

CLOSED JOINT STOCK COMPANY «SPITAMEN BANK»

**Financial statements
for the year ended December 31, 2023**

and independent auditor's report



CLOSED JOINT STOCK COMPANY «SPITAMEN BANK»

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

Management is responsible for maintenance of accounting records and preparation of financial statements that fairly accurately present the financial position of Closed Joint Stock Company "Spitamen Bank" ("the Bank") 31 as of December 2023, 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 statements, Management is responsible for:

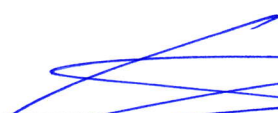
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient 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 financial statements, and which enable them to ensure that the financial statements 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 2023 was approved by Management of the Bank on March 15, 2024.

On behalf of the Bank's Management:


Samandarzoda Navruz
Chairman of the Bank

March 15, 2024




Gulamadshoev Rashid
Chief accountant

March 15, 2024

INDEPENDENT AUDITORS' REPORT

To Owners and Board of Directors of the Closed Joint Stock Company " Spitamen Bank":

Opinion

We have audited the financial statements of the Closed Joint Stock Company " Spitamen Bank" (hereinafter, *the Bank*), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in shareholders' equity and 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 financial statements present fairly, in all material respects, the financial position of *the Bank* as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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 (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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed it
<i>Impairment of loans and advances to customers and provision for credit related commitments</i>	
<p>The significance of loans and advances to customers and credit related commitments, and the inherent uncertainty of their collectability makes impairment allowance and the provisions for credit related commitments a key audit matter.</p> <p>Significant judgment is necessary to identify impairment events for loans and advances to customers, as well as recognize the provision for credit related commitments on a timely basis.</p> <p>The calculation of the impairment allowance for collectively assessed loans involves credit modeling techniques that utilize significant unobservable inputs and factors, such as internal credit ratings, probability of default and loss-given-default assumptions. The calculation of the impairment allowance and provision for credit related commitments assessed on an individual basis requires recoverability assessments based on significant unobservable inputs, such as the financial performance of the counterparty, expected future cash flows, collateral value, and other factors. The use of different modeling techniques and assumptions could produce significantly different estimates of the impairment and provision.</p> <p>Information on the impairment of loans and advances to customers and credit related commitments is included in Note about the Credits.</p>	<p>We focused on the following areas during our audit:</p> <ul style="list-style-type: none"> ▶ management's judgment in relation to the identification of impairment events for significant corporate loans and credit related commitments; ▶ projected future cash flows, including collateral-sourced cash flows, in relation to credit exposures, including credit related commitments, with signs of deterioration of credit performance; ▶ models and assumptions used to determine credit impairments on a collective basis. <p>Our audit procedures included an evaluation of the methodologies used by <i>the Bank</i> in identifying impairment events and calculating impairment allowance and credit related provisions. We also performed audit procedures to test, on a sample basis, the timeliness of identification of the individual signs of impairment. For a sample of significant credit exposures subject to individual impairment assessment, we inspected assumptions on the expected future cash flows, including the value of collateral. For collectively assessed impairment, we tested the underlying credit models, key inputs and assumptions used. We also assessed whether the disclosures in the financial statements about <i>the Bank's</i> impairment allowance and provision for credit related commitments are compliant with applicable IFRS requirements.</p>

Other information included in the Bank's Annual Report 2023

Other information consists of the information included in *the Bank's* Annual Report 2023 (the "Annual Report") other than the financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual Report is expected to be made available to us after the date of this auditor's report. Our opinion on the 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are 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 related 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, 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 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.

Auditor's responsibilities for the audit of the financial statements (continued)

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within *the Bank* to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of *the Bank* audit. We remain solely responsible for our audit opinion.
- ▶ We communicate with the management 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 the management with a statement that we have complied with relevant ethical requirements regarding independence, and 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 the management, we determine those matters that were of most significance in the audit of the 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 a communication.

Report on the findings from the work performed in accordance with the requirements of Article 45 of the Law of the Republic of Tajikistan No. 524 "Concerning Banking Activity" of 19 May 2009 (hereinafter, the "Law")

Management of *the Bank* is responsible for compliance of *the Bank* with the mandatory prudential ratios (hereinafter, the "obligatory ratios") established by the National Bank of Tajikistan (hereinafter, the "NBT"), and for the conformity of internal control and organization of the risk management systems of *the Bank* with the requirements set forth by the NBT in respect of such systems.

In accordance with the requirements of Article 45 of the Law, during the audit of the financial statements for the year ended 31 December 2023, we determined:

- 1) Whether *the Bank* complies as at 1 January 2024 with the obligatory ratios established by the NBT;
- 2) Whether internal control and organization of the risk management systems of *the Bank* conform to the requirements set forth by the NBT for such systems in respect of the following:
 - ▶ subordination of the risk management departments;
 - ▶ the existence of methodologies, approved by *the Bank's* respective authorized bodies, for detecting and managing risks that are significant to *the Bank* and for performing stress-testing; the existence of a reporting system at *the Bank* pertaining to its significant risks and capital;
 - ▶ consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to *the Bank*;
 - ▶ oversight performed by the Board of Directors and executive management of the Bank in respect of *the Bank's* compliance with risk limits and capital adequacy requirements set forth in *the Bank's* internal documents, and effectiveness and consistency of the application of *the Bank's* risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by *the Bank* with the requirements set forth by the NBT, and the recalculation, comparison and reconciliation of numerical values and other information.

Conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the NBT in respect of such systems

► We have noted that according to the legal acts and recommendations issued by the NBT, as at December 31, 2023 *the Bank's* internal audit division was subordinated and accountable to the Board of Directors and *the Bank's* risk management departments were subordinated or accountable to the departments that take the relevant risks occur (to the Board of Directors).

► We have noted that *the Bank's* internal documents effective as at 31 December 2023 which establish the methodologies for detecting and managing credit, market, operational and liquidity risks, that are significant to *the Bank*, and stress-testing have been approved by *the Bank's* authorized bodies in accordance with the legal acts and recommendations issued by the NBT. We also found that, as at 31 December 2023, *the Bank* had a reporting system pertaining to credit, market, operational and liquidity risks that were significant to *the Bank* and pertaining to its capital.

► We have noted that the frequency and consistency of reports prepared by *the Bank's* risk management department and internal audit division during the year ended December 31, 2023 with regards to the management of credit, market, operational and liquidity risks of *the Bank* complied with *the Bank's* internal documents, and that those reports included observations made by *the Bank's* risk management department and internal audit division in respect of the effectiveness of relevant risk management methodologies.

► We have noted that as at December 31, 2023, the authority of the Board of Directors and executive management bodies of *the Bank* included control over compliance of *the Bank* with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by *the Bank* during the year ended December 31, 2023, the Board of Directors and executive management bodies of *the Bank* regularly reviewed the reports prepared by *the Bank's* risk management department and internal audit division.

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of *the Bank*, as listed in the Law and described above, with the requirements set forth by the NBT.

The engagement person on the audit resulting in this independent auditor's report is Sadriddin Sharifov/Partner and Certified Practicing Auditor, qualification certificate № 0000065 issued by National Bank of Tajikistan.



Rahimbek Akramov
Auditor / Managing Partner
"Crowe - ACG" LLC



March 15, 2024

State license on auditing of the financial institutions in the Republic of Tajikistan under the number 0000149 issued by the National Bank of Tajikistan on January 28, 2022.

Qualification certificate of an auditor of the Republic of Tajikistan, issued by the Ministry of Finance of the Republic of Tajikistan, number 0000115 on April 11, 2019.

State license on performing general purpose audit activities in Tajikistan under the number 000164 issued by the Ministry of Finance of the Republic of Tajikistan on October 29, 2021.

Qualification certificate of an auditor of the Republic of Tajikistan, issued by the National Bank of Tajikistan, number 58 on January 8, 2014.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED DECEMBER 31, 2023**
(In thousands of Tajik somoni)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	27	160,198	117,104
Interest expenses	27	(106,547)	(74,324)
Net interest income		53,651	42,780
Commission income	28	46,844	36,193
Commission expenses	28	(26,470)	(27,447)
Net commission income		20,373	8,746
(Accrual)/recovery of allowance for expected credit losses	29	(8,450)	(121,620)
Net gain on foreign exchange operations	30	79,113	211,482
Other income (expenses)	31	6,917	5,068
OPERATING INCOME		151,604	146,456
Operating expenses	32	(125,183)	(96,805)
PROFIT BEFORE OTHER OPERATING PROVISIONS		26,421	49,651
(Provision)/recovery of provision for impairment losses on other transactions	29	1,273	(1,772)
PROFIT BEFORE INCOME TAX		27,694	47,879
Income tax	33	(7,734)	(6,320)
NET PROFIT FOR THE YEAR		19,960	41,559

On behalf of the Bank's Management:



Samandarzoda Navruz
 Chairman of the Bank

March 15, 2024




Gulamadshoev Rashid
 Chief accountant

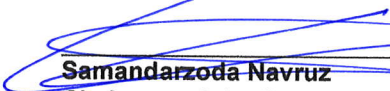
March 15, 2024

The notes on pages 13-65 form an integral part of the financial statements. The independent auditors' report is on pages 3-7.

