

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES

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

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

In preparing the consolidated 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group'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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Uzbekistan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved by the Management Board on 3 June 2019.

On behalf of the Management Board:


Burkhanov B. N.
Chairman of the Management Board

3 June 2019
Tashkent, Uzbekistan


Toshpulatkhujaev J.O.
Chief Accountant

3 June 2019
Tashkent, Uzbekistan



INDEPENDENT AUDITORS' REPORT

To: Shareholders and the Council of Joint Stock Commercial Bank "Invest Finance Bank"

Opinion

We have audited the financial statements of Joint Stock Commercial Bank "Invest Finance Bank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated 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 Group 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 consolidated 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 opinion.

Material uncertainty related to going concern

The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. As discussed in Note 3 to the financial statements, as at 31 December 2018 the Group had not complied with certain covenants stipulated in the financing agreements with two financial institutions. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as going concern. Management's plans in regards to these matters are also discussed in Note 3 to the consolidated financial statements. The consolidated 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– Pending Litigation

We draw attention to Note 32 to the consolidated financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Group by JSC BTA Bank. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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
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<i>Impairment of loans and advances to customers under IFRS 9 Financial instruments ("IFRS 9")</i>	
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As described in the note 3 to the financial statements, the expected credit losses (ECL) on loans and advances to customers, have been determined in accordance with IFRS 9 "Financial Instruments". IFRS 9 is effective from 1 January 2018 and requires application of complex techniques for the assessment and measurement of ECL involving considerable judgments and subjective estimates in its implementation.

As at 31 December 2018, the Group reported total gross loans and advances to customers of UZS 2,046,062,013 thousand less allowance for ECL of UZS 6,302,823 thousand.

Due to the significance of the loans and advances to customer balances and the complexity of judgements applied by management in assessing and measuring expected credit losses, we identified impairment of loans and advances to customers as a key audit matter.

The key areas of judgement relate to the identification of loans with a significant increase in credit risk (SICR) or credit impaired/default loans in order to allocate loans to the appropriate stage of impairment.

Expected credit losses on loans and advances to customers assessed on a collective basis may be misstated if inaccurate input data (debt servicing, restructuring history, industry of the borrower, etc.) is used in estimating probability of a loan falling into default and assessment of any recoveries expected from defaulted loans.

Individually assessed loss allowance is particularly sensitive to changes in assumptions applied in estimating future cash flows, including the sale of collateral, and other factors in determining the loss given default.

We obtained an understanding of the loan loss provisioning process, particularly over the capture of loans in terms of the stage allocation, assessment and measurement of allowances for expected credit losses.

The audit procedures performed in this area, included:

- Assessment of the provisioning methodology developed for measurement of ECL in accordance with the requirements outlined in IFRS 9;
- Assessment of design and implementation of relevant controls over the ECL model, including model governance, production of input data and determining the appropriate assumptions and mathematical accuracy of calculations;
- Assessment of the reasonableness of management's assumptions and the accuracy of input data used in the model, including staging of loans, the probability of a loan falling into default and assessment of any recoveries expected from defaulted loans with the involvement of our internal specialists against requirements of the accounting standards, historical statistics and relevant forward-looking information;
- For individually assessed defaulted loans independent assessment of collateral valuation used in calculation of impairment losses by challenging assumptions around future cash flows and valuation of collateral held, agreeing key assumptions to supporting documents.
- Consideration of the adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9.

We found no material exceptions in these tests.

Transactions with related parties

The Group has provided a significant amount of loans to related parties (17% of the total Group's outstanding balance of the loans and advances to customers) and recognised related interest income (31% of the total Group's interest income) in the consolidated financial statement for the year ended 31 December 2018. Refer to note 34.

Due to the significant number of related parties, their direct and indirect influence on the Group's activities, and the volume of transactions with such parties, we identified the completeness and accuracy of disclosures of the transactions and balances with related parties, as a key audit matter.

We obtained an understanding of the Group's processes and control procedures related to identification of related parties, as well as accounting and disclosure of balances and transactions with them.

We assessed the control procedures in respect of the completeness of related parties list. Throughout our audit procedures, we remained alert to the unusual transactions outside the normal course of business. Additionally, we searched for the relevant releases in the press for revealing related parties not included into the original Bank's list.

We tested, on a sample basis, that the transactions with related parties are approved in accordance

with internal procedures, including involvement of appropriate level of management.

On a sample basis, we audited different types of transactions to supporting documents, evaluated the business rationale of the transactions and compared similar transaction with non-related parties to evaluate if the transactions were at arm's length.

We evaluated the completeness and adequacy of disclosures on transactions with the related parties in accordance with the requirements of the relevant accounting standard.

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance 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 financial reporting process.

Auditors' 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. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements of the current period, which constitute the key audit matters included herein.

