

INDEPENDENT AUDITORS’ REPORT

To the Shareholders and Supervisory Board of the CJSC “International bank of Tajikistan”:

We have audited the accompanying consolidated financial statements of the Closed Joint Stock Company “International bank of Tajikistan” and its subsidiary company (the “Group”), which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Key Audit Matters

Evaluation of impairment of loan portfolio in accordance with IFRS and NBT

The Group calculates allowance for impairment of loan portfolio according to regulations of the National bank of Tajikistan (the “NBT”) which differs from International Financial Reporting Standards (the “IFRS”) approach. Management of the Group assessed results of evaluation of two methods and did not identify significant difference between final results of calculation of allowance for impairment according to regulations of NBT and IFRS approaches.

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 IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are 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 related 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 consolidated financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

July 21, 2017

Dushanbe, Republic of Tajikistan

Daler Kabilov



Director, Baker Tilly Tajikistan LLC

License # 0000077 issued by the Ministry of Finance of the Republic of Tajikistan and License 0000063 issued by the National bank of Tajikistan.

CJSC "INTERNATIONAL BANK OF TAJIKISTAN"

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(in thousands of Tajik Somoni)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
Interest income	5	16,195	7,889
Interest expenses	5	(4,491)	(2,015)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		11,704	5,874
Accrual of allowance for impairment losses on interest bearing assets	13	(159)	(2,043)
NET INTEREST INCOME		11,545	3,831
Commission income, net	6	1,847	134
Net gain on foreign exchange transactions	7	499	14,370
Recovery/(accrual) of allowance for impairment losses on other assets	8	2,366	(4,013)
Other income/(expenses), net		379	(15)
NET NON - INTEREST INCOME		5,091	10,476
Operating expenses	9	(8,959)	(5,961)
PROFIT BEFORE INCOME TAX		7,677	8,346
Income tax	10	(2,343)	(2,213)
NET PROFIT FOR THE YEAR		5,334	6,133
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME		5,334	6,133
Attributable to:			
Shareholders		5,248	6,109
Non-controlling interest		86	24
		5,334	6,133

On behalf of the Management:

Rajabov I.H
Chairman



July 21, 2017
Dushanbe, Republic of Tajikistan

Khalikova D.A
Chief Accountant

July 21, 2017
Dushanbe, Republic of Tajikistan


The notes on pages 10-47 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-4.

CJSC "INTERNATIONAL BANK OF TAJIKISTAN"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016 (in thousands of Tajik somoni)

	Notes	December 31, 2016	December 31, 2015
ASSETS:			
Cash and cash equivalents	11	77,418	12,101
Due from banks	12	37,196	48,792
Loans to customers	13	47,963	32,580
Investments held to maturity	14	14,967	-
Property and equipment	15	4,838	1,672
Intangible assets	16	336	236
Other assets	17	5,757	3,447
TOTAL ASSETS		188,475	98,828
SHAREHOLDERS' EQUITY AND LIABILITIES:			
LIABILITIES:			
Customer accounts	18	99,106	63,886
Due to banks and financial institutions		89	21
Deferred tax liabilities	10	541	188
Other liabilities	19	768	1,815
		100,504	65,910
SHAREHOLDERS' EQUITY:			
Share capital	20	80,000	24,605
General reserves		1,716	1,093
Retained earnings		5,625	6,676
Non-controlling interest		630	544
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		188,475	98,828

On behalf of the Management:


Rajabov I.H.
Chairman



July 21, 2017
Dushanbe, Republic of Tajikistan


Khalikova D.A.
Chief Accountant

July 21, 2017
Dushanbe, Republic of Tajikistan

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CJSC "INTERNATIONAL BANK OF TAJIKISTAN"

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousands of Tajik somoni)

	Share Capital	General reserves	Retained earnings	Non-controlling interest	Total capital
Balance at December 31, 2014	13,000	-	1,660	-	14,660
Transactions with owners					
Increase of share capital	11,605	-	-	520	12,125
Transfer to the general reserves	-	1,093	(1,093)	-	-
Total of transactions with owners	11,605	1,093	(1,093)	520	12,125
Comprehensive income					
Profit for the year	-	-	6,109	24	6,133
Total comprehensive income	-	-	6,109	24	6,133
Balance at December 31, 2015	24,605	1,093	6,676	544	32,918
Transactions with owners					
Increase of share capital	49,719	-	-	-	49,719
Transfer to the general reserves	-	623	(623)	-	-
Declared dividends	5,676	-	(5,676)	-	-
Total of transactions with owners	55,395	623	(6,299)	-	49,719
Profit for the year	-	-	5,248	86	5,334
Total comprehensive income	-	-	5,248	86	5,334
Balance at December 31, 2016	80,000	1,716	5,625	630	87,971

On behalf of the Management:

Rajabov I.H.
Chairman

July 21, 2017

Dushanbe, Republic of Tajikistan



Khalikova D.A.
Chief Accountant

July 21, 2017

Dushanbe, Republic of Tajikistan

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CJSC “INTERNATIONAL BANK OF TAJIKISTAN”

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expenses		7,677	8,346
Adjustments for:			
Change in allowance for impairment losses on interest bearing assets	13	159	2,043
Depreciation of property and equipment and amortization of intangible assets	9	476	270
Change in allowance on foreclosed assets	8	480	367
Change in allowance for doubtful debts	8	800	-
(Recovery)/accrual of provision for due from banks	8	(3,646)	3,646
Change in unused vacation provision	9	6	115
Loss on disposal of property and equipment	9	46	88
Forex exchange differences	7	(549)	(253)
Interest income, net	5	(11,704)	(5,874)
Cash flows before changes in operating assets and liabilities		(6,255)	8,748
Changes in operating assets and liabilities			
Decrease/(increase) in due from banks		25,080	(6,204)
Increase in loans to customers		(14,305)	(24,615)
(Increase)/decrease in other assets		(3,366)	29,257
Increase in customer accounts		23,670	21,126
Increase in due to banks		64	70
Decrease in other liabilities		(258)	(30,175)
Cash inflow/(outflow) from operating activities before taxation and interest		24,630	(1,793)
Interest received		15,985	7,367
Interest paid		(2,072)	(673)
Income tax paid		(2,773)	(2,213)
Net cash inflow from operating activities		35,770	2,688

CJSC "INTERNATIONAL BANK OF TAJIKISTAN"

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016 (CONTINUED) (in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2016	For the year ended December 31, 2015
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	15,16	(3,782)	(885)
Purchase of investments held to maturity	14	(14,967)	-
Net cash outflow) from investing activities		<u>(18,749)</u>	<u>(885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase of share capital		49,719	11,605
Net cash inflow from financing activities		49,719	11,605
NET INCREASE IN CASH AND CASH EQUIVALENTS		<u>66,740</u>	<u>13,408</u>
Effect of changes in exchange rates on cash and cash equivalents	7	737	1,731
CASH AND CASH EQUIVALENTS, at the beginning of the year	11	42,891	27,752
CASH AND CASH EQUIVALENTS, at the end of the year	11	110,368	42,891

On behalf of the Management

Rajabov I.H.
Chairman

July 21, 2017
Dushanbe, Republic of Tajikistan



Khalikova D.A.
Chief Accountant

July 21, 2017
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