



**Building a better  
working world**

**STATE BANK FOR FOREIGN ECONOMIC  
AFFAIRS OF TURKMENISTAN**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

EY Ford Rhodes  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Management of the State Bank for Foreign Economic Affairs of Turkmenistan:

### **Qualified Opinion**

We have audited the financial statements the State Bank for Foreign Economic Affairs of Turkmenistan (the "Bank"), which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the 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 ("IFRSs") and the approved accounting policies of the Bank.

### **Basis for Qualified Opinion**

As described in Note 11 to the financial statements, in 2012, following the decree from the President of Turkmenistan, the Bank conducted a one-off revaluation of certain property and equipment in accordance with coefficients developed by the Ministry of Finance of Turkmenistan where-as the Bank's policy is to carry property and equipment at historical cost. Had these assets been stated as cost, net profit for the year would have been increased by TMT 746 thousand and property and equipment and total equity would have been reduced by TMT 21,580 thousand as at December 31, 2017.

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 Turkmenistan, 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.

### **Other Matter**

The financial statements of the Bank for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 June 2017.

### **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 the approved accounting policies of the Bank, 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.

### **Auditors 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 auditors' 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.

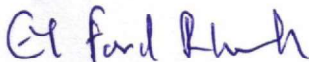
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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.

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.



Omer Chughtai  
Engagement Partner

29 June 2018  
Karachi, Pakistan

**State Bank for Foreign Economic Affairs of Turkmenistan**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2017**  
*(in Turkmen Manat and in thousands)*

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
Interest income	7, 22	914,970	482,014
Interest expense	7, 22	(667,398)	(320,145)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>	7	247,572	161,869
Provision for impairment losses on interest bearing assets	8, 22	(124,975)	(36,695)
<b>NET INTEREST INCOME</b>		122,597	125,174
Net gain on foreign exchange operations		17,413	9,920
Fee and commission income	9, 22	91,094	90,178
Fee and commission expense	9	(25,928)	(64,381)
Other expense, net		(14,950)	(11,160)
<b>NET NON-INTEREST INCOME</b>		67,629	24,557
<b>OPERATING INCOME</b>		190,226	149,731
<b>OPERATING EXPENSES</b>		(28,187)	(18,854)
<b>PROFIT BEFORE INCOME TAX</b>		162,039	130,877
Income tax expense	10	(42,689)	(28,154)
<b>NET PROFIT</b>		119,350	102,723
<b>OTHER COMPREHENSIVE INCOME</b>		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		119,350	102,723

The notes 1-28 form an integral part of these financial statements.

**On behalf of the Management Board:**

**Jepbarov R.J.**  
**Chairman of the Board**

Date: 29 June 2018  
Ashgabat, Turkmenistan

**Khangeldyev Zh.**  
**Chief Accountant**

Date: 29 June 2018  
Ashgabat, Turkmenistan

## State Bank for Foreign Economic Affairs of Turkmenistan

### Statement of Financial Position

As at 31 December 2017

(in Turkmen Manat and in thousands)

	Notes	31 December 2017	31 December 2016
<b>ASSETS:</b>			
Cash and balances with the Central Bank of Turkmenistan	11, 22	6,531,521	4,521,622
Due from banks	12, 22	9,577,269	10,369,760
Loans to customers	13, 22	17,294,065	11,896,794
Held to maturity investments		87,365	47,250
Investments available-for-sale		2,105	3,996
Investments in associates		44,528	16,832
Investment property		12,620	12,128
Property, equipment and intangible assets	14	70,992	60,073
Premises built under a state program		58,650	98,972
Deferred tax asset	10	2,105	0
Other assets	15	882,635	747,646
<b>TOTAL ASSETS</b>		<b>34,563,855</b>	<b>27,775,073</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks	16, 22	360,391	333,601
Customer accounts	17, 22	17,397,691	16,110,447
Other borrowed funds	18	15,136,138	9,916,793
Current tax liabilities		29,124	11,017
Deferred tax liabilities	10	-	1,791
Other liabilities	19	838,525	718,788
<b>Total liabilities</b>		<b>33,761,869</b>	<b>27,092,437</b>
<b>EQUITY:</b>			
Share capital	20	529,390	469,987
Property revaluation reserve		20,834	21,580
Retained earnings		251,762	191,069
<b>Total equity</b>		<b>801,986</b>	<b>682,636</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>34,563,855</b>	<b>27,775,073</b>

The notes 1-28 form an integral part of these financial statements.

