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INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Council of Joint-Stock Innovation Commercial Bank "Ipak Yuli"

Opinion

We have audited the financial statements of Joint-Stock Innovation Commercial Bank "Ipak Yuli" ("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, 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 Opinion

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 Uzbekistan, 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 audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment and measurement of expected credit losses on loans to customers	
As at 31 December 2018, loans to customers amounted to UZS 2,512,584,810 thousand, net of expected credit losses of UZS 51,658,931 thousand.	We obtained an understanding of the management's process relating to assessment and measurement of expected credit losses on loans to customers.
For loans assessed on a collective basis, the impairment models incorporate assumptions on probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and estimation of recoveries, which are inherently judgmental. The complex ECL models may be misstated due to errors in the underlying data – incomplete or inaccurate loan information (maturity dates, outstanding balances and etc.), incorrect assessment of PD, LGD, EAD data and inconsistencies of internally developed forward-looking information with market based information.	For collectively assessed loans, we analysed the impairment methodology for its compliance with IFRS 9 requirements. We challenged the key assumptions for probability of default and loss given default rates with the reference to the historical information and market forecasts. Further, we analysed integrity of the models and tested accuracy and completeness of input data used in the models by selecting a sample of loans and tracing to source documentation.
For significant credit-impaired loans to customers (stage 3), the ECL are assessed on an individual	For a sample of collectively assessed loans we ascertained whether the significant increase in credit risk had been identified in a timely manner and appropriately reflected in the calculation of the PD.

basis. Significant judgement is involved in identifying the loan as defaulted, in estimation of the expected future cash flows pertaing to that loan under different scenarios (potential loan restructuring or sale of collateral). ECL for loans to customers that are not classified as credit impaired (stages 1 and 2) are determined using collective impairment models with key parameters including PD and LGD.

Because loans to customers form a major portion of the Bank's assets, and due to the significance of the judgments and subjectivity of assumptions used in classifying loans to customers into various stages stipulated in IFRS 9 and assessing the related expected losses, this area was determined as a key audit matter.

Refer to Notes 2, 3 and 29 to the financial statements.

For individually assessed loans we analysed the appropriateness of loans' staging by selecting a sample from these loans and testing whether conditions, including existence of overdue days, cross-default, restructuring and other factors for classification into respective stages were met.

Further, we selected a sample of loans in stage 3 and tested the Bank's estimations of cash flows available for debt servicing from business activities of the borrower and from the realization of collateral. As part of these procedures, we challenged the assumptions used for the estimation of collateral value performed by external valuation experts and compared estimates to the external evidence in respect of commercial real estate prices and other market information.

We evaluated the adequacy and completeness of disclosures in the financial statements relating to the loans to customers in accordance with IFRS requirements.

We found no material exceptions in these tests.

Fair value measurment of written put option

As discussed in Note 17 and Note 32, on 7 December 2012, the Bank entered into a put option arrangement with the Asian Development Bank, as amended on 10 July 2017.

The agreement is complex in nature, and the estimation of the fair value of the put option liability requires significant judgements and involves estimation uncertainty.

There is a risk that the initial computation of the put option liabilities and the subsequent valuation could be materially misstated because of the complexity of calculations and assumptions about future conditions, such as the likelihood of achievement of future earnings targets or the determination of the appropriate discount rate.

Due to the significance of the put option's balance to the Bank's statement of financial position, the complexity of valuation techniques and sensitivity to changes in the key assumptions, we identified this matter as key to our audit.

We obtained an understanding of the Bank's process related to the assessement of the written put option's fair value and preparation of disclosures in the financial statements.

We analysed the contractual arrangements of the put option agreement and its subsequent amendment to understand the key terms and determine whether the Bank's accounting treatment is appropriate.

With the assistance of our internal valuation specialists, we analysed the methodology applied by management to value the instrument for its consistency with market participants' generally accepted practices used in pricing such arrangements.

We challenged the key assumptions, including credit ratings and country risk premiums used in the model and assessed whether calibrations are needed to the input data or the valuation model to adjust for the lack of an active market, liquidity and other risk factors associated with this financial instrument.

We checked the calculations for mathematical accuracy.

We also performed sensitivity analysis to test the effect of changes in discount rates to the corridor of minimum and maximum exposure.

We assessed the adequacy and completeness of disclosures in respect of the put option agreement in the financial statements.

We found no material exceptions in these tests.

Other Information - Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 International IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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.

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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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License authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Certificate authorizing audit of banks registered by the Central bank of the Republic of Uzbekistan under #3 dated 14 October 2013

4 June 2019
Tashkent, Uzbekistan

Erkin Ayupov
Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC