



JOINT - STOCK COMMERCIAL BANK

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

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

31 December 2021



Independent Auditor's Report

To the Shareholders and the Supervisory Board of the Joint-Stock Commercial Bank with Foreign Capital "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 Bank with Foreign Capital "Hamkorbank" (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2021, and Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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.

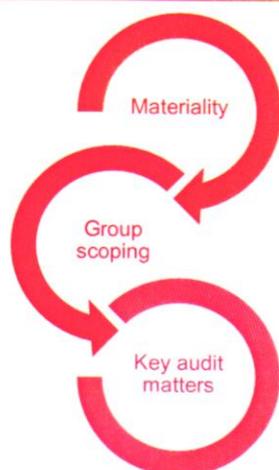
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 in accordance with the IESBA Code and the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan.

Our audit approach

Overview



- Overall Group materiality: Uzbek Soums (“UZS”) 31,166,000 thousand, which represents 5% of profit before tax.
- We performed 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.
- Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, *Financial Instruments*.

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 31,166,000 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 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>Assessment of expected credit losses (ECL) provision for loans and advances to customers in accordance with IFRS 9, Financial Instruments.</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"> • on individual balances basis: a number of scenarios of loan recovery were analysed for each customer and ECL was calculated based on weighted expected recoveries from the realisation of these scenarios; 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. <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> • Allocation of loans to stages; • Definition of significant increase in credit risk (SICR); • Definition of default; • Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default. 	<p>In assessing ECL provision we have performed, among others, the following audit procedures:</p> <ul style="list-style-type: none"> • We assessed the methodologies and models for collective and individual ECL provision assessment developed by the Group 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 tested 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. • On a sample basis we tested the assumptions, inputs and formulae used in ECL models for collective and individual provision assessment. • We assessed the design and on a sample basis 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.;



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, 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 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.

A handwritten signature in blue ink, appearing to read 'Otabek Abdukodirov', is written over a horizontal line.

Otabek Abdukodirov
Acting General Director

Certificate of auditor No. 05618
dated 28 July 2017 issued by the
Ministry of Finance of Uzbekistan

Certificate of auditor No. 9/19
dated 27 August 2018 issued by
Central Bank of Uzbekistan

Audit Organization "PricewaterhouseCoopers" LLC

Audit Organization "PricewaterhouseCoopers" LLC

Tashkent, Uzbekistan

30 April 2022

JSCB Hamkorbank
Consolidated Statement of Financial Position

<i>In thousands of Uzbekistan Soums</i>	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	1,623,446,072	2,223,974,341
Due from other banks	8	198,657,906	252,566,931
Investments in debt securities	9	739,367,078	174,446,908
Investments in equity securities		3,966,537	3,966,537
Derivative financial instruments	33	50,675,148	30,738,254
Loans and advances to customers, including finance lease receivables	10	9,497,406,271	7,273,859,530
Premises and equipment	12	288,261,741	250,238,710
Intangible assets	12	23,907,416	23,314,465
Right of use assets	13	11,722,507	17,672,898
Current income tax prepayment	26	10,289,320	757,641
Other financial assets		11,077,001	4,095,249
Other assets	11	35,712,803	31,458,026
TOTAL ASSETS		12,494,489,800	10,287,089,495
LIABILITIES			
Due to other banks	14	200,929,619	57,800,212
Customer accounts	15	4,368,865,159	3,582,662,746
Debt securities in issue	16	14,050,070	10,500,000
Other borrowed funds	17	5,392,976,061	4,693,240,128
Subordinated debt	20	309,499,371	253,933,485
Lease liabilities	13	19,195,062	24,511,466
Other financial liabilities	18	13,906,894	16,430,793
Current income tax liability		761,319	3,975,860
Deferred income tax liability	26	33,704,332	22,449,360
Other liabilities	19	62,857,539	43,103,182
TOTAL LIABILITIES		10,416,745,426	8,708,607,237
EQUITY			
Share capital	21	109,928,801	109,928,801
Share premium	21	77,751,387	77,751,387
Retained earnings		1,890,064,186	1,390,802,070
TOTAL EQUITY		2,077,744,374	1,578,482,258
TOTAL LIABILITIES AND EQUITY		12,494,489,800	10,287,089,495

Approved for issue and signed on behalf of Management Board on 30 April 2022.


