

Audited Project Financial Statements

Project Number: 42007-018

Loan/Grant Number: 3405

Period covered: 01 January 2020 to 31 December 2020

Uzbekistan: Small Business Finance Project

Prepared by Joint Stock Commercial Bank with Foreign Capital “Hamkorbank”

For the Asian Development Bank

Date accepted by ADB: 9 August 2021

The audited project financial statements are documents owned by the borrower. The views expressed herein do not necessarily represent those of ADB’s Board of Directors, Management, or staff. These documents are made publicly available in accordance with ADB’s Access to Information Policy and as agreed between ADB and the Joint Stock Commercial Bank with Foreign Capital “Hamkorbank”.



**JOINT STOCK COMMERCIAL BANK
WITH FOREIGN CAPITAL "HAMKORBANK"**

**SMALL BUSINESS AND ENTREPRENEURSHIP
DEVELOPMENT PROJECT
ADB LOAN №3405-UZB**

**INDEPENDENT AUDITOR'S REPORT
AND SPECIAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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INDEPENDENT AUDITOR'S REPORT

To the Management of the Joint Stock Commercial Bank with Foreign Capital “Hamkorbank”

Opinion

We conducted an audit of the special financial statements (hereinafter - Financial statements) of the Small Business Development and Private Entrepreneurship Development Project financed by the Asian Development Bank (hereinafter - ADB) Project Agreement No. 3405-UZB dated 3 March, 2017 with JSCB “Hamkorbank” (hereinafter - the Project). The financial statements include: Financial statement on sources and use of funds with individual indication of Asian Development Bank funds, Report on loan accounts, and Report on the use of funds on activities for the implementation of the project for the year ended 31 December, 2020 including a summary of significant accounting policies.

The financial statements were prepared by the management of the Project Implementation Unit (hereinafter PIU) of the Joint-Stock Commercial Bank “Hamkorbank” on a cash basis of accounting, in accordance with the International Public Sector Accounting Standards (hereinafter referred to as IPSAS) issued by the International Public Sector Accounting Standards Board of the International Federation of Accountants.

In our opinion, in all material respects:

- (i) The accompanying financial statements faithfully reflect the sources and uses of the funds of the Project for the period from January 1 to December 31, 2020, which expired on that date, in accordance with the terms of the Project Agreement and the IPSAS;
- (ii) ADB funds were used only for the purposes for which these funds were provided, as specified in the Project Agreement for the year ended December 31, 2020; and no loan receipts were used for any other purposes;
- (iii) The advance payment account gives a fair view of the receipts and payments made during the reporting period, and these receipts and payments confirm the liquidation / replenishment of the advance account during the year ended December 31, 2020;
- (iv) Relevant supporting documentation is maintained for expenditure statements to comply with ADB requirements for reimbursement of expenses incurred; and also, to confirm expenses subject to financing in accordance with the Project Agreement No. 3405-UZB.



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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for the audit of financial statements" of our opinion. We are independent of the Project in accordance with the ethical requirements applicable to our audit of financial statements in the Republic of Uzbekistan, and we have fulfilled other ethical duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of accounting

We draw attention Notes of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.

Responsibility of the Management and Those Charged for Corporate Governance, the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS: "Financial reporting on the cash basis of accounting" and for the internal control system that management considers necessary for 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 project's ability to continue with the project, disclosing, where applicable, issues related to ongoing activities and the use of the basis for accounting, unless management intends to complete or terminate the Project or not have a realistic alternative for doing so.

The persons responsible for the management are responsible for overseeing the preparation of the financial statements of the Project.

Auditor's Responsibility for the Audit of Financial Statements

Our objective is to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error and in the issuance of an audit report that contains our opinion. Reasonable confidence is a high degree of certainty, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing always reveals significant distortions if they exist. Distortions can be the result of unfair acts or mistakes and are considered significant if one can reasonably assume that individually or collectively, they can affect the economic decisions of users made on the basis of these financial statements. As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;



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- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Company to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Company losing the ability to continue its business continuously;
- assess the presentation of the financial statements in general, its structure and content, including disclosure of information, as well as whether the financial statements present the underlying operations and events in a manner that ensures their reliable representation;
- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Company in order to express an opinion on the financial statements. We are responsible for the management, control and conduct of the Company's audit. We remain fully responsible for our audit opinion.

