

LIMITED LIABILITY COMPANY
INSURANCE AND REINSURANCE ORGANIZATION
“SPITAMEN INSURANCE”

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021

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Consolidated financial statements are presented in national currency – in thousand Tajik somoni

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FOR CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Management is responsible for maintenance of accounting records and preparation of consolidated financial statements that accurately present the consolidated financial position of Limited Liability Company Insurance and Reinsurance Organization "Spitamens Insurance" ("the Company") and its subsidiaries ("Group") as of December 31, 2021, as well as the results of their activities, consolidated cash flows and consolidated changes in equity for the year then ended.

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

In preparing consolidated 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 Group's consolidated financial position and consolidated financial performance; and
- making an assessment of the Group ability to continue as a going concern.

Management is also responsible for:

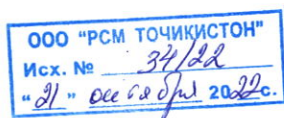
- designing, implementing and maintaining an effective and sound system of internal control, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time in the statement, and which enable them to ensure that the consolidated 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 Group;
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended December 31, 2021 was approved by Management of the Group on October 21, 2022.

On behalf of the Group's Management:


Rahmonov Buzurgjamil
Director


Nimatov Oyatullo
Financial Director



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Supervisory Board of Limited Liability Company Insurance and Reinsurance Organization "Spitamen Insurance":

Opinion

We have audited the consolidated financial statements of Limited Liability Company Insurance and Reinsurance Organization "Spitamen Insurance" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated 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 consolidated financial statements" section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the consolidated 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 Management of the Group 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.

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

<p>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.</p>	
<p>Borrowings</p>	
<p>The Management of the Group 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.</p> <p>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 Group to evaluate contractual agreements and their impact on borrowings accounting.</p>	<p>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.</p> <p>Note 21 "Borrowings" contains detailed information on borrowings.</p>

Emphasis matter

Negative foreign exchange position – we draw your attention to the note 41 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 42 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 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 is 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 relating 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 responsibility for the audit of consolidated financial statements

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

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

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
 Managing Partner - RSM Tajikistan LLC
 License of National Bank of Tajikistan
 BMT № 0000134 dated December 29, 2020

Maftunzhon Baratov
 Audit Partner
 Specialist License on bank audit
 BMT № 0000057 dated December 30, 2015

October 21, 2022.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousand Tajik somoni	Note	As of December 31, 2021	As of December 31, 2020
ASSETS			
Cash and cash equivalents	7	391,187	255,767
Restricted funds	7	31,882	9,444
Gold	8	87	68
Financial instruments at fair value through profit or loss	9	4,851	56,257
Loans to customers	10	609,066	441,375
Loans issued	11	7,420	-
Long-term assets held for sale	12	570	7,056
Investment in securities	13	64	64
Property, plant and equipment	14	44,395	36,929
Right-of-Use Assets	15	8,905	8,161
Intangible assets	16	19,711	16,113
Deferred tax asset	35	1,393	720
Accounts receivable from insurance		1,377	762
Other assets	17	48,057	45,542
TOTAL ASSETS		1,168,965	878,258
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	477,277	312,292
Borrowings	21	444,560	345,242
Subordinated debt	22	42,157	18,630
Lease liabilities	15	8,103	8,482
Deferred income	23	4,130	3,345
Provision for losses	24	603	217
Insurance accounts payable		215	181
Other liabilities	25	13,132	22,070
TOTAL LIABILITIES		1,059,672	777,737
Equity			
Share capital	26	90,269	87,742
Revaluation reserve		5,339	5,721
Other reserves		15,707	10,283
Required reserves for insurance		200	200
Retained earnings		(2,222)	(3,425)
TOTAL EQUITY		109,293	100,521
TOTAL LIABILITIES AND EQUITY		1,168,965	878,258

The consolidated financial statements presented on pages 7 to 79, were signed by the Management of the Group on October 21, 2022.

The enclosed notes on pages 13 to 79 are an integral part of these consolidated financial statements.

Rahmonov Buzurgjamil
 Director

Nimatov Oyatullo
 Financial Director



CONSOLIDATED 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
Insurance activity:			
Insurance premiums, total amount	27	4,219	3,778
NET AMOUNT OF INSURANCE PREMIUMS		4,219	3,778
Change in reserve of unearned premiums	28	(1,169)	(707)
NET AMOUNT OF EARNED PREMIUMS		3,050	3,071
Insurance payments	27	(128)	(173)
Change in reserve of loss provision	27	(386)	(90)
NET AMOUNT OF INSURANCE CLAIMS		(514)	(263)
RESULT FROM INSURANCE ACTIVITY		2,536	2,808
Banking activity:			
Interest and similar income	29	91,508	62,876
Interest and similar expense	29	(51,141)	(33,216)
NET INTEREST INCOME		40,367	29,660
Commission income	30	31,849	21,810
Commission expense	30	(32,759)	(25,341)
NET COMMISSION EXPENSE		(910)	(3,531)
Reversal of the allowance for expected credit losses	31	6,757	9,896
RESULT FROM BANKING ACTIVITY		46,214	36,025
Other activity:			
Accrual of allowance for impairment losses of other operations	31	(1,269)	(1,862)
Net gain on foreign exchange operations	32	40,055	41,323
Operating expenses	33	(79,857)	(64,977)
Other income/(expenses)	34	868	(755)
RESULT FROM OTHER ACTIVITY		(40,203)	(26,271)
PROFIT BEFORE INCOME TAX		8,547	12,562
Income tax	35	(1,262)	(3,276)
PROFIT FOR THE YEAR		7,285	9,286
OTHER COMPREHENSIVE INCOME FOR THE YEAR		-	-
TOTAL COMPREHENSIVE INCOME		7,285	9,286

