-	-	-	506	506	-	506
Total comprehensive income / (loss) for the year		-	-	-	-	339,219	506	339,725	(201)	339,524
Share subscription deposit - ordinary shares	22	-	-	-	90,501	-	-	90,501	-	90,501
Ordinary shares issued	22	477,907	(124,723)	-	(60,718)	-	-	292,466	-	292,466
Dividends declared - ordinary shares	30	-	-	-	-	(111,580)	-	(111,580)	-	(111,580)
Conversion of debt into equity by the shareholder, net of tax		1,353,924	-	(754)	-	(26,823)	-	1,326,347	-	1,326,347
Share decrease in subsidiaries with non-controlling interest		-	-	-	-	-	-	-	(1,228)	(1,228)
31 December 2019		2,815,810	-	-	90,656	644,542	(225)	3,550,783	(2,628)	3,548,155

Joint Stock Commercial Mortgage Bank "Ipoteka Bank" and its subsidiaries
Consolidated Statement of Changes in Equity for the year ended 31 December 2020

Notes	Attributable to owners of the Bank						Total	Non-controlling interest	Total equity
	Share capital	Share subscription reserve	Share premium	Share capital reserve	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income			
<i>In millions of Uzbekistan Soums</i>									
31 December 2019	2,815,810	-	-	90,656	644,542	(225)	3,550,783	(2,628)	3,548,155
Net profit for the year	-	-	-	-	405,165	-	405,165	-	405,165
Other comprehensive income for the year	-	-	-	-	-	260	260	-	260
Total comprehensive income for the year	-	-	-	-	405,165	260	405,425	-	405,425
Share subscription deposit - ordinary shares	22	-	-	120,834	-	-	120,834	-	120,834
Ordinary shares issued	22	52,395	-	(52,395)	-	-	-	-	-
Disposal of subsidiaries and associates with non-controlling interest		-	-	(36,736)	-	-	(36,736)	2,628	(34,108)
31 December 2020	2,868,205	-	-	122,359	1,049,707	35	4,040,306	-	4,040,306

Approved for issue and signed on behalf of the Board of Management on 2 June 2021.

Elyor Inomjonov
Chairman of the Board



Elyor Normetov
Chief Accountant

Joint Stock Commercial Mortgage Bank "Ipoteka Bank"
Consolidated Statement of Cash Flows for the year ended 31 December 2020

<i>In millions of Uzbekistan Soums</i>	Notes	2020	2019
Cash flows from operating activities			
Interest received		2,152,149	1,902,701
Interest paid		(1,082,145)	(890,055)
Fees and commissions received		301,801	250,506
Fees and commissions paid		(57,012)	(47,748)
Insurance operations income received		28,766	-
Insurance operations expense paid		868	-
Income received from trading in foreign currencies		7,259	16,727
Other operating income received		17,188	30,736
Staff costs paid		(438,436)	(428,668)
Administrative and other operating expenses paid		(121,419)	(145,233)
Income tax paid		-	(1,519)
Cash flows from operating activities before changes in operating assets and liabilities		809,019	687,447
Net increase in due from other banks		(930,341)	(310,957)
Net increase in loans and advances to customers		(3,927,711)	(4,547,218)
Net (increase) / decrease in other financial assets		(857)	3,265
Net increase in other non-financial assets		(19,655)	(2,803)
Net increase in due to other banks		214,680	283,008
Net increase in customer accounts		1,027,619	541,685
Net decrease in other financial liabilities		(43,874)	(9,258)
Net increase / (decrease) in other non-financial liabilities		8,306	(3,171)
Net cash used in operating activities		(2,862,814)	(3,358,002)
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(132,199)	(94,808)
Proceeds from disposal of premises, equipment and intangible assets		6,116	8,381
Purchase of financial assets at fair value through other comprehensive income		(4,611)	(132)
Purchase of associates (incorporation)		(20,000)	-
Purchase of debt securities at amortized cost		(798,333)	(378,846)
Proceeds from debt securities at amortized cost		168,856	402,925
Dividend income received		1,960	181
Net cash used in investing activities		(778,211)	(62,299)
Cash flows from financing activities			
Issue of ordinary shares		-	292,466
Proceeds from borrowings from government, state and international financial institutions		3,537,310	5,050,437
Repayment of borrowings from government, state and international financial institutions		(743,373)	(591,249)
Proceeds from issue of debt securities		3,088,154	7,750
Repayment of debt securities in issue		-	(2,900)
Dividends paid		-	(111,457)
Share decrease in subsidiaries' non-controlling interest		-	(1,228)
Proceeds from stock subscription		-	840
Net cash from financing activities		5,882,091	4,644,659
Effect of exchange rate changes on cash and cash equivalents		276,469	90,453
Net increase in cash and cash equivalents		2,517,535	1,314,811
Cash and cash equivalents at the beginning of the year after allowance for expected credit losses	7	2,630,173	1,315,362
Change in allowance for expected credit losses		(67)	
Cash and cash equivalents at the end of the year after allowance for expected credit losses		5,147,641	2,630,173

Approved for issue and signed on behalf of the Management Board on 2 June 2021.

Elyor Inomjonov
 Chairman of the Board

Elyor Normetov
 Chief Accountant