We collaborate with persons responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

Partner:

N. F. Karimov

Audit Manager:



N. N. Yulchiev

30 June, 2021
Tashkent, Uzbekistan

FINANCIAL STATEMENT ON SOURCES AND USE OF FUNDS WITH INDIVIDUAL INDICATION OF ASIAN DEVELOPMENT BANK FUNDS

For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020	For the year ended 31 December, 2019 (restated)	Cumulative (restated)
Balance as at 1 January, 2020	750 055	3 906 229	-
ADD: SOURCES			
ADB replenishments to the advance account	7 732 298	8 079 718	45 000 000
Temporary financing by the bank	-	4 009 771	5 009 771
Total cash available	8 482 352	15 995 718	50 009 771
LESS: USE OF FUNDS			
Sub-loans for qualified borrowers			
including:			
- Credit funds of ADB	4 472 581	15 941 503	45 000 000
- Unutilized part	-	(695 841)	-
- Replenishment of the amount financed by bank	4 009 771	-	5 009 771
Total use of funds	8 482 352	15 245 663	50 009 771
Balance as at 31 December, 2020	0	750 055	0

Signed on behalf of the Management Board of the Bank on 29 June, 2021:

Chairman of the Board

Chief Accountant

Juraev B.T.

Irgashev N.R.



REPORT ON LOAN ACCOUNTS
For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020	For the year ended 31 December, 2019 (restated)	Cumulative (restated)
Balance as at 1 January, 2020	750 055	3 906 229	-
RECEIPTS:			
Replenishments of the Asian Development Bank	7 732 298	8 079 718	45 000 000
Financing from the own funds of the Bank	-	4 009 771	5 009 771
Co-financing (beneficiaries)**	9 878 089	18 756 199	78 979 416
Repaid loans	13 661 885	-	13 661 885
Total receipts	32 022 327	34 751 917	142 651 072
PAYMENTS:			
Approved amount of loan from ADB funds	4 472 581	15 941 503	45 000 000
Replenishment of the amount financed by bank	4 009 771	-	5 009 771
Unutilized part	-	(695 841)	-
Approved amount of loan from repayment of loans*	2 856 302	-	2 856 302
Co-financing (beneficiaries)	9 878 089	18 756 199	78 979 416
Total payments	21 216 743	34 001 862	131 845 488
Balance as at 31 December, 2020	10 805 584	750 055	10 805 584

* - loans given from repayed amount of loans in 2020

** - co-financing (beneficiaries) for 2018 is 31 412 022 USD and for 2017 is 18 933 106 USD

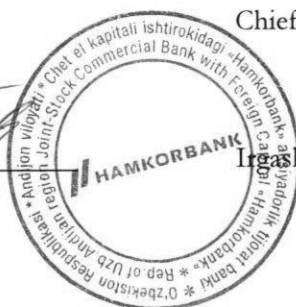
Signed on behalf of the Management Board of the Bank on 29 June, 2021:

Chairman of the Board

Chief Accountant

Juraev B.T.

Irgashev N.R.



