

**CLOSED JOINT STOCK COMPANY
«SPITAMEN BANK»**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for maintenance of accounting records and preparation of financial statements that accurately present the financial position of Closed Joint Stock Company "Spitamen Bank" ("the Bank") as of 31 December 2021, as well as the results of their activities, cash flows and changes in equity for the year then ended.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and necessarily include amounts based on judgment and estimates.

In preparing financial statement, Management is responsible for:


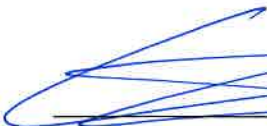
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance; and
- making an assessment of the Bank ability to continue as a going concern.

Management is also responsible for:


- designing, implementing and maintaining an effective and sound system of internal control, throughout the Bank;
- maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time in the statement, and which enable them to ensure that the financial statement comply with IFRS;
- maintaining accounting records in compliance with the legislation of Republic of Tajikistan and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank;
- preventing and detecting fraud and other irregularities.

The financial statements of the Bank for the year ended 31 December 2021 was approved by Management of the Bank on 2 September 2022.

On behalf of the Bank's Management:



Samandarzoda Navruz
Chairman of the Bank



Iskhakov Farrukh
Chief accountant

**RSM Tajikistan**

Business center "SOZIDANIE"
Ayni street 48, 4th floor
Dushanbe
734024
Tajikistan
T +992 (44) 6006370
www.rsm.tj

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 2021, 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 31 December 2021, 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

Audit procedures concerning key audit matters

Loan Impairment methodology

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

The Management of the Bank accrual 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.

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.

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.

Note 11 "Loans to customers" contains detailed information on loans, taking into account the accrual of an allowance for impairment losses.

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.

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 21 "Borrowings" contains detailed information on borrowings.

Emphasis matter

Negative foreign exchange position – we draw your attention to the note 38 of the attached financial statements, which indicates the Bank's negative foreign exchange position for the year ended 31 December 2021.

Capital adequacy ratio – we would like to draw your attention to the note 39 in the attached financial statements, which reflect the capital adequacy ratios K1.1 and K1.2 of the Bank for the years ended 31 December 2021 and 2020, respectively.

We do not express a modified opinion in connection with these matters.

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 International Standard on Auditing (hereinafter "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 this 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 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 statement, including the disclosures, and whether the financial statement represents 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.

From those matters that we have brought to the attention of those charged with governance, we identify those matters that were most significant to the audit of the financial statements for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report, except when public disclosure of information about these matters is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about a matter should not be disclosed in our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefits of its communication.

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

Bahrullo Mulloev
Managing Partner -
RSM Tajikistan LLC



Maftunzhon Baratov
Audit Partner



License of National Bank of Tajikistan
BMT № 0000134 dated December 29, 2020

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

September 2, 2022
Dushanbe, Tajikistan



STATEMENT OF FINANCIAL POSITION

In thousand Tajik somoni	Note	As of December 31, 2021	As of December 31, 2020
ASSETS			
Cash and balances in National bank of Tajikistan	7	367,333	206,691
Gold	8	87	68
Due from banks and other financial institutions	9	55,723	58,495
Financial instruments at fair value through profit or loss	10	4,851	56,257
Loans to customers	11	609,066	441,375
Assets held for sale	12	570	7,056
Investments	13	64	64
Property, plant and equipment	14	44,286	36,847
Right-of-use assets	15	8,905	8,161
Intangible assets	16	19,679	16,078
Deferred tax asset	32	1,447	774
Other assets	17	47,689	46,189
TOTAL ASSETS		1,159,700	878,055
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and financial institutions	18	64,673	11,119
Financial instruments at fair value through profit or loss	19	4,822	56,159
Customer accounts	20	479,233	320,769
Borrowings	21	444,560	345,242
Subordinated loans	22	42,157	18,630
Lease liabilities	15	8,103	8,482
Deferred income	23	208	592
Other liabilities	24	12,722	21,219
TOTAL LIABILITIES		1,056,478	782,212
Equity			
Share capital	25	80,182	66,622
Additional paid up capital		-	13,560
Revaluation reserve		5,339	5,721
Other reserves		14,032	8,608
Retained earnings		3,669	1,332
TOTAL EQUITY		103,221	95,843
TOTAL LIABILITIES AND EQUITY		1,159,700	878,055

The financial statements presented on pages 7 to 74, were signed by the Chairman of the Bank and the Chief accountant on 2 September 2022.

