

CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES  
FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31

Statement of profit or

Statement of financial position

Statement of changes

Statement of cash flow

Notes to the financial statements

**CLOSED JOINT-STOCK  
COMPANY SPITAMEN  
BANK**

Financial Statements  
and Independent Auditor's Report  
For The Year Ended 31 December 2018

1-2  
3-4  
5  
6  
7  
8-9  
10-15



# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Closed Joint-Stock Company Spitamen Bank (hereinafter "the Bank") as at 31 December 2018, and the related statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

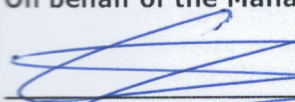
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient 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's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, 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 the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation of the Republic of Tajikistan and accounting standards and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud, error and other irregularities.

The financial statements of the Bank for the year ended 31 December 2018 were approved by Management of the Bank on 28 August 2020.

On behalf of the Management Board:

  
**Navruz Samandarzoda**  
Chairman

28 August 2020  
Dushanbe, Republic of Tajikistan

  
**Farrukh Iskhakov**  
Chief Accountant



## INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Supervisory Board of Closed Joint-Stock Company Spitamen Bank:

### Qualified Opinion

We have audited the financial statements of Closed Joint-Stock Company Spitamen Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2018, 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 matters 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

### Basis for Qualified Opinion

As disclosed in Note 8 to the financial statements, as at 31 December 2018 and 2017, buildings and other real estate as part of the property and equipment balance amounted to 13,532 thousand Somoni and 13,186 thousand Somoni, respectively. Based on the Bank's accounting policies buildings and other real estate are accounted for at revalued amounts. In accordance with International Accounting Standards 16 "Property, Plant and Equipment" ("IAS 16"), revaluations should be made with sufficient regularity, so that the carrying amounts do not differ materially from the fair values as at the reporting date. As discussed in note 3, the latest revaluation of the Bank's buildings and other real estate was performed as of 31 December 2015 by independent appraiser. In 2017, the Bank sold 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 values of items of buildings and other real estate as at 31 December 2018 and 2017 do not differ materially from the fair values at these dates. Consequently, we were unable to determine whether any adjustments to carrying amount of buildings and other real estate, reserve on revaluation and retained earnings as at 31 December 2018 and 2017, to the corresponding effects on the gain on revaluation, impairment loss and depreciation expense recognized in the statement of profit or loss and other comprehensive income for the years then ended as well as to the information disclosed in respective notes were necessary. Our opinion for the year ended 31 December 2017 was also modified in respect of this issue.

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") 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 qualified opinion.



## **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 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.

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.







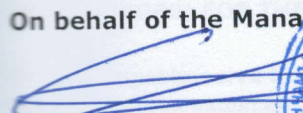
# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

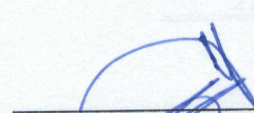
In thousands of Tajik Somoni

	Notes	31 December 2018	31 December 2017
<b>ASSETS:</b>			
Cash and balances with the National Bank of Tajikistan	4	385,842	479,274
Due from banks and other financial institutions	5	39,486	119,507
Loans to customers	6, 29	210,445	204,519
Investment securities	7, 29	19,919	77,400
Income tax assets	24	414	-
Property and equipment	8	27,953	27,877
Intangible assets	9	17,928	16,903
Non-current assets held for sale	10	14,885	27,641
Other assets	11	14,872	14,356
<b>TOTAL ASSETS</b>		<b>731,744</b>	<b>967,477</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks and other financial institutions	12	5,683	10,098
Customer accounts	13, 29	365,416	611,653
Borrowings	14	261,693	255,010
Income tax liabilities	24	-	3,300
Other liabilities	15	3,703	3,809
Subordinated debt	16, 29	22,987	7,902
<b>Total liabilities</b>		<b>659,482</b>	<b>891,772</b>
<b>EQUITY:</b>			
Share capital	17	66,622	66,622
Reserve on revaluation of property and equipment		1,301	1,398
Retained earnings		4,339	7,685
<b>Total equity</b>		<b>72,262</b>	<b>75,705</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>731,744</b>	<b>967,477</b>

On behalf of the Management Board:

  
Navruz Samandarzoda  
Chairman

28 August 2020  
Dushanbe, Republic of Tajikistan

  
Farrukh Iskhakov  
Chief Accountant



# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

In thousands of Tajik Somoni

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
Interest income	18, 29	44,895	41,649
Interest expense	18, 29	(24,170)	(23,228)
<b>NET INTEREST INCOME BEFORE RECOVERY OF PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>20,725</b>	<b>18,421</b>
Recovery of provision for impairment losses on interest bearing assets	19	18,511	1,619
<b>NET INTEREST INCOME</b>		<b>39,236</b>	<b>20,040</b>
Net gain on foreign exchange operations	20	30,931	19,383
Fee and commission income	21	12,252	8,373
Fee and commission expense	21	(8,976)	(5,531)
Other expenses	22	(2,310)	(1,539)
<b>NET NON-INTEREST INCOME</b>		<b>31,897</b>	<b>20,686</b>
<b>OPERATING INCOME</b>		<b>71,133</b>	<b>40,726</b>
OPERATING EXPENSES	23	(41,076)	(45,674)
<b>(LOSS)/PROFIT BEFORE OTHER OPERATING PROVISIONS</b>		<b>30,057</b>	<b>(4,948)</b>
(Provision)/recovery of provision for impairment losses on other transactions	19	(2,920)	591
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>27,137</b>	<b>(4,357)</b>
Income tax benefit/(expense)	24	372	(6,839)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>27,509</b>	<b>(11,196)</b>
<b>Other comprehensive income</b>			
Net gain on revaluation of property and equipment		-	13,004
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>27,509</b>	<b>1,808</b>