REPORT ON THE USE OF FUNDS ON ACTIVITIES FOR THE IMPLEMENTATION OF THE PROJECT

For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020
Payments by sector	
For industry	1 538 917
МЧЖ "Obod-mustahkam-qurilish"	28 397
МЧЖ "Bunyodkor Kafolat Servis"	108 220
ОК "Asr Ziyο Tex"	8 176
ХК "Lux Textile"	74 600
МЧЖ "Andijon moylash materiallari"	20 961
МЧЖ "So'lim avto sozlash"	23 168
МЧЖ "Tuxtamish Oltin Nematlari"	167 917
ОК "Ahror Fayz Teks"	31 485
МЧЖ "Shox-Akbar"	200 000
МЧЖ "Eva Granules"	21 153
ХК "Chin-Ilhom"	250 000
МЧЖ "Ece Textile"	47 462
МЧЖ "DT Nashr"	105 110
ЯТТ "Aliyev Bobir Jonibekovich"	68 322
МЧЖ "Royal-Mebel-Savdo"	100 000
МЧЖ "Mega Eko Prom"	157 079
МЧЖ "Tashkent Hebei Fayz"	56 618
МЧЖ "Fagen-Plyus"	70 250
For agriculture	330 667
ДХ "Абдуллаев Турсунхужа"	3 142
ФХ "Mirusmon Mirxoliq Baraka"	73 321
МЧЖ "Asaka Imkon"	41 397
ДХ "Usmanov Umid Karimovich"	3 145
ФХ "Sharq Bahodiri"	209 662
For construction	370 824
МЧЖ "Ahmad Construction Group"	18 508
МЧЖ "Xiva Invest"	96 000
МЧЖ "Насаф профи сервис"	67 074
МЧЖ "Falcon Engineering and Construction Company"	1 155
МЧЖ "Falcon Engineering and Construction Company"	29 287
МЧЖ "Кашкадарё ОБИ-ХАЕТ"	36 789
МЧЖ "Muhridin Murtazaqulovich"	122 012

**REPORT ON THE USE OF FUNDS ON ACTIVITIES FOR THE IMPLEMENTATION OF
THE PROJECT (CONTINUED)**

For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020
Payments by sector(continued)	
For trade	4 057 844
МЧЖ "Sadoqatli Mehnat Quvonchi"	6 837
МЧЖ "Gigant National"	11 502
ЯТТ "Абдулазизов Нозимжон Насибжонович"	8 190
ЯТТ "Ashirova Nigoraхon Azamjanovna"	29 526
ЯТТ "Иминов Рузимухаммад Равшанович"	14 041
МЧЖ "Transservice Gaz Oil"	22 482
ЯТТ "Сулаймонова Шашидахон Юлчибоевна"	11 711
МЧЖ "GR International"	35 000
МЧЖ "Fakhriddinov"	30 000
МЧЖ "Marvel Business Corporation"	36 137
ХК "Amanbayev Yorqinjon"	5 237
ЯТТ "Suleymanov Umid Tursunovich"	3 141
ЯТТ "Tursunbayev Xamid Xaitovich"	11 502
ЯТТ "Rahmonov Axliddin Zaylobiddinovich"	157 764
МЧЖ "Alko Trans Trade"	36 812
ЯТТ "Mamajanov Avazbek Rustamovich"	11 675
ЖК "Fazo"	3 660
МЧЖ "Ideal Mega Lux"	21 035
ЯТТ "Abdujabarova Nigora Nishanbayevna"	7 856
ХК "Do'stlik Boys"	100 000
ХК "Фар Долина Инвест"	17 911
МЧЖ "The Gold liqour"	31 423
ЯТТ "Djurayev Xalim Arazaliyevich"	31 370
ЯТТ "Jumaniyozova Gulbahor Sultonovna"	10 470
ЯТТ "Jumaniyozova Gulbahor Sultonovna"	4 398
ХК "Xaydarov Abdiraxmon Alisherovich"	12 548
МЧЖ "Nasaf-Naqshijahon"	31 553
ЯТТ "Mambetaliyev Rufat Amanbayevich "	4 190
ЯТТ "Nametullayeva Zulfiya Bazarbayevna"	4 190
МЧЖ "Aybolit Nukus Farm"	73 321
ХК "Suyenbayev Serik Sagirovich"	5 228
ОК "Ayzada-Begzada"	6 731
МЧЖ "Denov Agro Export-Import"	75 000
ЯТТ "Rajabboyeva Yulduz Raxmanovna"	31 411
ХК "Do'stlik Baraka Qog'oz savdo"	12 548
ХК "Azaliya Farm"	25 242
ХТ "Ахатов Аминжон Умар угли"	52 352
ЯТТ "Xudayberganov Rashidbek Davranovich"	26 490
МЧЖ "Max Business Sardor"	10 470
МЧЖ "Good Zone"	41 898
Урымбаева Барно Юсупбаевна	19 868
ЯТТ "Davlatov Ixtiyor Raximberganovich"	41 826
Mirzabayeva Nadira Bekmurzayevna	9 956
МЧЖ "Invest-7"	20 961
ХК "Marsal"	11 769
ЯТТ "Кадиров Кахрамон Хасан Угли"	8 384
Ayarova Aygerim Sansizbay qizi	4 192

