

**Consolidated Financial Statements and
Independent Auditor's Report**

**Joint Stock Commercial Bank with Foreign
capital "Hamkorbank"**

31 December 2019

CONTENTS

Independent Auditor's Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Consolidated Statement of Changes in Equity.....	3
Consolidated Statement of Cash Flows	4

Notes to the Consolidated Financial Statements

1	Introduction.....	5
2	Operating Environment of the Group	6
3	Significant Accounting Policies	6
4	Critical Accounting Estimates, and Judgements in Applying Accounting Policies.....	18
5	Adoption of New or Revised Standards and Interpretations.....	22
6	New Accounting Pronouncements	23
7	Cash and Cash Equivalents.....	24
8	Due from Other Banks	26
9	Investments in Debt Securities	28
10	Loans and Advances to Customers	29
11	Other Financial Assets	36
12	Other Assets	37
13	Premises, Equipment and Intangible Assets	37
14	Right of Use Assets and Lease Liabilities.....	38
15	Due to Other Banks.....	38
16	Customer Accounts.....	38
17	Debt Securities in Issue	39
18	Other Borrowed Funds	40
19	Other Financial Liabilities	41
20	Other Liabilities	41
21	Subordinated Debt	41
22	Share Capital	42
23	Interest Income and Expense	42
24	Fee and Commission Income and Expense	43
25	Other Operating Income.....	44
26	Administrative and Other Operating Expenses.....	44
27	Income Taxes.....	45
28	Dividends.....	46
29	Reconciliation of Liabilities Arising from Financing Activities.....	46
30	Earnings per Share	46
31	Segment Analysis	47
32	Financial Risk Management.....	56
33	Contingencies and Commitments	67
34	Derivative Financial Instruments.....	70
35	Fair Value Disclosures	70
36	Related Party Transactions.....	73
37	Events after the End of the Reporting Period	74
38	Abbreviations	75



Independent auditor's report

To the Shareholders and Council of the Joint-stock commercial "Hamkorbank":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Joint-stock commercial "Hamkorbank" (the "Bank") and its subsidiaries (the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the consolidated financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.



Our audit approach

Overview

Materiality	Overall Group materiality: Uzbek Soums ("UZS") 17,400,000 thousand, which represents 5% of profit before tax.
Group scoping	We performed full scope audit procedures on the financial statements of the Bank and on the material balances and transactions of subsidiaries included in the consolidated financial statements of the Group.
Key audit matter	Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, <i>Financial Instruments</i> .

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	UZS 17,400,000 thousand.
How we determined it	We determined overall materiality as being 5% of profit before tax.
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is most commonly measured by users, and it is a generally accepted benchmark. We chose 5% since in our professional experience this is the widely accepted quantitative measure for this benchmark.

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.

Key audit matter

Assessment of expected credit losses (ECL) provision for loans and advances to customers made by management in accordance with the International Financial Reporting Standard 9. Financial Instruments (IFRS 9).

We focused on this area due to the size of loans and advances to customers balance and because IFRS 9 is a complex financial reporting standard, which requires significant judgment to determine the ECL provision.

The Bank performed ECL assessment:

- on individual balances basis; and
- on a portfolio basis: internal ratings were estimated on individual balances basis but the same credit risk parameters (e.g. probability of default, loss given default) were applied during the process of ECL calculations for the same credit risk ratings of the loan portfolio.

Key areas of judgment included:

- Allocation of loans to stages in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default;
- Completeness and accuracy of data used to calculate the ECL;

Accuracy and adequacy of the financial statement disclosures:

Note 3 "Significant accounting policies", Note 4 "Critical Accounting Estimates, and Judgements in Applying Accounting Policies", Note 10 "Loans and Advances to Customers" and Note 32 "Financial Risk Management" to the consolidated financial statements provide detailed information on the credit loss allowance.