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Rahmonov Buzurgjamil
Director

A handwritten blue ink signature of Nimatov Oyatullo.

Nimatov Oyatullo
Financial Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousand Tajik somoni	Share capital	Revaluation reserve	Other reserves	Insurance statutory reserve	Retained earnings	Total
Balance at December 31, 2019	87,742	6,152	-	200	(2,859)	91,235
Transfer of revaluation to retained earnings	-	(431)	-	-	431	-
Replenishment of other reserves from retained earnings	-	-	10,283	-	(10,283)	-
Profit for the period	-	-	-	-	9,286	9,286
Balance at December 31, 2020	87,742	5,721	10,283	200	(3,425)	100,521
Opening balance adjustment	-	-	-	-	1,487	1,487
Replenishment of the share capital	2,527	-	-	-	(2,527)	-
Transfer of revaluation to retained earnings	-	(382)	-	-	382	-
Replenishment of other reserves from retained earnings	-	-	5,424	-	(5,424)	-
Profit for the period	-	-	-	-	7,285	7,285
Balance at December 31, 2021	90,269	5,339	15,707	200	(2,222)	109,293

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Rahmonov Buzurgjamil
 Director

Nimatov Oyatullo
 Financial Director

CONSOLIDATED 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 income tax expenses	8,547	12,562
<i>Adjustments for:</i>		
Change in unearned premium reserve	1,169	707
Change in loss impairment	-	90
Amortization of property, plant and equipment, intangible assets and right-of-use assets	8,775	8,380
Unrealized losses on foreign exchange transactions	730	(419)
Net interest income before accrual of allowances for impairment of assets	(40,367)	(29,660)
Accrual of allowance for impairment of interest-bearing assets	(6,757)	(9,896)
(Recovery)/Accrual of allowances for impairment of other transactions	(1,269)	(1,862)
Loss from the sale of long-term assets held for sale	(813)	806
Loss on disposal of property, plant and equipment	3	16
Cash inflows from operating activities before changes in operating assets and liabilities	(29,982)	(19,276)
Changes in operating assets and liabilities:		
<i>(Increase)/decrease in operating assets:</i>		
Decrease of minimal reserves in NBT	(22,355)	3,448
Increase in banks and other financial institutions	-	(1,000)
Increase of loans to customers	(167,782)	(159,910)
Decrease/(increase) of accounts receivable from insurance	(271)	2
Increase of other assets	(2,527)	(24,261)
<i>Increase/(decrease) in operating liabilities</i>		
(Decrease)/Increase due to banks and financial institutions	53,704	7,301
(Decrease)/Increase in customer deposits	165,280	40,740
(Decrease)/Increase of accounts payable of insurance	34	(35)
Increase of other liabilities	(8,967)	13,560
Cash outflow from operating activities before taxation	(12,866)	(139,431)
Income tax paid	(4,410)	(2,173)
Interest paid	(50,955)	(28,643)
Interest received	82,357	101,569
Net cash outflow from operating activities	14,126	(68,678)
Cash flows from investing activities		
Purchase of PPE	(12,128)	(8,704)
Purchase of intangible assets	(4,272)	(1,376)
Proceeds from the sale of long-term assets held for sale	15,615	5,153
Proceeds from sale of PPE	-	31
Net cash (outflow)/inflow from investing activities	(785)	(4,896)

(Continue)

Cash flow from financing activities

Increase from subordinated loan	22,600	-
Increase from borrowings	100,000	20,000
Payment of borrowings	(18,080)	-
Payment of lease obligations	(4,538)	(3,004)
Net cash inflow from financing activities	99,982	16,996
Impact of changes in the foreign currency exchange rate on cash balances in foreign currency	(1,143)	2,105
Impact of allowance for impairment on cash and cash equivalents	-	-
NET DECREASE CASH AND CASH EQUIVALENTS	112,180	(54,473)
Cash and cash equivalents at the beginning of the year	249,436	303,909
Cash and cash equivalents at the end of the year (Note 7)	361,616	249,436

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The enclosed notes on pages 13 to 79 are an integral part of these consolidated financial statements.

Rahmonov Buzurgjamil
 Director



Nimatov Oyatullo
 Financial Director