Juraev B.T.
 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	2021	2020
Interest income calculated using the effective interest method	22	1,736,727,983	1,439,458,107
Other similar income	22	66,064,442	17,396,024
Interest expense	22	(744,548,546)	(584,161,430)
Other similar expense	22	(137,416,200)	(92,324,941)
Net margin on interest and similar income		920,827,679	780,367,760
Credit loss allowance		(50,554,741)	(99,638,859)
Net margin on interest and similar income after credit loss allowance		870,272,938	680,728,901
Fee and commission income	23	311,252,956	265,377,719
Fee and commission expense	23	(67,449,650)	(52,308,061)
Gains less losses from securities at fair value through profit or loss		(1,864,778)	257,634
Gains less losses from trading in foreign currencies		72,228,122	17,420,687
Gains less losses from financial derivative		56,235,299	74,300,348
Gains less losses from foreign exchange translation		(25,255,091)	(72,488,592)
Other operating income	24	49,251,868	29,931,051
Administrative and other operating expenses	25	(641,342,184)	(455,834,291)
Profit before tax		623,329,480	487,385,396
Income tax expense	26	(123,057,227)	(104,382,481)
PROFIT FOR THE YEAR		500,272,253	383,002,915
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		500,272,253	383,002,915
Earnings per share for profit attributable to owners of the Group, basic and diluted (in UZS)	29	23.9	18.3

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Consolidated Statement of Changes in Equity

<i>In thousands of Uzbekistan Soums</i>	Attributable to owners of the Group			Total
	Share capital	Share premium	Retained earnings	
Balance at 1 January 2020	109,928,801	77,751,387	1,008,809,292	1,196,489,480
Profit for the year	-	-	383,002,915	383,002,915
Total comprehensive income for 2020	-	-	383,002,915	383,002,915
Dividends declared (note 27)	-	-	(1,010,137)	(1,010,137)
Balance at 31 December 2020	109,928,801	77,751,387	1,390,802,070	1,578,482,258
Profit for the year	-	-	500,272,253	500,272,253
Total comprehensive income for 2021	-	-	500,272,253	500,272,253
Dividends declared (note 27)	-	-	(1,010,137)	(1,010,137)
Balance at 31 December 2021	109,928,801	77,751,387	1,890,064,186	2,077,744,374

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Consolidated Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	Note	31 December 2021	31 December 2020
Cash flows from operating activities			
Interest income received calculated using the effective interest method received		1,805,352,772	1,347,325,348
Interest paid calculated using the effective interest method		(888,743,515)	(679,089,517)
Fees and commissions received		311,296,846	264,065,815
Fees and commissions paid		(67,449,650)	(52,308,061)
Income received from trading in foreign currencies		72,228,122	17,420,687
Income received from financial derivatives		34,506,434	124,189,471
Other operating income received		49,762,645	33,262,645
Personnel expenses paid		(409,079,094)	(294,573,479)
Other operating expenses paid		(176,525,309)	(133,710,737)
Income tax paid		(124,548,475)	(85,528,064)
		606,800,776	541,054,108
Cash flows from operating activities before changes in operating assets and liabilities			
<i>Net (increase) / decrease in:</i>			
- Investments in debt securities at fair value through profit or loss		(565,931,787)	(153,558,594)
- Investments in equity securities at fair value through profit or loss		-	(3,536,292)
- Due from other banks		47,978,296	(63,734,823)
- Loans and advances to customers, including finance lease receivables		(2,245,497,912)	(1,247,220,787)
- Other assets		(5,769,516)	(2,514,859)
<i>Net increase / (decrease) in:</i>			
- Due to other banks		137,410,781	15,652,440
- Customer accounts		806,290,564	286,972,716
- Other liabilities		14,478,453	5,534,130
		(1,204,240,345)	(621,351,961)
Net cash used in operating activities			
Cash flows from investing activities			
Acquisition of premises and equipment		(72,874,453)	(57,913,650)
Acquisition of intangible assets		(8,217,668)	(12,512,271)
Acquisition of subsidiary, net of cash acquired	37	(4,472,372)	-
Proceeds from disposal of premises and equipment		87,468	4,170,811
		(85,477,025)	(66,255,110)
Net cash used in investing activities			
Cash flows from financing activities			
Proceeds from debt securities in issue	28	7,800,000	1,050,000
Repayment of debt securities in issue	28	(4,250,000)	(12,764,940)
Proceeds from other borrowed funds	28	2,903,193,331	1,738,393,383
Repayment of other borrowed funds	28	(2,239,090,923)	(1,015,143,918)
Proceeds from subordinated debt	28	53,007,700	-
Repayment of principal of lease liabilities		(5,316,404)	(3,356,896)
Dividends paid		(1,007,437)	(1,007,818)
		714,336,267	707,169,811
Net cash from financing activities			
Effect of exchange rate changes on cash and cash equivalents		(23,971,735)	18,090,174
Effect of expected credit losses on cash and cash equivalents		(1,175,430)	1,146,801

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Consolidated Statement of Cash Flows

Net (decrease) in cash and cash equivalents		(600,528,269)	38,799,715
Cash and cash equivalents at the beginning of the year	7	2,223,974,341	2,185,174,626
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Cash and cash equivalents at the end of the year	7	1,623,446,072	2,223,974,341