On behalf of the Management Board:

Navruz Samandarzoda  
Chairman

28 August 2020  
Dushanbe, Republic of Tajikistan

Farrukh Iskhakov  
Chief Accountant



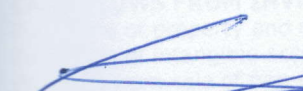
# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

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 2016</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)	1,808
<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>
	Share Capital	Reserve on revaluation of property and equipment	Investments available- for-sale revaluation reserve	Retained earnings / (accumu- lated deficit)	Total
<b>As at 1 January 2018 (before adjustment)</b>	<b>66,622</b>	<b>1,398</b>	<b>-</b>	<b>7,685</b>	<b>75,705</b>
Effect of transition to IFRS 9	-	-	-	(30,952)	(30,952)
<b>As at 1 January 2018 (after adjustment)</b>	<b>66,622</b>	<b>1,398</b>	<b>-</b>	<b>(23,267)</b>	<b>44,753</b>
Transfer of revaluation reserve to retained earnings	-	(97)	-	97	-
Total comprehensive income	-	-	-	27,509	27,509
<b>As at 31 December 2018</b>	<b>66,622</b>	<b>1,301</b>	<b>-</b>	<b>4,339</b>	<b>72,262</b>

On behalf of the Management Board:

  
**Navruz Samandarzoda**  
Chairman

28 August 2020  
Dushanbe, Republic of Tajikistan



  
**Farrukh Iskhakov**  
Chief Accountant



# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 *In thousands of Tajik Somoni*

	Note	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit/(loss) before income tax		27,137	(4,357)
Adjustments for:			
Depreciation and amortization expenses	23	6,771	7,246
Change in accrued interest		817	1,926
Unrealised exchange loss	20	(381)	(362)
Recovery of provision for impairment losses on interest bearing assets	19	(18,511)	(1,619)
Provision/(recovery of provision) for impairment losses on other transactions	19	2,920	(591)
Loss on disposal of non-current assets held for sale	22	2,394	1,523
Loss/(gain) from disposal of property and equipment	22	(26)	242
Loss from disposal of intangible assets			165
Cash inflow from operating activities before changes in operating assets and liabilities		21,121	4,173
Changes in operating assets and liabilities (Increase)/decrease in operating assets:			
Restricted balances with National Bank of Tajikistan		17,205	(18,175)
Due from banks and other financial institutions		1,145	36,855
Loans to customers		(9,972)	(36,483)
Other assets		(8,543)	(3,808)
Increase/(decrease) in operating liabilities		(4,395)	8,918
Due to banks and other financial institutions		(275,449)	93,119
Customer accounts		(130)	(375)
Other liabilities			
Cash inflow from operating activities before taxation		(259,018)	84,224
Income tax paid		(3,342)	(1,481)
Net cash inflow from operating activities		(262,360)	82,743
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	8	(3,758)	(5,028)
Purchases of intangible assets	9	(4,365)	(1,268)
Proceeds from sale of non-current assets held for sale		16,064	22,001
Purchase of investment securities at amortised cost (2017: held to maturity securities)		(782,130)	(243,900)
Proceeds from matured investment securities at amortised cost (2017: held to maturity securities)		839,723	226,307
Proceeds from sale of investment securities at FVTOCI (2017: investments available for sale)		-	1,499
Proceed from disposal of property and equipment		277	34,052
Net cash received from investing activities		65,811	33,663



# CLOSED JOINT-STOCK COMPANY SPITAMEN BANK

## STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

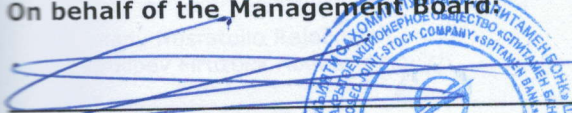
In thousands of Tajik Somoni

		Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from subordinated debt		5,654	-
Proceeds from borrowings		47,102	-
Repayment of borrowings		<u>(47,183)</u>	<u>-</u>
Net cash inflow from financing activities		5,573	-
Effect of exchange rate changes on the balance of cash held in foreign currencies		40,340	55,187
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(150,636)</b>	<b>171,593</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>4</b>	<b><u>550,097</u></b>	<b><u>378,504</u></b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>4</b>	<b><u><u>399,461</u></u></b>	<b><u><u>550,097</u></u></b>

During the year ended 31 December 2018, interest received and paid by the Bank amounted to 43,775 thousand Somoni and 24,473 thousand Somoni, respectively.

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.

On behalf of the Management Board:

  
Navruz Samandarzoda  
Chairman

28 August 2020  
Dushanbe, Republic of Tajikistan



  
Farrukh Iskhakov  
Chief Accountant