

# **CLOSED JOINT-STOCK COMPANY SPITAMEN BANK**

Financial Statements  
and Independent Auditor's Report  
For The Year Ended 31 December 2017

# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Supervisory Board of CJSC Spitamen Bank:

### Qualified Opinion

We have audited the financial statements of CJSC Spitamen Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Qualified Opinion

As at 31 December 2017, the net outstanding balance of Bank's buildings and other real estate, which are carried at revalued amounts, amounted to 13,186 thousand Somoni. In accordance with the requirements of International Accounting Standards 16 "Property, Plant and Equipment", revaluations should be made with sufficient regularity such that the carrying amount of property, plant and equipment does not differ materially from its fair value as at reporting date. The last revaluation of the Bank's building and other real estate was performed by an independent appraiser as at 28 December 2015. In September 2017, the Bank completed the sale of its Head Office building and as at the date of sale the fair value of building was significantly higher than its carrying amount. We were unable to obtain sufficient appropriate audit evidence that the carrying amount of buildings and other real estate as at 31 December 2017 complies with the requirements above. Similarly, we could not determine whether the revaluation reserves provided by the Bank, are adequate to reflect the value of the Bank's total buildings and other real estate at its recoverable value. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Material Uncertainty Related to Going Concern

The accompanying financial statements have been prepared assuming that the Bank will continue as a going concern. As discussed in Notes 2 and 28 to the financial statements, as at 31 December 2017, the Bank had not complied with one coefficient set by Instruction #176 of the National Bank of Tajikistan "On regulation of lending organisations operations". This event may result in sanctions being applied by the National Bank of Tajikistan in its capacity as a regulator. Management's plans concerning these matters are also discussed in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified in respect of this matter.

### Emphasis of Matter

We draw attention to Note 23 to the financial statements, which states that 90% of the Bank's customer accounts as at 31 December 2017 were from one customer. Our opinion is not modified in respect of this matter.



## **Other Matter**

The financial statements of CJSC Spitamen Bank for the year ended 31 December 2015 were audited by another auditor who expressed an unmodified opinion on those statements on 20 June 2016.

As part of our audit of the 2017 financial statements, we also audited the adjustments described in Note 5 that were applied to amend the 2015 corresponding figures. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2015 financial statements of CJSC Spitamen Bank other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2015 financial statements taken as a whole.

## **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 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.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## **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.

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.



Gulanor Atobek  
Audit Director

(qualification certificate № 0000113 dated 4 December 2013,  
Issued by the Ministry of Finance of the Republic of Tajikistan)

Deloitte & Touche, LLC

License on auditing in the Republic of Tajikistan BMN<sup>o</sup> 0000106 dated 13 May 2017, issued by the  
Ministry of Finance of the Republic of Tajikistan.

License on auditing of financial institutions in the Republic of Tajikistan  
BMTN<sup>o</sup> 0000019 dated 08 January 2014, issued by the National Bank of Tajikistan.

4 October 2018

Dushanbe, Republic of Tajikistan





# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of Tajik Somoni

	Notes	Year ended 31 December 2017	Year ended 31 December 2016 (Restated*)	Year ended 31 December 2015 (Restated*)
Interest income	6, 29	41,649	43,481	34,803
Interest expense	6, 29	(23,228)	(26,097)	(36,339)
<b>NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/ (PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>18,421</b>	<b>17,384</b>	<b>(1,536)</b>
Recovery of provision/(provision) for impairment losses on interest bearing assets	7	1,619	20,289	(37,839)
<b>NET INTEREST INCOME</b>		<b>20,040</b>	<b>37,673</b>	<b>(39,375)</b>
Net gain on foreign exchange operations	8	19,383	12,466	34,379
Fee and commission income	9	8,373	5,649	6,957
Fee and commission expense	9	(5,531)	(2,771)	(630)
Other (expenses)/income	10	(1,539)	(658)	1
<b>NET NON-INTEREST INCOME</b>		<b>20,686</b>	<b>14,686</b>	<b>40,707</b>
<b>OPERATING INCOME</b>		<b>40,726</b>	<b>52,359</b>	<b>1,332</b>
OPERATING EXPENSES	11	(45,674)	(37,486)	(24,242)
<b>(LOSS)/PROFIT BEFORE OTHER OPERATING PROVISIONS</b>		<b>(4,948)</b>	<b>14,873</b>	<b>(22,910)</b>
Recovery of provision/(provision) for impairment losses on other transactions	7	591	(2,066)	-
<b>(LOSS)/PROFIT BEFORE INCOME TAX</b>		<b>(4,357)</b>	<b>12,807</b>	<b>(22,910)</b>
Income tax expense	12	(6,839)	(2,289)	(4,190)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(11,196)</b>	<b>10,518</b>	<b>(27,100)</b>
<b>Other comprehensive income</b>				
Net gain on revaluation of investments available-for-sale		-	613	-
Deferred tax on revaluation of investments available-for-sale		-	(141)	-
Net gain on revaluation of property and equipment		13,004	-	16,392
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>1,808</b>	<b>10,990</b>	<b>(10,708)</b>

