



PCM Таджикистан

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Closed Joint Stock Company "Spitamen Bank":

### Opinion

We have audited the accompanying financial statements of Closed Joint Stock Company "Spitamen Bank" (the "Bank"), which comprise the Statement of financial position as of 31 December 2020, the Statement of profit or loss and other comprehensive income, the Statement of changes in equity and the 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, 2020, and its financial performance and cash flows for the year, then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Tajikistan, 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 matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and we do not express an opinion on these individual matters.

#### Key audit matters

##### Loan Impairment methodology

The Management of the Bank accruals allowances impairment in relation to financial instruments based on the terms of concluded agreements, assessing the financial condition of customers, as well as forecasting future cash inflow for obligations existing at the reporting date.

#### Audit procedures concerning key audit matters

We conducted procedures related to classify loans by risk group, the internal control system was evaluated, loans of individuals and legal entities were tested on a sampling basis, including the calculation of impairment.

## THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Tajikistan is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

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The allowance is formed on an individual basis, based on the assessment of the borrower's solvency, taking into account the assignment of classifications of the obligations of this borrower and its collateral.

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*Borrowings*

The Management of the Bank attracts borrowings from legal entities for the purpose of generating profit through further refinancing. Borrowings are attracted both in national and foreign currencies on the basis of signed contracts with creditors on a short-term basis with subsequent prolongation.

We pay special attention to these issues due to the materiality of this balance sheet in relation to the total amount of liabilities. The structure and service of each borrowing require from the Bank to evaluate contractual agreements and their impact on borrowings accounting.

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Note 12 "Loans to customers" contains detailed information on loans, taking into account the accrual of an allowance for impairment losses.

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From our part, procedures were carried out to analyze contracts, analyze the internal control system for these borrowings, and also, we have performed procedures in relation to recalculation of borrowings and interest on them on a sampling basis.

Note 22 "Borrowings" contains detailed information on borrowings.

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**Other matter**

Other matter paragraph – A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

The financial statements of the Bank for the year ended December 31, 2019 were audited by another auditor who expressed unqualified opinion on those statements on December 31, 2020.

**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 IFRS, and for such internal control as Management determines is necessary to enable the preparation of financial statements that is 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 relating 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 responsibility for the audit of financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole is 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 ISA 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 this financial statements.

As part of an audit in accordance with ISA, 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, if any, 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.

The Audit Partner on the audit resulting in this independent auditor's report is Maftunzhon Baratov.

Bahrullo Mulloev  
Engagement Partner - RSM Tajikistan LLC

Maftunzhon Baratov  
Audit Partner

License of National Bank of Tajikistan  
BMT № 0000134 dated December 29, 2021

Specialist License on bank audit  
BMT № 0000057 dated December 30, 2015

October 06, 2021.



## STATEMENT OF FINANCIAL POSITION

In thousand Tajik somoni	Note	As of December 31, 2020	As of December 31, 2019
<b>ASSETS</b>			
Cash and balances in National bank of Tajikistan	8	206,691	223,360
Gold	9	68	46
Amounts due from banks and other financial institutions	10	58,495	93,380
Financial instruments at fair value through profit or loss	11	56,257	-
Loans to customers	12	441,375	281,465
Long-term assets held for sale	13	7,056	7,148
Investment in securities	14	64	64
Property, plant and equipment	15	36,847	32,822
Right-of-use assets	16	8,161	7,646
Intangible assets	17	16,078	16,564
Deferred tax asset	33	774	346
Other assets	18	46,189	20,774
<b>TOTAL ASSETS</b>		<b>878,055</b>	<b>683,615</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Amounts due to banks and financial institutions	19	11,119	3,818
Financial instruments at fair value through profit or loss	20	56,159	-
Customer deposits	21	320,769	277,795
Borrowings	22	345,242	283,276
Subordinated loans	23	18,630	25,226
Lease commitments	16	8,482	8,010
Deferred income	24	592	635
Other liabilities	25	21,219	7,988
<b>TOTAL LIABILITIES</b>		<b>782,212</b>	<b>606,748</b>
<b>Equity</b>			
Share capital	26	66,622	66,622
Additional paid up capital		13,560	-
Statutory general reserve		7,528	7,528
PPE revaluation reserve		5,721	6,152
Other reserves		8,608	-
Retained losses		(6,196)	(3,435)
<b>TOTAL EQUITY</b>		<b>95,843</b>	<b>76,867</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>878,055</b>	<b>683,615</b>

The financial statements presented on pages 7 to 74, were signed by the Chairman of the Bank and the Chief accountant on October 06, 2021.

The enclosed notes on pages 12 to 14 are an integral part of these financial statements.