REPORT ON THE USE OF FUNDS ON ACTIVITIES FOR THE IMPLEMENTATION OF THE PROJECT (CONTINUED)
For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020
Payments by sector(continued)	
ХК "Best Imperia"	15 720
ЯТТ "Nurmuxamedov Nodirjon Raufdjanovich"	26 201
МЧЖ "Yoqut-Xon"	104 803
МЧЖ "Mig Oil Metan"	104 803
МЧЖ "Yulduz Gold"	15 196
МЧЖ "Ezgulik SH-Z"	10 483
ЯТТ "Хайитбоев Маруфжон Уктам угли"	13 628
ЯТТ "Mirzayev Nuriddin Boxodirovich"	4 717
ХТ "Абдурахимов Ислон"	7 338
ЯТТ "Matyakubova Kunduz Ismailovna"	3 669
ЯТТ "Samandarova Risalat Baxtiyarovna"	29 353
ЯТТ "Эргашев Пахлавонмахмуд Хуснидин угли"	18 870
ЖМФ "Atamurat-D"	8 386
ЯТТ "Ражабова Сабохат Одилбой кизи"	8 386
МЧЖ "Комила Нурли Барака"	47 174
ЯТТ "Axmedova Umida Sultanovna"	20 966
ХК "Sam Kabel Nur"	31 449
ЯТТ "Rejapov Akbarjon Temirovich"	11 648
ЯТТ "Sattarova Nasibaxon O'rmonovna"	4 193
ЯТТ "Abdusattarov Toyirjon Nabijonovich"	8 816
МЧЖ "Paykar-Business"	16 582
МЧЖ "Gulora Surayyo"	25 712
МЧЖ "Hazorasp Rubex Gold"	40 500
ЯТТ "Solijonova Karimaxon Qurbanovna"	11 544
ХК "Жасур-Умид-Сервис"	4 198
МЧЖ "Max Business Saodat"	29 910
МЧЖ "Дубай Бизнес"	27 287
МЧЖ "El Cristal"	300 000
ЯТТ "Raxmonova Zubaydaxon Tulkinovna"	7 346
Akbarova Dildoraxon Umarovna	6 822
ЯТТ "Xusanboyev Begzodbek Dilmurod o'g'li"	5 247
МЧЖ "Eco-Inter Servis"	93 000
МЧЖ "Elite Oil Trade"	93 000
ЯТТ "Saurov Baxodir Achilovich"	14 074
ЯТТ "Saurov Baxodir Achilovich"	32 103
ХК "Зияуов Еркинбай Сабырбаевич"	49 851
ЖШЖ "Extra trade service"	125 938
ЯТТ "Narmatov Kamil Xamitovich"	6 298
МЧЖ "Turan Impex"	52 486
МЧЖ "Сада марс"	36 635
МЧЖ "Electro Cable Trade"	20 995
ЯТТ "Enazarov Jamoliddin Djumavoyevich"	48 812
МЧЖ "Lady Miss Bayruza"	112 321
МЧЖ "Sirdaryo Sement Avto"	77 500
ЯТТ "Yuldasheva Oyimjon Baxtiyor qizi"	10 497
ХК "Yangiobodlik Ibrohim Xuja"	99 644
МЧЖ "Nukus Alfa Kapital"	73 577
МЧЖ "Sirdaryo Sement Avto"	15 000
МЧЖ "Erkaboy Biznes"	25 000
МЧЖ "Universal Mazza Quruq Mevalar"	220 000
МЧЖ "Marko Torg"	58 418
ЯТТ "Abdijabborov Xasan Dilshod o'g'li"	65 575
МЧЖ "Asia Auto Trade"	42 015
МЧЖ "Омад"	29 489
ХК "Lux-Beer"	14 744
ЯТТ "Даумбаев Гуламжан Тагабергенович"	5 898

