

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Joint Stock Commercial Mortgage Bank "Ipoteka Bank"

Opinion

We have audited the financial statements of Joint Stock Commercial Mortgage Bank "Ipoteka Bank" (hereinafter - "the Bank"), which comprise the statement of financial position as at December 31, 2016, and the statement of 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 December 31, 2016, 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 opinion.

Key Audit Matter

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. This 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 these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p><i>Provision for impairment of loans and advances to customers</i></p> <p>Management assesses provisions for impairment of loans and advances to customers on an individual and collective basis.</p> <p>Specific impairment provisions are estimated on individually significant balances, largely corporate loans, which demonstrate objective evidence of impairment. All other exposures are assessed for impairment using a portfolio model.</p> <p>The Bank's individual provisions are subjective due to the judgements used in linking the impairment event and the likelihood of incurred losses. When a loan is identified as impaired, management estimates the amount and timing</p>	<p>We obtained an understanding of the loan origination process and the controls relating to impairment of loans and advances to customers.</p> <p>We performed a detailed assessment of a sample of loans for individual impairment to form our conclusion as to whether impairment events had occurred and resulted in impairment losses.</p> <p>We specifically challenged the management's assumptions of the expected future cash flows including those from the sale of collateral. We analysed the work performed by external experts used by the Bank to value collateral.</p> <p>We also assessed the financial standing of the selected borrowers based on the key financial ratios and the impact of general market and industry conditions on deterioration of the credit risk. Where we determined</p>

of the expected future cash flows generated from servicing the loan and from sale of any pledged collateral, which requires judgements and involves estimation uncertainty.

Loans assessed using the portfolio model are allocated into buckets, primarily driven by days in arrears. The model is reliant on key assumptions and on whether historic experience is accurately reflective of expectations about the future cash flows.

Due to the factors above, we consider the estimation of the provision for impairment of loans and advances to customers to be the key audit matter.

Refer to Note 8 to the financial statements for detailed disclosure of loans and advances to customers, to Note 3 for description of the Bank's policy on the calculation of impairment provision and to Note 4 for narrative on critical accounting estimates and judgements applied.

that a more appropriate assumption or input in provision measurement could be made, we recalculated the provision on that basis and compared the results to determine whether the difference is material.

We tested the completeness and accuracy of data used in the models including the allocation of loans into arrears buckets.

We also assessed and challenged the assumptions used by management based on the current and past performance of the Bank's loans and our knowledge of the industries.

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 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.

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.

Deloitte & Touche



"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered
by the Ministry of Finance of the Republic of
Uzbekistan under #00500 dated 8 February 2008
Certificate authorizing audit of banks registered by
the Central Bank of the Republic of Uzbekistan
under #3 dated 14 October 2013


10 April 2017
Tashkent, Uzbekistan

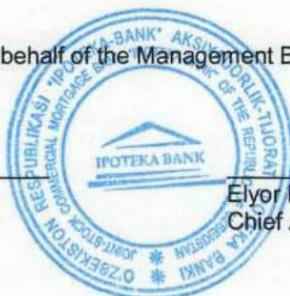
Erkin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of
companies, #04830 dated 22 May 2010 issued by
the Ministry of Finance of the Republic of
Uzbekistan
Auditor qualification certificate authorizing audit of
banks, #6/8 dated 30 June 2015 issued by the
Central Bank of the Republic of Uzbekistan
Director
"Deloitte & Touche" Audit Organisation LLC


Joint Stock Commercial Mortgage Bank "Ipoteka Bank"
Statement of Financial Position as at 31 December 2016

<i>In thousands of Uzbekistan Soums</i>	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6, 33	531,431,619	386,801,681
Due from other banks	7, 33	449,519,825	468,377,476
Loans and advances to customers	8, 33	4,637,308,140	3,364,996,926
Investment securities available for sale	9	5,289,143	5,356,277
Premises, equipment and intangible assets	10	92,934,180	84,639,059
Current income tax prepayment		4,335,335	3,656,006
Deferred income tax asset	25	8,730,032	7,684,786
Other financial assets	11	729,234	580,247
Other non-financial assets	12	17,490,182	35,474,442
TOTAL ASSETS		5,747,767,690	4,357,566,900
LIABILITIES			
Due to other banks	14, 33	248,626,433	191,698,400
Customer accounts	15, 33	3,050,058,055	2,403,574,400
Debt securities in issue	16	28,652,397	25,313,262
Borrowings from government, state and international financial institutions	17, 33	1,989,579,694	1,409,103,508
Other financial liabilities	18	4,498,377	3,846,471
Other non-financial liabilities	18	12,327,029	5,017,990
TOTAL LIABILITIES		5,333,741,985	4,038,554,031
EQUITY			
Share capital	19	269,421,142	242,501,121
Share premium	19	754,434	754,417
Retained earnings		143,850,129	75,757,331
TOTAL EQUITY		414,025,705	319,012,869
TOTAL LIABILITIES AND EQUITY		5,747,767,690	4,357,566,900

Approved for issue and signed on behalf of the Management Board on 10 April 2017.


Omon Musayev
Chairman of the Board




Elyor Normetov
Chief Accountant

The notes set out on pages 5 to 73 form an integral part of these financial statements.