\* Please, refer to Note 5 to the financial statements.

On behalf of the Management Board:

  
Navruz Samandarzoda  
Chairman

  
Farrukh Iskhakov  
Chief Accountant

4 October 2018  
Dushanbe, Republic of Tajikistan

# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

In thousands of Tajik Somoni

	Notes	31 December 2017	31 December 2016 (Restated*)	31 December 2015 (Restated*)	1 January 2015
<b>ASSETS:</b>					
Cash and balances with the National Bank of Tajikistan	13	479,274	202,429	303,439	205,391
Due from banks and other financial institutions	14	119,507	205,249	181,600	1,611
Loans to customers	15, 29	204,519	174,966	142,747	138,711
Investments available-for-sale	16, 29	37	1,536	923	714
Held to maturity securities	17	77,363	60,000	8,974	-
Income tax assets	12	-	2,058	1,104	-
Property and equipment	18	27,877	48,258	47,585	22,939
Intangible assets	19	16,903	18,927	17,142	9,331
Non-current assets held for sale	20	27,641	23,053	4,401	1,382
Other assets	21	14,356	6,994	5,353	381
<b>TOTAL ASSETS</b>		<b>967,477</b>	<b>743,470</b>	<b>713,268</b>	<b>380,460</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES:</b>					
Due to banks and other financial institutions	22	10,098	1,103	51,424	3
Customer accounts	23, 29	611,653	429,908	319,654	52,227
Borrowings	24	255,010	227,698	278,884	246,595
Deferred tax liabilities	12	3,300	-	-	-
Subordinated debt	25, 29	7,902	7,902	-	-
Other liabilities	26	3,809	2,962	399	5,171
<b>Total liabilities</b>		<b>891,772</b>	<b>669,573</b>	<b>650,361</b>	<b>303,996</b>
<b>EQUITY:</b>					
Share capital	27	66,622	66,622	66,622	53,622
Reserve on revaluation of property and equipment		1,398	15,245	16,392	-
Investments available-for-sale revaluation reserve		-	472	-	-
Retained earnings/ (accumulated deficit)		7,685	(8,442)	(20,107)	22,842
<b>Total equity</b>		<b>75,705</b>	<b>73,897</b>	<b>62,907</b>	<b>76,464</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>967,477</b>	<b>743,470</b>	<b>713,268</b>	<b>380,460</b>

\* Please, refer to Note 5 to the financial statements.

On behalf of the Management Board:

  
Navruz Samandarzoda  
Chairman

  
Farrukh Iskhakov  
Chief Accountant

4 October 2018  
Dushanbe, Republic of Tajikistan

## CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

In thousands of Tajik Somoni

	Share Capital	Reserve on revaluation of property and equipment	Investments available- for-sale revaluation reserve	Retained earnings / (accumu- lated deficit)	Total
<b>As at 31 December 2015 - Restated*</b>	<b>66,622</b>	<b>16,392</b>	-	<b>(20,107)</b>	<b>62,907</b>
Transfer of revaluation reserve to retained earnings	-	(1,147)	-	1,147	-
Total comprehensive income	-	-	472	10,518	<b>10,990</b>
<b>As at 31 December 2016 - Restated*</b>	<b>66,622</b>	<b>15,245</b>	<b>472</b>	<b>(8,442)</b>	<b>73,897</b>
Transfer of revaluation reserve to retained earnings	-	(26,851)	(472)	27,323	-
Total comprehensive income	-	13,004	-	(11,196)	<b>1,808</b>
<b>As at 31 December 2017</b>	<b>66,622</b>	<b>1,398</b>	<b>-</b>	<b>7,685</b>	<b>75,705</b>

\* Please, refer to Note 5 to the financial statements.