REPORT ON THE USE OF FUNDS ON ACTIVITIES FOR THE IMPLEMENTATION OF THE PROJECT (CONTINUED)

For the year ended 31 December 2020

In US dollars	For the year ended 31 December, 2020
Payments by sector(continued)	
МЧЖ "Saxovat Metan Gaz"	47 261
МЧЖ "Saxovat Metan Gaz"	190 953
ХК "Истиклол"	236 000
For service	1 030 630
Soyibov Azizbek Yangiboyevich	26 294
ЯТТ "Axmedov Qaxramon XXX"	30 999
ХК "Shifo-Nur-Servis"	300 000
МЧЖ "Logistics Service Group"	16 759
ХК "Ali Stomadent"	11 738
ЯТТ "Matyakubov Baxramboy Rajabbayevich"	23 139
ЯТТ "Mannopov Abduraxim Abdujabbarovich"	26 186
Гаибназаров Муродил Тожимахаматович	12 548
ЯТТ "Jabbarov Xayotbek Abdullayevich"	26 201
ХК "Trans Mega Hayot"	76 506
ЯТТ "Baxadirov Shavkatilla Shuxratillayevich"	19 918
ХК "Жасур-Умид-Сервис"	27 287
МЧЖ "Shoxzodbek Logistik"	29 386
Zahiriddin Muhammad Bobur Universal Academy	209 897
ЯТТ "Sabirova Gulasal Kuvandikovna"	31 492
ХК "Bek-Yus Trade"	131 275
ЯТТ "Karimov Olimjon Kadirovich"	31 007
Total amount of payments under the Project	7 328 883

Signed on behalf of the Management Board of the Bank on 29 June, 2021:

Chairman of the Board

Chief Accountant

Juraev B.T.



Irgashev N.R.

NOTES TO THE SPECIAL FINANCIAL STATEMENTS

1. Introduction

These Special Financial Statements based on the Cash basis for the year ended 31 December, 2020 were prepared by a Joint-Stock Commercial Bank with Foreign Capital "Hamkorbank" in accordance with the requirements of the International Public Sector Accounting Standard (IPSAS) "Financial statements on the cash basis of accounting" International Federation of Accountants (IFAC).

The bank was registered and is located in the Republic of Uzbekistan. The Bank is a joint stock company with limited liability and was established in accordance with the legislation of the Republic of Uzbekistan.

Joint-stock commercial bank with foreign capital "Hamkorbank" (hereinafter "the Bank") renders services in microfinance through 46 branches and 114 mini-banks. The bank has 288 microcredit employees, including three employees in the head office.

Descriptions of the Project

The Government of Uzbekistan has signed a loan agreement No.3405-UZB (the "Loan Agreement") dated 3 March, 2017 for USD 100 million ("USD") with the Asian Development Bank ("ADB"). According to this loan agreement, ADB agreed to provide, through the Ministry of Finance of the Republic of Uzbekistan, USD 45 million to JSCB Hamkorbank.

The total amount of borrowed funds provided by JSCB Hamkorbank in accordance with Section 2.01 of the Loan Agreement and the Supplementary Loan Agreement (SLA) signed between the Ministry of Finance and JSCB Hamkorbank in the framework of the second Small and Microfinance Development Project is USD 45 million.

In accordance with the SLA, the loan was granted for a period of 15 years, including a 5-year grace period. The annual interest rate is defined as 6 months of LIBOR plus 0.6% and an annual charge for liabilities of 0.15%.

The main responsibility for repayment of the principal amount of the loan and related payments lies with the government of Uzbekistan.