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

Samandarzoda Navruz
 Chairman of the Bank



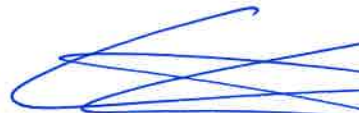
Iskhakov Farrukh
 Chief accountant


STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME


In thousand Tajik somoni	Note	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest and similar income	26	90,990	62,876
Interest and similar expense	26	(51,348)	(34,390)
NET INTEREST INCOME		39,642	28,486
Commission income	27	31,849	21,810
Commission expense	27	(32,759)	(25,341)
NET COMMISSION (EXPENSE) / INCOME		(910)	(3,531)
Accrual of allowance for impairment losses on interest bearing assets	28	6,757	9,896
Net gain on foreign exchange operations	29	40,079	38,823
Other income/(expenses)	30	866	(770)
NET INTEREST INCOME		86,434	72,904
Operating expenses	31	(78,441)	(63,338)
OPERATING PROFIT BEFORE ALLOWANCE FOR OTHER OPERATIONS		7,993	9,565
Accrual of allowance for impairment losses	28	(1,269)	(1,862)
PROFIT BEFORE INCOME TAX		6,724	7,704
Income tax	32	(943)	(2,288)
PROFIT FOR THE YEAR		5,781	5,416
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME		5,781	5,416

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 Samandarzoda Navruz
 Chairman of the Bank




 Iskhakov Farrukh
 Chief accountant

STATEMENT OF CHANGES IN EQUITY

In thousand Tajik somoni	Share capital	Additional paid up capital	Revaluation reserve	Other reserves	Retained earnings	Total
Balance at 31 December 2019	66,622	-	6,152	-	4,093	76,867
Transfer of revaluation to retained earnings	-	-	(431)	-	431	-
Replenishment of other reserves 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
Balance at 31 December 2020	66,622	13,560	5,721	8,608	1,332	95,843
Opening balance adjustment	-	-	-	-	1,598	1,598
Transfer of revaluation to retained earnings	-	-	(382)	-	382	-
Replenishment of other reserves from retained earnings	-	-	-	5,424	(5,424)	-
Replenishment of share capital with additional paid-in capital	13,560	(13,560)	-	-	-	-
Profit for the period	-	-	-	-	5,781	5,781
Balance at 31 December 2021	80,182	-	5,339	14,032	3,669	103,221

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Samandarzoda Navruz
Chairman of the Bank


Iskhakov Farrukh
Chief accountant



STATEMENT OF CASH FLOWS

In thousand Tajik somoni	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash flows from operating activities:		
Profit before tax	6,724	7,704
<i>Adjustments for:</i>		
Amortization of property, plant and equipment, intangible assets and right-of-use assets	8,749	8,361
Changes in accrued interest	1,070	877
Unrealized losses on foreign exchange transactions	706	2,081
Recovery of allowance for impairment of interest-bearing assets	6,757	9,896
Accrual of allowances for impairment of other transactions	(1,269)	(1,862)
(Profit)/Loss from the sale of assets held for sale	(813)	806
Loss on disposal of property, plant and equipment	3	31
Cash inflows from operating activities before changes in operating assets and liabilities	21,927	27,894
Changes in operating assets and liabilities:		
<i>(Increase)/decrease in operating assets:</i>		
Decrease of obligatory reserves in NBT	(22,298)	3,333
Decrease/(increase) in due from banks and other financial institutions	2,864	34,885
Increase of loans to customers	(167,782)	(159,910)
Increase of other assets	(1,527)	(25,415)
<i>Increase/(decrease) in operating liabilities</i>		
(Decrease)/Increase due to banks and financial institutions	53,704	7,301
(Decrease)/Increase in customer accounts	158,758	42,974
Increase of other liabilities	(8,481)	13,231
Cash outflow from operating activities before taxation	37,165	(55,707)
Income tax paid	(3,385)	(2,113)
Net cash outflow from operating activities	33,780	(57,820)
Cash flows from investing activities		
Purchase of PPE	(12,078)	(8,619)
Purchase of intangible assets	(4,272)	(1,341)
Proceeds from the sale of assets held for sale	15,615	5,153
Proceeds from sale of PPE	-	6
Net cash (outflow)/inflow from investing activities	(735)	(4,801)
Cash flow from financing activities		
Increase from subordinated debt	22,600	-
Increase from borrowings	100,000	20,000
Payment of borrowings	(18,080)	-
Payment of lease liabilities	(4,538)	(2,823)
Net cash inflow from financing activities	99,982	17,177

(Continue)

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

NET DECREASE IN 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 7)


	(1,141)	(1,314)
	131,886	(46,758)
	258,271	305,029
	390,157	258,271

The financial statements presented on pages 7 to 74, were signed by the Chairman of the Bank and the Chief accountant on 2 September 2022.

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Samandarzoda Navruz
Chairman of the Bank




Iskhakov Farrukh
Chief accountant