How our audit addressed the key audit matter

In assessing ECL provision we have performed, among others, the following audit procedures:

- We assessed the methodologies and models for collective and individual ECL provision assessment developed by the Bank in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on default definition, factors for determining a "significant increase in credit risk", allocation of the loans to stages, and estimation of key risk parameters.
- On a sample basis we performed an individual assessment of the ECL provision levels to determine if they appropriately considered the risk profile, credit risk and the macroeconomic environment. We considered trends in the economy and industries to which the Bank's borrowers are exposed.
- We tested the assumptions, inputs and formulae used in ECL models for collective and individual provision assessment. This included assessing the appropriateness of model design and formulae used, and recalculating the probability of default, loss given default and exposure at default.
- We assessed the design and tested operating effectiveness of key controls across the processes relevant to the ECL. This included calculation of key risk parameters (probability of default, loss given default, exposure at default), data accuracy and completeness.
- On a sample basis we tested segmentation and allocation to stages;
- To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e. loan portfolios, loan agreements, collateral agreements, etc.;
- On overall basis we checked the Bank's assessment of effect of forward looking information on the ECL level, in particular, we assessed whether forecasted macroeconomic variables were appropriate (such as inflation level, unemployment rate, exchange rates and GDP), traced input data to the external sources and checked appropriateness of the model used;
- We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.



How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group includes five entities and accounting is maintained by centralized accounting team for the entire Group. Our audit procedures included the audit of these entities together with the Bank. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed. These five entities as a reporting unit represent approximately 1.7% of the Group's total assets as at 31 December 2019 and 8.3% of the Group's net result for the period. We focused our audit work on significant balances and transactions above our materiality levels calculated for each component.

Other information

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), which 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 the Council of the Group 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.

The Council is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:



- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 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.

Utkir Muhammadiyev
General Director/Certified Auditor
Certificate of Auditor No. 05082
dated 23 February 2013

Otabek Abdukodirov
Certified Auditor
Certificate of Auditor No. 09/19
dated 27 August 2018

Audit Organization "PricewaterhouseCoopers" LLC
29 May 2020
Tashkent, Uzbekistan

JSCB Hamkorbank
Consolidated Statement of Financial Position

<i>In thousands of Uzbekistan Soums</i>	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	2,185,174,627	1,272,583,478
Due from other banks	8	192,511,384	154,740,002
Investments in debt securities	9	20,831,270	131,823,921
Investments in equity securities		430,250	126,520
Derivative financial assets	34	80,369,743	29,113,230
Loans to customers, including finance lease receivables	10	6,032,410,820	5,004,964,381
Property and equipment	13	230,649,330	165,643,260
Intangible assets	13	16,582,210	6,972,265
Right use of assets	5	23,801,562	-
Current income tax prepayment		7,475,506	6,213
Other financial assets	11	5,133,892	2,163,827
Other assets	12	27,705,625	16,962,366
TOTAL ASSETS		8,823,076,219	6,785,099,463
LIABILITIES			
Due to other banks	15	41,820,188	27,269,030
Customer accounts	16	3,290,730,421	3,395,739,465
Debt securities in issue	17	22,400,000	44,951,192
Other borrowed funds	18	3,938,013,868	2,342,078,282
Subordinated debt	21	222,837,738	129,092,013
Lease liabilities	5	27,868,362	-
Other financial liabilities		42,913,188	13,607,625
Current income tax liability		608,413	172,164
Deferred income tax liability	27	13,680,260	7,600,225
Other liabilities		25,714,301	23,911,322
TOTAL LIABILITIES		7,626,586,739	5,984,421,318
EQUITY			
Share capital	22	109,928,801	104,540,699
Share premium	22	77,751,387	12,313,994
Retained earnings		1,008,809,292	683,823,452
TOTAL EQUITY		1,196,489,480	800,678,145
TOTAL LIABILITIES AND EQUITY		8,823,076,219	6,785,099,463

Approved for issue and signed on behalf of Management Board on 29 May 2020.

Khasanov J.I.
Chairman of the Management Board



Kadirov B.M.
Chief Accountant

JSCB Hamkorbank
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Uzbekistan Soums</i>	Note	2019	2018
Interest income calculated using the effective interest method	23	1,102,864,957	785,096,086
Other similar income		2,733,390	1,442,432
Interest expense	23	(497,685,281)	(324,202,830)
Other similar expense		(43,894,616)	(16,844,008)
Net margin on interest and similar income		564,018,450	445,491,680
Credit loss allowance		(13,139,609)	(10,815,894)
Net margin on interest and similar income after credit loss allowance		550,878,841	434,675,786
Fee and commission income	24	259,999,082	192,850,639
Fee and commission expense	24	(53,306,832)	(40,605,906)
Gain less loss from securities at fair value through profit or loss		3,291,213	(1,742,579)
Gain less loss from trading in foreign currencies		15,295,721	16,233,040
Gain less loss from financial derivative		48,723,206	35,121,203
Gain less loss from foreign exchange translation		(59,511,201)	(13,396,871)
Other operating income	25	86,436,360	31,269,648
Administrative and other operating expenses	26	(449,185,782)	(358,793,654)
Profit before tax		402,620,608	295,611,306
Income tax expense	27	(76,624,631)	(63,287,365)
PROFIT FOR THE YEAR		325,995,977	232,323,941
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		325,995,977	232,323,941
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (in UZS)	30	15.7	14.6

