



JOINT - STOCK COMMERCIAL BANK

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

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

**31 December 2020**

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## Independent auditor's report

To the Shareholders and Supervisory Board 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 (together - the "Group") as at 31 December 2020, and Group's consolidated financial performance and 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 2020;
- 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 with the IESBA Code and the ethical requirement of the Code of Professional Ethics for Auditors of Uzbekistan.



## Our audit approach

### Overview

<b>Materiality</b>	Overall Group materiality: Uzbek Soums ("UZS") 24,369,000 thousand, which represents 5% of profit before tax.
<b>Group scoping</b>	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.
<b>Key audit matter</b>	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.

<b>Overall Group materiality</b>	UZS 24,369,000 thousand.
<b>How we determined it</b>	We determined overall materiality as being 5% of profit before tax.
<b>Rationale for the materiality benchmark applied</b>	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	How our audit addressed the key audit matter
<p><b>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).</b></p> <p>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. In addition, COVID-19 global pandemic impacted estimation uncertainty related to ECL provision for loans and advances to customers.</p> <p>The Bank performed ECL assessment:</p> <ul style="list-style-type: none"> <li>• on individual balances basis; and</li> <li>• 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.</li> </ul> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> <li>• Allocation of loans to stages in accordance with IFRS 9;</li> <li>• Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default;</li> <li>• Completeness and accuracy of data used to calculate the ECL;</li> </ul> <p>Accuracy and adequacy of the financial statement disclosures:</p> <p>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 31 “Financial Risk Management” to the consolidated financial statements provide detailed information on the credit loss allowance.</p>	<p>In assessing ECL provision we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> <li>• In assessing ECL provision we have performed the following audit procedures including consideration of the economic disruption caused by COVID-19:</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• On a sample basis we tested segmentation and allocation to stages;</li> <li>• 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.;</li> <li>• 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;</li> <li>• We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.</li> </ul>



### **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 0.41% of the Group's total assets as at 31 December 2020 and 3.3% 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.

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### **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.

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### **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.



## 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:

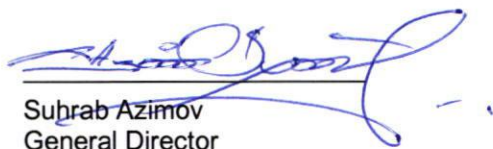
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.



Suhrab Azimov  
General Director

Certificate of auditor No. 05338  
dated 7 November 2015 issued by  
the Ministry of Finance of Uzbekistan



Shukurilla Pulatov  
Auditor

Certificate of auditor No. 05618  
dated 25 June 2019 issued by  
the Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/21  
dated 16 November 2020 issued by  
the Central Bank of Uzbekistan

*Audit Organization "PricewaterhouseCoopers" LLC*

Audit Organization "PricewaterhouseCoopers" LLC  
Tashkent, Uzbekistan  
30 April 2021




**JSCB Hamkorbank**  
**Consolidated Statement of Financial Position**

<i>In thousands of Uzbekistan Soums</i>	Note	31 December 2020	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents	7	2,223,974,341	2,185,174,627
Due from other banks	8	252,566,931	192,511,384
Investments in debt securities	9	174,446,908	20,831,270
Investments in equity securities		3,966,542	430,250
Derivative financial instruments	33	30,738,254	80,369,743
Loans and advances to customers, including finance lease receivables	10	7,273,859,530	6,032,410,820
Premises and equipment	12	250,238,710	230,649,330
Intangible assets	12	23,314,465	16,582,210
Right of use assets	13	17,672,898	23,801,562
Current income tax prepayment		757,641	7,475,506
Other financial assets		4,095,249	5,133,892
Other assets	11	31,458,026	27,705,625
<b>TOTAL ASSETS</b>		<b>10,287,089,495</b>	<b>8,823,076,219</b>
<b>LIABILITIES</b>			
Due to other banks	14	57,800,212	41,820,188
Customer accounts	15	3,582,662,746	3,290,730,421
Debt securities in issue	16	10,500,000	22,400,000
Other borrowed funds	17	4,693,240,128	3,938,013,868
Subordinated debt	20	253,933,485	222,837,738
Lease liabilities	13	24,511,466	27,868,362
Other financial liabilities	18	16,430,793	42,913,188
Current income tax liability		3,975,865	608,413
Deferred income tax liability	26	22,449,360	13,680,260
Other liabilities	19	43,103,182	25,714,301
<b>TOTAL LIABILITIES</b>		<b>8,708,607,237</b>	<b>7,626,586,739</b>
<b>EQUITY</b>			
Share capital	21	109,928,801	109,928,801
Share premium	21	77,751,387	77,751,387
Retained earnings		1,390,802,070	1,008,809,292
<b>TOTAL EQUITY</b>		<b>1,578,482,258</b>	<b>1,196,489,480</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,287,089,495</b>	<b>8,823,076,219</b>

Approved for issue and signed on behalf of Management Board on 30 April 2021.