In accordance with the Decree of the President of the Republic of Uzbekistan No. 2663 of 29 November, 2016 "On measures to implement the" Enterprise and Small Business Development Project "with the participation of the Asian Development Bank" (Decree), the Bank was appointed as one of the participating commercial banks (PCB). The decree stipulates that the Ministry of Finance of the Republic of Uzbekistan is responsible for overall project coordination. Participating commercial banks act as agents for the implementation of the project. Payment of all payments and interest and repayment of the principal amount under the project should be carried out by member commercial banks.

The main objective of the project is to increase the range of small loans and micro financial products offered by member commercial banks. In accordance with the Project Agreement, the proceeds from the ADB Loan should only be used to make sub-loans to qualified sub-borrowers to perform qualified sub-projects (these terms are defined in the Project Agreement). Each such sub-loan must contain 50% of the Bank's own funds and 50% of the loan. The loan has a principal repayment period of 20 years. In accordance with the project agreement, sub-loans must have a maturity period that does not exceed 5 years.

After the repayment of the Sub-loan, these funds can be used to finance new sub-loans (refinancing) during the main repayment period.

1. Introduction (Continued)

Project Implementation Unit

The Project Implementation Unit ("PIU") was established in accordance with Order No. 173 of 28 May, 2010 for the purposes of:

- Realization of the project on behalf of the Bank, including selection of qualified sub borrowers, lending and subsequent monitoring;
- Coordinates the project with ADB, auditors and consultants;
- Submission of applications, reports related to projects, applications for withdrawal of funds.

2. Basics of preparation

These Special Financial Statements of the Project based on the cash method were prepared in accordance with:

- The International Public Sector Accounting Standard (IPSAS), "Financial Reporting on the Cash Accounting Method", promulgated by the International Federation of Accountants (IFAC) in accordance with the requirements of the "Guidelines for Borrowers for Financial Management and Analysis of Projects Funded by the Asian Development Bank", published by Asian Development Bank in 2015;
- the requirements of the Loan Agreement and the Project Agreement.

These Special Financial Statements of the Project based on the cash method provides information only on the provision of initial loans using loan proceeds. Submission of information on the repayment of sub-loans and their subsequent re-lending in this Project of the Special Financial Report on the basis of the cash method is not required.

Summary of Significant Accounting Policies

2.1. Cash Basis Accounting

The cash basis accounting recognizes transactions and events only when the cash (including their equivalents) is received or paid by the Bank. The financial statements prepared in accordance with the cash basis provide information on the sources of cash, during the period, the purposes for which cash and cash balances were used at the balance sheet date. The focus of measurement in financial statements is the cash balances and changes in them.

Borrowings from other banks and international financial organizations (including the Asian Development Bank), as a rule, will bring an inflow of money. Cash is controlled by the Bank when the Bank can use the funds to achieve its own purposes or otherwise benefit from cash and exclude or regulate the access of others to this benefit. Cash collected, or assigned or granted to the Bank, can be used to finance operational purposes, purchase of capital assets or repayment of debt.

Sub-loans are reflected in the expense report and in the report on the sources and use of funds in the period. Sub-loans are issued to certified Sub-borrowers. The Bank prepares information on cash receipts, payments and balances on a gross basis.

3. Summary of Significant Accounting Policies (Continued)

Reporting currency and translation methodologies

The reporting currency of the Special Report project based on the Cash Method is US dollars. Borrowings from ADB are accepted in US dollars.

The official exchange rates established by the Central Bank of the Republic of Uzbekistan ("CBU") were as follows:

- 31 December, 2020 ~ 1 USD / UZS 10476.92;

The amount of loans issued in soums was transferred to US dollars using CBU rates as of the date of transfer of funds to sub-borrowers' accounts or to withdraw cash from the sub borrower.

3.2. Advances in the Central Bank of the Republic of Uzbekistan

A separate bank account for making advances to ADB and for exclusive use within the framework of the project (Advance account) is open at the Central Bank of the Republic of Uzbekistan. The currency of the advance account is US dollars.