Samandarzoda Navruz  
 Chairman of the Bank


Iskhakov Farrukh  
 Chief accountant

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


In thousand Tajik somoni	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest and similar income	27	62,876	46,042
Interest and similar expense	27	<u>(34,390)</u>	<u>(29,144)</u>
<b>NET INTEREST INCOME</b>		<u>28,486</u>	<u>16,898</u>
Commission income	28	17,776	16,662
Commission expense	28	<u>(25,341)</u>	<u>(9,977)</u>
<b>NET COMMISSION (EXPENSE) / INCOME</b>		<u>(7,565)</u>	<u>6,686</u>
Accrual of allowance for impairment losses on interest bearing assets	29	9,896	(1,526)
Net gain on foreign exchange operations	30	38,823	25,221
Other income/(expenses)	31	<u>3,264</u>	<u>(994)</u>
<b>NET INTEREST INCOME</b>		<u>72,904</u>	<u>46,285</u>
Operating expenses	32	<u>(63,338)</u>	<u>(44,919)</u>
<b>OPERATING PROFIT BEFORE ALLOWANCE FOR OTHER OPERATIONS</b>		<u>9,556</u>	<u>1,366</u>
Recovery/(Accrual) of allowance for impairment losses	29	<u>(1,862)</u>	<u>912</u>
<b>PROFIT BEFORE INCOME TAX</b>		<u>7,704</u>	<u>2,278</u>
Income tax	33	<u>(2,288)</u>	<u>(2,615)</u>
<b>PROFIT/(LOSSES) FOR THE YEAR</b>		<u>5,416</u>	<u>(337)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>-</u>	<u>4,942</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>5,416</u>	<u>4,605</u>

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The enclosed notes on pages 12 to 74 are an integral part of these financial statements.

  
 Samandarzoda Mavduz  
 Chairman of the Board



  
 Iskhakov Farrukh  
 Chief accountant

## STATEMENT OF CHANGES IN EQUITY

In thousand Tajik somoni	Share capital	Additional paid up capital	Statutory general reserve	PPE revaluation reserve	Other reserves	Retained profit/(losses)	Total
Balance at December 31, 2018	66,622	-	7,528	1,301	-	(3,819)	72,262
Transfer of revaluation to retained earnings	-	-	-	(91)	-	91	-
Losses for the period	-	-	-	-	-	(337)	(337)
Other comprehensive income	-	-	-	4,942	-	-	4,942
Balance at December 31, 2019	66,622	-	7,528	6,152	-	(3,435)	76,867
Transfer of revaluation to retained earnings	-	-	-	(431)	-	431	-
Replenishment of other allowance from retained earnings	-	-	-	-	8,608	(8,608)	-
Replenishment of additional paid-in capital with subordinated debt	-	13,560	-	-	-	-	13,560
Profit for the period	-	-	-	-	-	5,416	5,416
Other comprehensive income	-	-	-	-	-	-	-
Balance at December 31, 2020	66,622	13,560	7,528	5,721	8,608	(6,196)	95,843

The financial statements presented on pages 7 to 74, were signed by the Chairman of Bank and the Chief accountant on October 06, 2021.

The enclosed notes on pages 12 to 74 are an integral part of these financial statements.

  
 Safmandarzoda Navruz  
 Chairman of the Bank

  
 Iskhokoy Farrukh  
 Chief accountant

## STATEMENT OF CASH FLOWS

In thousand Tajik somoni	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Cash flows from operating activities:</b>		
Profit before income tax expenses	7,704	2,278
<i>Adjustments for:</i>		
Amortization of property, plant and equipment, intangible assets and right-of-use assets	8,361	7,209
Changes in accrued interest	877	178
Unrealized losses on foreign exchange transactions	2,081	1,646
Recovery of allowance for impairment of interest-bearing assets	9,896	1,526
Accrual of allowances for impairment of other transactions	(1,862)	(912)
Loss from the sale of long-term assets held for sale	806	1,252
Loss on disposal of property, plant and equipment	31	74
<b>Cash inflows from operating activities before changes in operating assets and liabilities</b>	<b>27,894</b>	<b>13,251</b>
<b>Changes in operating assets and liabilities:</b>		
<i>(Increase)/decrease in operating assets:</i>		
Decrease of minimal reserves in NBT	3,333	16,750
Decrease/(increase) in banks and other financial institutions	34,885	(1,891)
Increase of loans to customers	(159,910)	(71,777)
Increase of other assets	(25,415)	(9,463)
<i>Increase/(decrease) in operating liabilities</i>		
(Decrease)/Increase due to banks and financial institutions	7,301	(2,314)
(Decrease)/Increase in customer deposits	42,974	(93,944)
Increase of other liabilities	13,231	4,845
<b>Cash outflow from operating activities before taxation</b>	<b>(55,707)</b>	<b>(144,544)</b>
Income tax paid	(2,113)	(3,704)
<b>Net cash outflow from operating activities</b>	<b>(57,820)</b>	<b>(148,248)</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE	(8,691)	(4,987)
Purchase of intangible assets	(1,341)	(625)
Proceeds from the sale of non-current assets held for sale	5,153	11,934
Purchase of investment securities at amortized cost	-	(533,000)
Proceeds from investment securities at amortized cost	-	552,907
Acquisition of investment securities by FVTOCI	-	(27)
Proceeds from sale of PPE	6	1,274
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(4,801)</b>	<b>27,476</b>
<b>Cash flow from financing activities</b>		
Increase from subordinated debt	-	-
Increase from borrowings	20,000	20,000
Payment of borrowings	-	(5,296)
Payment of lease obligations	(2,823)	(1,181)
<b>Net cash inflow from financing activities</b>	<b>17,177</b>	<b>13,523</b>

(Continue)

Impact of changes in the foreign currency exchange rate on cash balances in foreign currency

**NET DECREASE CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the year (Note 8)

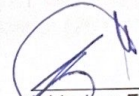
(1,314)	12,816
(46,758)	(94,432)
305,029	399,461
258,271	305,029

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The enclosed notes on pages 12 to 74 are an integral part of these financial statements.

  
 Samandarzoda Navoiy  
 Chairman of the Board



  
 Iskhakov Farrukh  
 Chief accountant