JSCB Hamkorbank
Consolidated Statement of Changes in Equity

<i>In thousands of Uzbekistan Soums</i>	<i>Attributable to owners of the Bank</i>			<i>Total</i>
	<i>Share capital</i>	<i>Share premium</i>	<i>Retained earnings</i>	
Balance at 1 January 2018	79,568,326	12,313,994	480,010,354	571,892,674
Profit for the year	-	-	232,323,941	232,323,941
Total comprehensive income for 2018	-	-	232,323,941	232,323,941
Dividends declared (Note 28)	-	-	(763,762)	(763,762)
Share issue (Note 22)	24,972,373	-	(27,747,081)	(2,774,708)
Balance at 31 December 2018	104,540,699	12,313,994	683,823,452	800,678,145
Profit for the year	-	-	325,995,977	325,995,977
Total comprehensive income for 2019	-	-	325,995,977	325,995,977
Dividends declared (Note 28)	-	-	(1,010,137)	(1,010,137)
Share issue (Note 22)	5,388,102	65,437,393	-	70,825,495
Balance at 31 December 2019	109,928,801	77,751,387	1,008,809,292	1,196,489,480

JSCB Hamkorbank
Consolidated Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	<i>Note</i>	2019	2018
Cash flows from operating activities			
Interest income calculated using the effective interest method		1,089,754,874	791,303,338
Interest paid calculated using the effective interest method		(492,185,303)	(321,597,387)
Fees and commissions received		265,681,780	194,120,912
Fees and commissions paid		(53,306,832)	(40,605,906)
Income received from trading in foreign currencies		15,295,721	16,233,040
Income received from financial derivatives		101,540	-
Other operating income received		82,488,763	34,386,968
Personnel expenses paid		(263,965,171)	(199,941,079)
Other operating expenses paid		(150,285,904)	(182,522,295)
Income tax paid		(77,577,640)	(46,446,430)
Cash flows from operating activities before changes in operating assets and liabilities		416,001,828	244,931,161
<i>Net (increase) / decrease in:</i>			
- due from other banks		(17,202,199)	235,087,941
- loans to customers, including finance lease receivables		(787,923,439)	(1,792,064,336)
- Investments in debt securities at fair value through profit or loss		111,649,017	(133,560,000)
- other assets		393,636	(20,843,735)
<i>Net increase / (decrease) in:</i>			
- due to other banks		6,574,651	41,222,026
- customer accounts		(254,791,503)	76,013,646
- other liabilities		4,538,003	31,452,480
Net cash used in operating activities		(520,760,006)	(1,317,760,817)
Cash flows from investing activities			
Acquisition of property and equipment		(78,656,749)	(62,830,717)
Acquisition of intangible assets		(12,953,509)	(575,272)
Proceeds from sale of property and equipment		6,736,041	10,313,502
Net cash used in investing activities		(84,874,217)	(52,798,950)
Cash flows from financing activities			
Proceeds from debt securities in issue	29	13,950,000	28,470,534
Repayment of debt securities in issue	29	(36,350,000)	(33,970,534)
Proceeds from other borrowed funds	29	2,721,214,580	1,564,652,689
Repayment of other borrowed funds	29	(1,389,877,031)	(728,571,336)
Proceeds from subordinated debt	29	66,710,420	85,913,708
Proceeds from share issue	22	70,825,495	-
Dividends paid	28	(1,257,427)	(3,538,472)
Net cash from financing activities		1,445,216,037	912,956,589
Effect of exchange rate changes on cash and cash equivalents		73,496,971	13,603,129
Effect of expected credit losses on cash and cash equivalents		(487,636)	(16,396)
Net increase/decrease in cash and cash equivalents		912,591,149	(444,016,445)
Cash and cash equivalents at the 1 January	7	1,272,583,478	1,716,599,923
Cash and cash equivalents at the end of the year	7	2,185,174,627	1,272,583,478