The bank uses an advance account to receive replenishments for sub-loans to qualified sub-borrowers under the project.

3.3. Use of borrowed funds

In order to comply with the requirements of the project agreement and other relevant documents in connection with the appropriateness of using ADB loans, the Bank monitors compliance with the following parameters:

Criteria for a Qualified Subborrower

The Bank shall ensure that each Qualified Subborrower:

- Is financially viable (as demonstrated by, for example, its capacity to repay the Subloan and having a proper track record);
- Is not a related party with respect to Bank under the Borrower's law and regulations or the CBU's requirements; and
- Has, at any given time, maximum exposure not exceeding \$300,000 equivalent from the Loan proceeds;

Criteria for Qualified Subprojects

The Bank shall ensure that each Qualified Subproject shall be for activities that:

- Do not involve any involuntary resettlement or indigenous peoples impacts, all within the meaning of the SPS;
- do not involve any environmental impacts, which can be categorized as Category A, all within the meaning of the SPS, or class 1 or 2 of all applicable laws and regulations of the Borrower relating to environment;
- are not included in the list of prohibited investment activities provided in Appendix 5 of the SPS of the Project Agreement;
- are not included in the Environmental Exclusion Checklist; and
- do not involve mining or genetically modified organisms.

3. Summary of Significant Accounting Policies (Continued)

Criteria for Sub-Loans

The Bank shall ensure that each Subloan:

- carry interest at an appropriate rate that takes into account the cost of funds, administrative expenses and credit, and foreign exchange risks (i.e., have a market-based interest rate in accordance with its credit policy from time to time) and have repayment period not exceeding 5 years;
- does not exceed the maximum Subloan amount of \$ 300 000 equivalent; and
- is denominated in Dollar or Sum and such denomination shall be determined at the time the Subloan is made. The Subloan may be withdrawn in any legal form.
- at least 20% of aggregate number of the Subloans made by it shall be for Qualified Subborrowers with a minimum of 50% of women's property and
- at least 60% of the aggregate number of all Subloans made by it shall be for Qualified Subborrowers registered or located outside the City of Tashkent. For the avoidance of doubt, the Subloans to Qualified Subborrowers under subparagraph (a) hereinabove can also be counted as Subloans to Qualified Subborrowers under this subparagraph (b), if the Qualified Subborrowers under subparagraph (a) hereinabove are registered or located outside the City of Tashkent.

Screening, Categorization and Environmental and Social Assessment and Planning

The Bank shall ensure that before any Qualified Subproject is approached for financing, the ESMS is used to screen and categorize the significance of potential environmental, involuntary resettlement or indigenous peoples impacts associated with such Qualified Subproject.

Environment

Bank shall ensure that the preparation, design construction, implementation, operation and decommissioning of each Qualified Subproject comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environment Safeguards; and (c) the ESMS, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

Bank shall ensure that the Project does not have any involuntary resettlement impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, Bank shall take all steps required to ensure that the Project complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

3. Summary of Significant Accounting Policies (Continued)

Indigenous peoples

Bank shall ensure that the Project does not have any indigenous peoples impacts, all within the meaning of the SPS. In the event that the Project does have any such impact, Bank Shall take all Steps required to ensure that the Project complies with all the applicable laws and regulations of the Borrower and the SPS. In case of any inconsistency or discrepancy between the SPS and the applicable laws and regulations of the Borrower, the SPS shall prevail.

Human and Financial Resources to implement safeguards Requirements

Bank shall ensure that necessary budgetary and human resources are made available to fully implement the ESMS.

Safeguard Monitoring and Reporting

Bank shall do the following:

- submit annual Safeguards Monitoring Reports to ADB;
- if any unanticipated environmental and/or social risks and impacts arise during Qualified Subproject implementation, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- report any actual or potential breach of compliance with the measures and requirements set forth in the ESMS promptly after becoming aware of the breach

Labor standards and safety

Bank shall ensure that the Qualified Subborrowers comply with the core labor Standards and the Borrower's applicable laws and regulations during the Project implementation, including, but not limited to, the requirements relating to (a) Workplace occupational Safety norms; (b) no use of child labor; (c) no discrimination against workers in respect of employment and occupation; and (d) no use of forced labor, Bank shall ensure that the workers engaged by the Qualified Subborrowers for the Qualified Subprojects are not restricted from developing legally permissible means of expressing their grievances and protecting their rights regarding conditions and terms of employment.