On behalf of the Management Board:

  
**Navruz Samandarzoda**  
Chairman

4 October 2018  
Dushanbe, Republic of Tajikistan

  
**Farrukh Iskhakov**  
Chief Accountant



## CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

*In thousands of Tajik Somoni*

	Note	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
(Loss)/profit before income tax		(4,357)	12,807	(22,911)
Adjustments for:				
Depreciation and amortization expenses		7,246	5,843	2,386
Change in accrued interest		1,926	14	1,707
Unrealised exchange loss		(362)	(24)	90,168
(Recovery of provision)/provision for impairment losses on interest bearing assets		(1,619)	(20,289)	37,839
(Recovery of provision)/provision for impairment losses on other transactions		(591)	2,066	-
Loss on disposal of non-current assets held for sale		226	936	-
Loss from disposal of property and equipment		242	441	6
Loss from disposal of intangible assets		165	-	-
Cash inflow from operating activities before changes in operating assets and liabilities		2,876	1,794	109,195
Changes in operating assets and liabilities (Increase)/decrease in operating assets:				
Restricted balances with National Bank of Tajikistan		(18,175)	(14,004)	(9,313)
Due from banks and other financial institutions		36,855	15,823	(179,946)
Loans to customers		(36,483)	(39,993)	(52,023)
Other assets		(3,808)	(3,370)	(4,972)
Increase/(decrease) in operating liabilities				
Due to banks and other financial institutions		8,918	(50,321)	51,421
Customer accounts		93,119	110,288	267,427
Other liabilities		(375)	2,563	1,162
Cash inflow from operating activities before taxation		82,927	22,780	182,951
Income tax paid		(1,481)	(3,384)	(5,588)
Dividends paid		-	-	(2,849)
Net cash inflow from operating activities		81,446	19,396	174,514
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchases of fixed assets		(5,028)	(5,064)	(9,775)
Purchases of intangible assets		(1,268)	(3,678)	(8,533)
Proceeds from sale of non-current assets held for sale		23,298	8,100	-
Purchase of held to maturity securities		(243,900)	(60,000)	(8,974)
Proceeds from matured held to maturity securities		226,307	8,974	-
Purchase of investments available for sale		-	-	(209)
Proceeds from sale of investments available for sale		1,499	-	-
Proceed from disposal of property and equipment		34,052	-	-
Net cash received/(used) in investing activities		34,960	(51,668)	(27,491)

# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017


*In thousands of Tajik Somoni*

		Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from borrowings		-	-	105,476
Repayment of borrowings		-	(51,186)	-
Proceeds from subordinated debt		-	7,900	-
Net cash inflow/(outflow) from financing activities		-	(43,286)	105,476
Effect of exchange rate changes on the balance of cash held in foreign currencies		55,187	24	-
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>171,593</b>	<b>(75,534)</b>	<b>252,499</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>13</b>	<b>378,504</b>	<b>454,038</b>	<b>201,539</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>13</b>	<b>550,097</b>	<b>378,504</b>	<b>454,038</b>

During the year ended 31 December 2017, interest received and paid by the Bank amounted to 41,739 thousand Somoni and 21,852 thousand Somoni, respectively.

During the year ended 31 December 2016, interest received and paid by the Bank amounted to 43,527 thousand Somoni and 26,129 thousand Somoni, respectively.

**On behalf of the Management Board:**

  
**Navruz Samandarzoda**  
Chairman

  
**Farrukh Iskhakov**  
Chief Accountant

4 October 2018  
Dushanbe, Republic of Tajikistan

