

**JOINT STOCK INNOVATION  
COMMERCIAL BANK  
“IPAK YULI”**

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

## INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Council of Joint Stock Innovation Commercial Bank "Ipak Yuli"

### Opinion

We have audited the financial statements of Joint Stock Innovation Commercial Bank "Ipak Yuli" ("the Bank"), which comprise the statement of financial position as at 31 December 2020, 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 present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and 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 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 Financial Statements* section of our report. We are independent of the Bank 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 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 audit opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The below matter was 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 this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<i>Assessment and measurement of expected credit losses on loans to customers</i>	
As at 31 December 2020, loans to customers amounted to UZS 4,780,397 million, net of expected credit losses of UZS 266,477 million.	We obtained an understanding of the management's process relating to assessment and measurement of expected credit losses on loans to customers.
For loans assessed on a collective basis, the impairment models incorporate assumptions on probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and estimation of recoveries, which are inherently judgmental. The complex ECL models may be misstated due to errors in the underlying data – incomplete or inaccurate loan information (maturity dates, outstanding balances and etc.), incorrect assessment of PD, LGD, EAD data and inconsistencies of internally	We assessed reasonableness of the Bank's assumptions in respect of loans' staging, probabilities of default and cash flows from defaulted loans, with the reference to the historical information and market forecasts. We also analysed the assumption related to allocation of borrowers in stages after completion of the forbearance program period provided to borrowers and performed the subsequent to year end analysis ("back testing") of the repayment of the loans.

# Deloitte.

developed forward-looking information with market based information.

In response to the COVID-19 pandemic, the Bank has allowed borrowers to postpone monthly repayments of interest and/or principal on loans to later periods (the "forbearance program"). The implementation of this forbearance program and the unprecedented uncertainty over the economic implications created by the pandemic increased the subjectivity in assessment of ECL on loans to customers.

For credit-impaired loans to customers (Stage 3), the ECL are assessed on an individual basis. Significant judgement is involved in identifying the loan as defaulted, in estimation of the expected future cash flows pertaining to that loan under different scenarios (potential loan restructuring or sale of collateral). ECL for loans to customers that are not classified as credit impaired (Stages 1 and 2) are determined using collective impairment models with key parameters including PD and LGD.

Because loans to customers form a major portion of the Bank's assets, and due to the significance of the judgments and subjectivity of assumptions used in classifying loans to customers into various stages stipulated in IFRS 9 and assessing the related expected losses, this area was determined as a key audit matter.

Refer to Notes 2, 3 and 8 to the financial statements.

For collectively assessed loans, we analysed the impairment methodology for its compliance with IFRS 9 requirements. We challenged the key assumptions for probability of default and loss given default rates with the reference to the historical information and market forecasts. Further, we analysed integrity of the models and tested accuracy and completeness of input data used in the models by selecting a sample of loans and tracing to source documents.

For a sample of collectively assessed loans we ascertained whether the significant increase in credit risk had been identified in a timely manner.

For individually assessed loans we analysed appropriateness of loans' staging by selecting a sample from these loans and testing whether conditions, including existence of overdue days, cross-default, restructuring and other factors for classification into respective stages were met.

Further, we selected a sample of loans in Stage 3 and tested the Bank's estimations of cash flows available for debt servicing from business activities of the borrower and from the realization of collateral. As part of these procedures, we challenged the assumptions used for the estimation of collateral value performed by external valuation experts and compared estimates to the external evidence in respect of commercial real estate prices and other market information.

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

We found no material exceptions in these tests.

---

## 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 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 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 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 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 Financial Statements

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

# Deloitte.

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.



"Deloitte & Touche" Audit Organisation LLC Erkin Ayupov  
Qualified Auditor/Engagement Partner

License authorizing audit of companies registered  
by the Ministry of Finance of the Republic of  
Uzbekistan under #00776 dated 5 April 2019

Auditor qualification certificate authorizing audit of  
companies, #04830 dated 22 May 2010 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 2013

Auditor qualification certificate authorizing audit of  
banks, #6/8 dated 25 January 2021 issued by the  
Central bank of the Republic of Uzbekistan