  
 Ibraev B.T.  
 Acting Chairman of the Management Board

  
 Irgashev N.R.  
 Chief Accountant

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

<i>In thousands of Uzbekistan Soums</i>	Note	2020	2019
Interest income calculated using the effective interest method	22	1,439,458,107	1,164,316,370
Other similar income	22	17,396,024	2,733,390
Interest expense	22	(584,161,430)	(497,685,281)
Other similar expense	22	(92,324,941)	(43,894,616)
<b>Net margin on interest and similar income</b>		<b>780,367,760</b>	<b>625,469,863</b>
Credit loss allowance		(99,638,859)	(13,139,609)
<b>Net margin on interest and similar income after credit loss allowance</b>		<b>680,728,901</b>	<b>612,330,254</b>
Fee and commission income	23	265,377,719	259,999,082
Fee and commission expense	23	(52,308,061)	(53,306,832)
Gains less losses from securities at fair value through profit or loss		257,634	3,291,213
Gains less losses from trading in foreign currencies		17,420,687	15,295,721
Foreign exchange translation losses less gains		(72,488,592)	(59,511,201)
Gains less losses from financial derivatives	33	74,300,348	48,723,206
Other operating income	24	29,931,051	24,984,947
Administrative and other operating expenses	25	(455,834,291)	(449,185,782)
<b>Profit before tax</b>		<b>487,385,396</b>	<b>402,620,608</b>
Income tax expense	26	(104,382,481)	(76,624,631)
<b>PROFIT FOR THE YEAR</b>		<b>383,002,915</b>	<b>325,995,977</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>383,002,915</b>	<b>325,995,977</b>
<b>Earnings per share for profit attributable to the owners of the Group, basic and diluted</b> (expressed in UZS per share)	29	17.8	15.7

**JSCB Hamkorbank**  
**Consolidated Statement of Changes in Equity**

<i>In thousands of Uzbekistan Soums</i>	Note	Share capital	Share premium	Retained Earnings	Total
<b>Balance at 1 January 2019</b>		<b>104,540,699</b>	<b>12,313,994</b>	<b>683,823,452</b>	<b>800,678,145</b>
Profit for the year		-	-	325,995,977	<b>325,995,977</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for 2019</b>		<b>-</b>	<b>-</b>	<b>325,995,977</b>	<b>325,995,977</b>
Share issue	21	5,388,102	65,437,393	-	<b>70,825,495</b>
Dividends declared	27	-	-	(1,010,137)	<b>(1,010,137)</b>
<b>Balance at 1 January 2020</b>		<b>109,928,801</b>	<b>77,751,387</b>	<b>1,008,809,292</b>	<b>1,196,489,480</b>
Profit for the year		-	-	383,002,915	<b>383,002,915</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for 2020</b>		<b>-</b>	<b>-</b>	<b>383,002,915</b>	<b>383,002,915</b>
Dividends declared	27	-	-	(1,010,137)	<b>(1,010,137)</b>
<b>Balance at 31 December 2020</b>		<b>109,928,801</b>	<b>77,751,387</b>	<b>1,390,802,070</b>	<b>1,578,482,258</b>

**JSCB Hamkorbank**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Uzbekistan Soums</i>	<b>Note</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
Interest income calculated using the effective interest method received		1,347,325,348	1,089,754,874
Interest paid calculated using the effective interest method		(679,089,517)	(492,185,303)
Fees and commissions received		264,065,815	265,681,780
Fees and commissions paid		(52,308,061)	(53,306,832)
Income received from trading in foreign currencies		17,420,687	15,295,721
Income received from financial derivatives		124,189,471	101,540
Other operating income received		33,262,645	82,488,763
Staff costs paid		(294,573,478)	(263,965,171)
Administrative and other operating expenses paid		(133,710,738)	(150,285,904)
Income tax paid		(85,528,064)	(77,577,640)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>541,054,108</b>	<b>416,001,828</b>
<i>Net (increase)/decrease in:</i>			
- due from other banks		(63,734,823)	(17,202,199)
- loans and advances to customers, including finance lease receivables		(1,247,220,787)	(787,923,439)
- investments in debt securities at fair value through profit or loss		(153,558,594)	111,649,017
- investments in equity securities at fair value through profit or loss		(3,536,292)	-
- other assets		(2,514,859)	393,636
<i>Net increase/(decrease) in:</i>			
- due to other banks		15,652,440	6,574,651
- customer accounts		286,972,716	(254,791,503)
- other liabilities		5,534,130	4,538,003
<b>Net cash used in operating activities</b>		<b>(621,351,961)</b>	<b>(520,760,006)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(57,913,650)	(78,656,749)
Proceeds from disposal of premises and equipment		4,170,811	6,736,041
Acquisition of intangible assets	12	(12,512,271)	(12,953,509)
<b>Net cash used in investing activities</b>		<b>(66,255,110)</b>	<b>(84,874,217)</b>
<b>Cash flows from financing activities</b>			
Proceeds from debt securities in issue	28	1,050,000	13,950,000
Repayment of debt securities in issue	28	(12,764,940)	(36,350,000)
Proceeds from other borrowed funds	28	1,738,393,383	2,721,214,580
Repayment of other borrowed funds	28	(1,015,143,918)	(1,389,877,031)
Repayment of principal of lease liabilities	28	(3,356,896)	-
Proceeds from subordinated debt	28	-	66,710,420
Proceeds from share issue	21	-	70,825,495
Dividends paid	27	(1,007,818)	(1,257,427)
<b>Net cash from financing activities</b>		<b>707,169,811</b>	<b>1,445,216,037</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>18,090,174</b>	<b>73,496,971</b>
<b>Effect of changes in expected credit losses on cash and cash equivalents</b>		<b>1,146,800</b>	<b>(487,636)</b>
<b>Net increase in cash and cash equivalents</b>		<b>38,799,714</b>	<b>912,591,149</b>
Cash and cash equivalents at the beginning of the year		2,185,174,627	1,272,583,478
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>2,223,974,341</b>	<b>2,185,174,627</b>