Bank shall strictly monitor compliance with the requirements set forth in paragraph 14 in the Project Agreement and provide ADB with regular reports.

Gender and Development

Bank shall ensure that (a) the GAP is implemented in accordance with its terms; (b) adequate resources are allocated for the implementation of the GAP; and (c) progress on implementation of the GAP, including progress towards achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

3. Summary of Significant Accounting Policies (Continued)

Governance and Anticorruption

Bank shall (a) comply with ADB'S Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project, and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

Bank shall ensure that all contracts in relation to the Project include provisions Specifying the right of ADB to audit and examine the records and accounts of the contractors, suppliers, consultants, and other service providers as they relate to the Project.

Combating Money Laundering and Financing of Terrorism

Bank shall:

- comply with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove;
- promptly inform the Borrower and ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs Hamkorbank of its concern that there has been such an alleged violation, Hamkorbank shall: (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request; and provide an update in its quarterly progress report to ADB on any change in its management and shareholders.

Financial Covenants

Bank shall ensure that it remains financially sound throughout the Project implementation period. Specifically, Bank shall satisfy and maintain:

- prudential ratios required by the CBU, as amended from time to time,
- a return on average assets ratio of not less than 1%. For the purpose of this subparagraph, return on assets ratio means Hamkorbank's net income after tax divided by its average total assets in a financial year as reported in its management accounts in accordance with international financial reporting standards;
- net non-performing loans ratio of not more than 5%. For the purpose of this Subparagraph, net non-performing loans ratio means, in relation to any date, the percentage figure calculated as follows: (i) the aggregate amount of non-performing loans minus reserves (ii) divided by gross loan portfolio; and (iii) multiplied by, 100, with per cent added after such figure. For the purpose of this subparagraph, non-performing loan means any loan in respect of which any (principal or interest amount has been outstanding for a period of more than 90 days after the relevant due date provided for under the agreement(s) pursuant to which that loan was made; and

3. Summary of Significant Accounting Policies (Continued)

- a maximum limit on an individual related party exposure of no more than 25%. For the purpose of this subparagraph, this limit is calculated as an individual exposure to a related party divided by the gross loan portfolio, expressed as a percentage.

On 31 December 2020, the Bank was in compliance with the above Covenants, as required by the Project Agreement.

4. Significant disclaimers and judgments

When an error arises in relation to cash balance reported in the financial statements, the amount of the error that relates to prior periods, Bank reported by adjusting the cash at the beginning of the period. Also, Bank restates comparative information and disclosed in the notes to the financial statements the following:

- The nature of the error;
- The amount of the correction; and
- The fact that comparative information has been restated or that it is impracticable to do so.

A. Co – financing of beneficiaries

In previous years, the Project did not keep records of balances, receipts and payments of funds made from co-financing of the Republic of Uzbekistan. The project made adjustments to the financial statements with respect to the fair presentation of financial statements and recognized all balances, receipts and payments of funds.

In US dollars	For the year ended 31 December, 2020	For the year ended 31 December, 2019 (restated)	For the year ended 31 December, 2018 (restated)	For the year ended 31 December, 2017 (restated)	Cumulative (restated)
Balance as at 1 January, 2020	-	-	-	-	-
RECEIPTS:					
Co - financing (benefeciaries)	18 756 199	9 878 089	31 422 022	18 933 106	78 989 416
Total receipts	18 756 199	9 878 089	31 422 022	18 933 106	78 989 416
PAYMENTS:					
Co - financing (benefeciaries)	18 756 199	9 878 089	31 422 022	18 933 106	78 989 416
Total payments	18 756 199	9 878 089	31 422 022	18 933 106	78 989 416