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023
(In thousands of Tajik somoni)


	Notes	As of December 31, 2023	As of December 31, 2022
ASSETS			
Cash and balances with National bank of Tajikistan	8	434,802	519,254
Gold	9	73	59
Due from banks and other financial institutions	10	277,695	117,291
Financial assets designated at fair value through profit or loss	11	59,252	29,415
Loans to customers	12	860,237	561,952
Foreclosed assets	13	(1,054)	1,675
Investments	14	81	64
Property and equipment	15	63,078	48,633
Right-of-use assets	16	9,000	9,836
Intangible assets	17	23,877	14,522
Deferred tax assets	33	1,057	1,705
Other assets	18	77,556	68,672
TOTAL ASSETS		1,805,654	1,373,078
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and financial institutions	19	77,054	37,029
Financial liabilities designated at fair value through profit or loss	20	59,414	29,679
Customer accounts	21	816,042	509,598
Borrowings	22	555,369	562,749
Subordinated debt	23	39,446	37,206
Lease liabilities	16	9,835	8,521
Deferred income	24	51	197
Other liabilities	25	82,524	43,855
Total liabilities		1,639,734	1,228,834
Equity			
Share capital	26	80,182	80,182
Reserve on revaluation of PPE		4,966	4,966
Other reserves		19,633	19,633
Retained earnings		61,139	39,463
Total equity		165,920	144,244
TOTAL EQUITY AND LIABILITIES		1,805,654	1,373,078

On behalf of the Bank's Management:


Samandarzoda Navruz
 Chairman of the Bank

March 15, 2024




Gulamadshoev Rashid
 Chief accountant

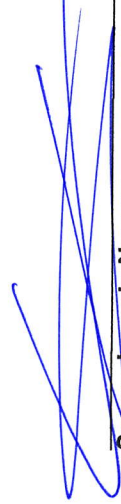
March 15, 2024

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**
(In thousands of Tajik somoni)

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
Balance at 31 December 2021	80,182	5,339	14,032	3,669	103,222
Opening balance adjustment	-	-	-	(537)	(537)
Transfer of revaluation to retained earnings	-	(373)	-	373	-
Replenishment of other reserves from retained earnings	-	-	5,601	(5,601)	-
Profit for the period	-	-	-	41,559	41,559
Balance at 31 December 2022	80,182	4,966	19,633	39,463	144,244
Opening balance adjustment	-	-	-	1,716	1,716
Transfer of revaluation to retained earnings	-	-	-	-	-
Replenishment of other reserves from retained earnings	-	-	-	-	-
Profit for the period	-	-	-	19,960	19,960
Balance at 31 December 2023	80,182	4,966	19,633	61,139	165,920

On behalf of the Bank's Management:



Samandarzoda Navruz
Chairman of the Bank

March 15, 2024




Gulamadshoev Rashid
Chief accountant

March 15, 2024

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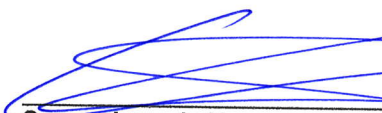
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In thousands of Tajik somoni)

	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from operating activities		
Profit before tax	27,694	47,879
Adjustments for:		
Amortization of property, plant and equipment, intangible assets and right-of-use assets	17,073	9,321
Changes in accrued interest	4,686	1,635
Unrealized losses on foreign exchange transactions	6,145	(5,530)
Recovery of allowance for impairment of interest- bearing assets	(469)	129,841
Accrual of allowances for impairment of other transactions	7,646	-
Profit/Loss from the sale of assets held for sale	-	-
Loss on disposal of property, plant and equipment	-	-
Cash inflows from operating activities before changes in operating assets and liabilities	62,775	183,146
Changes in operating assets and liabilities		
<i>Increase/decrease in operating assets:</i>		
Decrease of obligatory reserves in NBT	(11,579)	4,170
Increase/decrease in due from banks and other financial institutions	(31,721)	(60,702)
Increase of loans to customers	(299,306)	(59,319)
Decrease/Increase of other assets	(40,015)	25,217
<i>Increase/decrease in operating liabilities:</i>		
Decrease/Increase due to banks and financial institutions	40,025	(27,645)
Increase in customer accounts	306,444	30,366
Increase/decrease of other liabilities	59,774	30,832
Cash outflow from operating activities before taxation	86,397	126,065
Income tax paid	(7,835)	(5,489)
Net cash outflow from operating activities	78,562	120,576

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(In thousands of Tajik somoni)


	For the year ended December 31, 2023	For the year ended December 31, 2022
Cash flows from investing activities		
Purchase of PPE	(10,687)	(8,511)
Purchase of intangible assets	(11,624)	-
Proceeds from the sale of assets held for sale	-	-
Net cash (outflow)/inflow from investing activities	(22,311)	(8,511)
Cash flow from financing activities		
Increase/(decrease) from subordinated debt	(5,693)	(4,951)
Increase from borrowings	(7,380)	118,190
Payment of lease liabilities	(11,622)	(5,192)
Net cash inflow from financing activities	(24,695)	108,047
Impact of changes in the foreign currency exchange rate on cash balances in foreign currency	(1,408)	932
Net increase/decrease in cash and cash equivalents	30,148	221,044
Cash and cash equivalents at the beginning of the year	611,201	390,157
Cash and cash equivalents at the end of the year	641,349	611,201

On behalf of the Bank's Management:


 Samandarzoda Navruz
 Chairman of the Bank

March 15, 2024




 Gulamadshoev Rashid
 Chief accountant

March 15, 2024

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