Joint Stock Commercial Mortgage Bank “Ipoteka Bank”**Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 31 December 2016**

<i>In thousands of Uzbekistan Soums</i>	Notes	2016	2015
CONTINUING OPERATIONS			
Interest income	20, 33	378,907,394	300,752,988
Interest expense	20, 33	(178,975,131)	(138,432,648)
Net interest income		199,932,263	162,320,340
Provision for impairment of loans and advances to customers	8, 33	(976,370)	(13,868,934)
Net interest income after provision for loan impairment		198,955,893	148,451,406
Fee and commission income	21, 33	181,042,621	146,314,784
Fee and commission expense	21	(35,633,075)	(25,208,332)
Gains less losses from trading in foreign currencies		8,598,669	5,544,109
Foreign exchange translation gains less losses		29,994,097	33,732,441
Loss from impairment of investment securities available for sale		(125,238)	(227,641)
Dividend income		181,478	453,717
Other operating income	22, 33	7,467,612	7,507,611
Other impairment (charge)/ recovery	13	(251,824)	570,079
Administrative and other operating expenses	23, 33	(298,873,639)	(245,521,404)
Profit before tax		91,356,594	71,616,770
Income tax expense	24, 25	(19,294,488)	(16,511,756)
Profit for the year from continuing operations		72,062,106	55,105,014
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	24	-	2,939,295
NET PROFIT FOR THE YEAR		72,062,106	58,044,309
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		72,062,106	58,044,309
Basic and diluted earnings per share per ordinary share in UZS	26	995	931
Basic and diluted earnings per share per equity component of preference share in UZS	26	895	1,005

The notes set out on pages 5 to 73 form an integral part of these financial statements.

Joint Stock Commercial Mortgage Bank “Ipoteka Bank”
Statement of Changes in Equity for the Year Ended 31 December 2016

<i>In thousands of Uzbekistan Soums</i>	Notes	Share capital	Share premium	Retained earnings	Total equity
31 December 2014		182,302,396	754,417	66,721,660	249,778,473
Net profit for the year		-	-	58,044,309	58,044,309
Total comprehensive income for 2015		-	-	58,044,309	58,044,309
Ordinary shares issued		13,080,087	-	-	13,080,087
Capitalisation of dividends	19	48,630,638	-	(48,630,638)	-
Recognition of liability component of preference shares	19	(1,512,000)	-	(378,000)	(1,890,000)
31 December 2015		242,501,121	754,417	75,757,331	319,012,869
Net profit for the year		-	-	72,062,106	72,062,106
Total comprehensive income for 2016		-	-	72,062,106	72,062,106
Ordinary shares issued	19	26,920,021	17	-	26,920,038
Dividends declared - ordinary shares	27	-	-	(3,969,308)	(3,969,308)
31 December 2016		269,421,142	754,434	143,850,129	414,025,705

The notes set out on pages 5 to 73 form an integral part of these financial statements.

Joint Stock Commercial Mortgage Bank “Ipoteka Bank”
Statement of Cash Flows for the Year Ended 31 December 2016

<i>In thousands of Uzbekistan Soums</i>	Notes	2016	2015
Cash flows from operating activities			
Interest received		360,951,481	301,050,038
Interest paid		(177,068,706)	(135,382,520)
Fees and commissions received		180,713,414	147,788,085
Fees and commissions paid		(35,633,075)	(25,208,332)
Income received from trading in foreign currencies		8,598,669	5,544,109
Other operating income received		6,973,035	7,144,976
Staff costs paid		(196,218,962)	(166,301,910)
Administrative and other operating expenses paid		(79,214,974)	(72,440,836)
Income tax paid		(20,558,009)	(17,838,275)
Cash flows from operating activities before changes in operating assets and liabilities		48,542,873	44,355,335
Net decrease/(increase) in due from other banks		24,915,287	(137,599,196)
Net increase in loans and advances to customers		(1,095,936,488)	(709,938,072)
Net decrease in other non-financial assets		624,617	2,542,431
Net increase in due to other banks		56,928,033	38,323,600
Net increase in customer accounts		629,816,384	457,764,537
Net (decrease)/increase in other non-financial liabilities		(408,357)	281,108
Net cash used in operating activities		(335,517,651)	(304,270,257)
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(21,123,286)	(18,604,711)
Proceeds from disposal of premises, equipment and intangible assets		863,081	975,925
Purchase of investment securities available for sale		-	(337,057)
Proceeds from sale of/ (payments for) property for resale		4,717,819	(1,696,953)
Dividend income received		123,374	453,717
Net cash inflow on disposal of subsidiary	24	-	4,765,539
Net cash used in investing activities		(15,419,012)	(14,443,540)
Cash flows from financing activities			
Issue of ordinary shares	19	26,920,037	13,080,087
Proceeds from borrowings from government, state and international financial institutions		992,554,426	920,956,750
Repayment of borrowings from government, state and international financial institutions		(557,775,466)	(562,052,875)
Proceeds from issue of debt securities		6,200,000	19,660,000
Repayment of debt securities		(2,950,000)	(16,710,000)
Dividends paid	27	(3,896,847)	(9,461)
Net cash from financing activities		461,052,150	374,924,501
Effect of exchange rate changes on cash and cash equivalents		34,514,451	25,001,657
Net increase in cash and cash equivalents		144,629,938	81,212,361
Cash and cash equivalents at the beginning of the year	6	386,801,681	305,589,320
Cash and cash equivalents at the end of the year	6	531,431,619	386,801,681
Non-cash Transactions:			
Capitalisation of dividends		-	48,630,638
Sale of property on mortgage terms		9,342,772	-

The notes set out on pages 5 to 73 form an integral part of these financial statements.