On behalf of the Management Board:

**Jepbarov R.J.**  
Chairman of the Board

Date: 29 June 2018  
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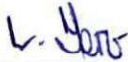
## State Bank for Foreign Economic Affairs of Turkmenistan

### Statement of Changes in Equity For the Year Ended 31 December 2017 (In Turkmen Manat and in thousands)

	Note	Share capital	Property revaluation reserve	Retained earnings	Total equity
<b>As at 31 December 2015</b>		417,659	22,481	139,773	579,913
Distribution of profit	20	52,328	-	(52,328)	-
Depreciation of property and equipment revaluation reserve		-	(901)	901	-
<b>Total comprehensive income</b>		-	-	102,723	102,723
<b>As at 31 December 2016</b>		469,987	21,580	191,069	682,636
Distribution of profit	20	59,403	-	(59,403)	-
Depreciation of property and equipment revaluation reserve		-	(746)	746	-
<b>Total comprehensive income</b>		-	-	119,350	119,350
<b>As at 31 December 2017</b>		529,390	20,834	251,762	801,986

The notes 1-28 form an integral part of these financial statements.

On behalf of the Management Board:



**Jepbarov R.J.**  
Chairman of the Board

Date: 29 June 2018  
Ashgabat, Turkmenistan



**Khangeldyev Zh.**  
Chief Accountant

Date: 29 June 2018  
Ashgabat, Turkmenistan

## State Bank for Foreign Economic Affairs of Turkmenistan

### Statement of Cash Flows

For the Year Ended 31 December 2017

(in Turkmen Manat and in thousands)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before income tax		162,039	130,877
Adjustment for:			
Depreciation and amortization		3,227	3,643
Provision for impairment losses	8	124,975	36,695
Loss on foreign exchange operations		451,330	17,030
Other expense, net		-	7,834
Change in interest accruals, net		(203,051)	(54,754)
Cash inflow from operating activity before changes in operating assets and liabilities		538,520	141,325
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposits with the CBT	11	(75,671)	(33,975)
Due from banks	12	436,762	(3,100,641)
Loans to customers	13	(5,431,208)	(7,161,201)
Other assets	15	(140,216)	161,395
Increase/(decrease) in operating liabilities:			
Due to banks	16, 22	26,790	60,017
Customer accounts	17, 22	1,302,147	(515,616)
Other liabilities	19	121,641	(147,963)
Cash (outflow)/inflow from operating activities before taxation		(3,221,235)	(10,596,659)
Income tax paid	10	(30,402)	(26,220)
Net cash (outflow)/inflow from operating activities		(3,251,637)	(10,622,879)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investments available-for-sale		1,891	(124)
Payments investment in associates		(27,696)	(7)
Purchase of property, equipment and intangible assets		(5,385)	(2,326)
Receipts / (payments) for premises built under a state program		(40,322)	(34,049)
Net cash outflow from investing activities		(71,512)	(36,506)

## State Bank for Foreign Economic Affairs of Turkmenistan

### Statement of Cash Flows

For the Year Ended 31 December 2017 (Continued)

(in Turkmen Manat and in thousands)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Repayment of other borrowed funds	18	(306,227)	(455,002)
Receipt of other borrowed funds	18	5,207,356	7,483,538
Net cash inflow from financing activities		4,901,129	7,028,536
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		1,577,980	(3,630,849)
CASH AND CASH EQUIVALENTS, beginning of the year	11	11,540,562	15,171,411
CASH AND CASH EQUIVALENTS, end of the year	11	13,118,542	11,540,562

The notes 1-28 form an integral part of these financial statements.

On behalf of the Management Board:

**Jepbarov R.J.**  
Chairman of the Board

Date: 29 June 2018  
Ashgabat, Turkmenistan

**Khangeldyev Zh.**  
Chief Accountant

Date: 29 June 2018  
Ashgabat, Turkmenistan