11 June 2021  
Tashkent, Uzbekistan

Director  
"Deloitte & Touche" Audit Organisation LLC

# Joint Stock Innovation Commercial Bank “Ipak Yuli”

## Statement of Financial Position as at 31 December 2020 (in millions of Uzbek Soums)

	Notes	31 December 2020	31 December 2019
<b>ASSETS:</b>			
Cash and cash equivalents	6	1,208,616	1,095,341
Due from banks	7	96,829	243,845
Loans to customers	8,34	4,780,397	3,670,647
Financial assets at fair value through other comprehensive income	9,34	28,975	26,263
Government bonds	10	293,142	25,303
Current income tax prepayment		12,268	6,396
Deferred income tax asset	27	9,126	-
Intangible assets	11	19,448	22,510
Property and equipment	11	320,870	184,033
Right-of-use assets	11	35,211	14,133
Other financial assets	12	1,578	707
Other non-financial assets	13,34	94,259	39,021
<b>TOTAL ASSETS</b>		<b>6,900,719</b>	<b>5,328,199</b>
<b>LIABILITIES:</b>			
Due to banks	14	118,022	185,785
Customer accounts	15,34	2,970,681	2,065,861
Other borrowed funds	16,34	2,629,808	2,307,418
Lease liabilities	18	38,226	15,152
Deferred income tax liability	27	-	6,941
Other financial liabilities	19	16,677	11,098
Other non-financial liabilities	19	6,524	6,695
<b>TOTAL LIABILITIES</b>		<b>5,779,938</b>	<b>4,598,950</b>
<b>EQUITY:</b>			
Share capital	20	534,194	406,413
Share premium	20	130,441	2,660
Retained earnings		435,498	300,033
Revaluation reserve of financial assets measured at FVTOCI		20,648	20,143
<b>TOTAL EQUITY</b>		<b>1,120,781</b>	<b>729,249</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,900,719</b>	<b>5,328,199</b>

On behalf of the Management Board

Saidabror Saydakhmedov  
Chairman of the Management Board

11 June 2021  
Tashkent, Uzbekistan

Rustam Chulpanov  
Chief Accountant

11 June 2021  
Tashkent, Uzbekistan

## Joint Stock Innovation Commercial Bank "Ipak Yuli"

### Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020 (in millions of Uzbek Soums)

	Notes	2020	2019
Interest income	22,34	817,938	530,832
Interest expense	22,34	(272,934)	(175,190)
<b>Net interest income before allowance for expected credit losses on interest bearing assets</b>		<b>545,004</b>	<b>355,642</b>
Allowance for expected credit losses	6,7,8,10,12	(168,839)	(46,480)
<b>Net interest income</b>		<b>376,165</b>	<b>309,162</b>
Fee and commission income	23,34	230,587	201,210
Fee and commission expense	23,34	(77,579)	(65,441)
Net gain on foreign exchange translation		11,820	20,235
Gains from trading foreign currencies		44,331	38,377
Provision for impairment of other assets	13	(21,001)	(912)
Provision for / (Recovery of) credit related commitments	32	(3,544)	7,798
Written put option fair value adjustment	17,34	-	18,688
Other income	24	1,462	5,172
Administrative and other operating expenses	25,34	(329,523)	(267,356)
Dividend income	26	2,840	3,968
<b>Profit before income tax</b>		<b>235,558</b>	<b>270,901</b>
Income tax expense	27	(46,851)	(43,202)
<b>Net profit for the year</b>		<b>188,707</b>	<b>227,699</b>
Other comprehensive income for the year:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Fair value gain on financial assets at FVTOCI (equity securities)		631	7,516
Income tax effect		(126)	(1,494)
<b>Total other comprehensive income for the year</b>		<b>505</b>	<b>6,022</b>
<b>Total comprehensive income for the year</b>		<b>189,212</b>	<b>233,721</b>
<b>Earnings per share</b>			
Basic and diluted earnings per ordinary share (expressed in UZS per share)	29	4.22	6.86

On behalf of the Management Board:

Saidabrор Saydakhmedov  
Chairman of the Management Board

11 June 2021  
Tashkent, Uzbekistan



Rustam Chulpanov  
Chief Accountant

11 June 2021  
Tashkent, Uzbekistan

## Joint Stock Innovation Commercial Bank “Ipak Yuli”

### Statement of Changes in Equity for the year ended 31 December 2020 (in millions of Uzbek Soums)

	Notes	Share capital	Share premium	Retained earnings	Revaluation reserve of financial assets measured at FVTOCI	Total equity
<b>As at 31 December 2018</b>		<b>282,773</b>	<b>2,660</b>	<b>202,481</b>	<b>14,121</b>	<b>502,035</b>
Net profit for the year		-	-	227,699	-	227,699
Other comprehensive income		-	-	-	6,022	6,022
<b>Total comprehensive income for 2019</b>		<b>-</b>	<b>-</b>	<b>227,699</b>	<b>6,022</b>	<b>233,721</b>
Share issue:						
- ordinary shares - dividends capitalised	20	123,633	-	-	-	123,633
- preference shares - dividends capitalised	20	7	-	-	-	7
Dividends declared - ordinary shares	28	-	-	(130,140)	-	(130,140)
Dividends declared - preference shares	28	-	-	(7)	-	(7)
<b>As at 31 December 2019</b>		<b>406,413</b>	<b>2,660</b>	<b>300,033</b>	<b>20,143</b>	<b>729,249</b>
Net profit for the year		-	-	188,707	-	188,707
Other comprehensive income		-	-	-	505	505
<b>Total comprehensive income for 2020</b>		<b>-</b>	<b>-</b>	<b>188,707</b>	<b>505</b>	<b>189,212</b>
Share issue:						
- ordinary shares	20	127,781	127,781	-	-	255,562
Dividends declared - ordinary shares	28	-	-	(53,240)	-	(53,240)
Dividends declared - preference shares	28	-	-	(2)	-	(2)
<b>As at 31 December 2020</b>		<b>534,194</b>	<b>130,441</b>	<b>435,498</b>	<b>20,648</b>	<b>1,120,781</b>

On behalf of the Management Board:

Saidabrор Saydakhmedov  
Chairman of the Management Board

11 June 2021  
Tashkent, Uzbekistan



Rustam Chulpanov  
Chief Accountant

11 June 2021  
Tashkent, Uzbekistan



# Joint Stock Innovation Commercial Bank "Ipak Yuli"

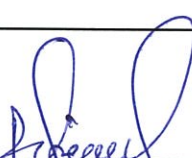
## Statement of Cash Flows for the year ended 31 December 2020 (in millions of Uzbek Soums)

	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Interest received		760,662	522,332
Interest paid		(263,477)	(158,990)
Fee and commission received		232,556	201,015
Fee and commission paid		(75,687)	(63,866)
Income received from trading in foreign currencies		44,331	38,377
Other income received		1,106	4,134
Staff costs paid		(199,389)	(162,834)
Administrative and other operating expenses paid		(90,370)	(82,361)
Income tax paid		(68,916)	(46,737)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>340,816</b>	<b>251,070</b>
<i>Net (increase) / decrease in:</i>			
- due from banks		149,384	(44,040)
- loans to customers		(1,243,711)	(1,034,820)
- other non-financial assets		(9,194)	272
<i>Net increase/(decrease) in:</i>			
- due to banks		(68,211)	75,167
- customer accounts		902,067	205,017
- debt securities in issue		-	(4,000)
- other financial liabilities		(767)	215
- other non-financial liabilities		54	(6,241)
<b>Net cash from / (used in) operating activities</b>		<b>70,438</b>	<b>(557,360)</b>
<b>Cash flows from investing activities</b>			
Purchase / (Redemption) of financial assets at fair value through other comprehensive income	9	(2,081)	28,024
Purchase of Government bonds		(262,664)	(25,394)
Purchase of premises, equipment and intangible assets	11,13	(203,234)	(77,592)
Proceeds from disposal of premises and equipment	11,24	1,982	2,146
Dividend income received		2,840	3,968
<b>Net cash used in investing activities</b>		<b>(463,157)</b>	<b>(68,848)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other borrowed funds		783,578	1,118,158
Repayment of other borrowed funds		(442,175)	(321,316)
Proceeds from subordinated debt		-	31,627
Repayment of subordinated debt	16	(31,627)	-
Repayment of subordinated deposit	16	(4,000)	(8,340)
Issuance of ordinary shares	20	255,562	-
Dividends paid	28	(51,964)	(7,030)
Settlement of written put option	17	-	(87,086)
Repayment of lease liabilities		(9,337)	(3,821)
<b>Net cash from financing activities</b>		<b>500,037</b>	<b>722,192</b>
Effect of exchange rate changes on cash and cash equivalents		5,882	7,798
Effect of expected credit losses		75	(61)
<b>Net increase in cash and cash equivalents</b>		<b>113,275</b>	<b>103,721</b>
Cash and cash equivalents at the beginning of the year	6	1,095,341	991,620
<b>Cash and cash equivalents at the end of the year</b>		<b>1,208,616</b>	<b>1,095,341</b>

Non-cash transactions	2020	2019
Capitalization of dividends	-	123,640

On behalf of the Management Board:

Saidabror Saydakhmedov  
Chairman of the Management Board  
11 June 2021  
Tashkent, Uzbekistan

  
Rustam Chulpanov  
Chief Accountant  
11 June 2021  
Tashkent, Uzbekistan