"Deloitte & Touche" Audit Organisation LLC

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

The certificate authorizing audit of banks registered by the Central Bank of the Republic of Uzbekistan under #3 dated 14 October 2013

3 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



JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES
Consolidated Statement of Financial Position
as at 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	6	539,982,438	540,384,015
Due from other banks	7	117,623,316	256,719,496
Loans and advances to customers	8	2,039,759,190	693,168,884
Investment securities available for sale		n/a	8,262,957
Current income tax prepayments		582,557	2,649,278
Deferred income tax assets	24	3,788,210	4,337,900
Premises, equipment and intangible assets	9	329,429,727	142,892,831
Reinsurers' share of reserves for insurance contracts	10	-	4,026,081
Other assets	11	31,765,459	24,899,447
TOTAL ASSETS		3,062,930,897	1,677,340,889
LIABILITIES			
Due to other banks	12	328,761,208	279,051,181
Customer accounts	13	1,980,026,672	996,912,747
Other borrowed funds	14	170,540,597	-
Debt securities in issue	15	140,415,350	18,969,265
Subordinated debt	16	63,000,000	-
Reserves for insurance contracts	17	-	30,283,699
Other liabilities	18	9,591,531	16,379,705
TOTAL LIABILITIES		2,692,335,358	1,341,596,597
EQUITY			
Share capital	20	320,000,000	300,000,000
Share premium	20	1,853,395	1,853,395
Other insurance reserves		-	5,085,700
Retained earnings		48,742,144	19,756,858
Net assets attributable to the Bank's owners		370,595,539	326,695,953
Non-controlling interest		-	9,048,339
TOTAL EQUITY		370,595,539	335,744,292
TOTAL LIABILITIES AND EQUITY		3,062,930,897	1,677,340,889

On behalf of the Management Board:

Burkhanov B. N.
Chairman of the Management Board

3 June 2019
Tashkent, Uzbekistan

Toshpulatkhujayev J.O.
Chief Accountant

3 June 2019
Tashkent, Uzbekistan

The notes on pages 10-72 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	2018	2017
Continuing operations			
Interest income	21	200,547,392	101,736,679
Interest expense	21	(113,795,348)	(61,625,068)
Net interest income		86,752,044	40,111,611
Provision for loan impairment	8	(681,180)	(1,858,999)
Net interest income after provision for loan impairment		86,070,864	38,252,612
Fee and commission income	22	84,065,926	64,333,185
Fee and commission expense	22	(14,448,171)	(13,332,563)
Net gain on foreign exchange dealing operations		22,183,254	280,083
Net gain from foreign exchange translation		999,363	5,471,467
Recovery/ (charge) of provision for impairment losses on other financial assets		2,030,077	(5,823,268)
Dividend income		11,738	97,324
Other operating income	23	1,820,303	4,205,068
Administrative and other operating expenses	24	(137,901,199)	(82,004,861)
Profit before tax		44,832,155	11,479,047
Income tax expense	25	(10,716,333)	(2,555,016)
Discontinued operations			
Profit for the year from discontinued operations	27	14,288,768	12,522,948
PROFIT FOR THE YEAR		48,404,590	21,446,979
- Owners of the Bank		47,238,468	18,363,753
- Non-controlling interest		1,166,122	3,083,226
PROFIT FOR THE YEAR		48,404,590	21,446,979
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		48,404,590	21,446,979
Total comprehensive income attributable to:			
- Owners of the Bank		47,238,468	18,363,753
- Non-controlling interest		1,166,122	3,083,226
Total comprehensive income for the year		48,404,590	21,446,979
Earnings per share			
From continuing operations			
Basic and diluted earnings per ordinary share (expressed in UZS per share)	28	108	49
From discontinued operations			
Basic and diluted earnings per ordinary share (expressed in UZS per share)	28	41	52
Total earnings per share		149	101

On behalf of the Management Board:

Burkhanov B. N.
Chairman of the Management Board

Toshpulatkhujayev J.O.
Chief Accountant

3 June 2019
Tashkent, Uzbekistan

3 June 2019
Tashkent, Uzbekistan

The notes on pages 10-72 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	Attributable to owners of the Bank					Non-controlling interest	Total equity		
		Share capital	Share premium	Stabilisation reserve	Reserve for preventive measures	Equity component in insurance reserves			Retained earnings	Total
Balance at 31 December 2016		139,480,680	1,853,395	3,494,006	1,893,271	(697,277)	1,788,805	147,812,880	5,965,113	153,777,993
Total comprehensive income for 2017		-	-	-	-	-	18,363,753	18,363,753	3,083,226	21,446,979
Shares issue:										
- cash	20	160,519,320	-	-	-	-	-	160,519,320	-	160,519,320
Change in other insurance reserves		-	-	222,441	339,864	(166,605)	(395,700)	-	-	-
Balance at 31 December 2017		300,000,000	1,853,395	3,716,447	2,233,135	(863,882)	19,756,858	326,695,953	9,048,339	335,744,292
Impact of adopting of IFRS 9		-	-	-	-	-	203,458	203,458	-	203,458
Restated opening balance under IFRS 9		300,000,000	1,853,395	3,716,447	2,233,135	(863,882)	19,960,316	326,899,411	9,048,339	335,947,750
Total comprehensive income for 2018		-	-	-	-	-	47,238,468	47,238,468	1,166,122	48,404,590
Shares issue:										
- cash	20	20,000,000	-	-	-	-	-	20,000,000	-	20,000,000
- dividends capitalised		-	-	-	-	-	-	-	1,408,402	1,408,402
Dividends declared	26	-	-	-	-	-	(18,456,640)	(18,456,640)	(3,497,719)	(21,954,359)
Disposal of subsidiaries		-	-	(3,716,447)	(2,233,135)	863,882	-	(5,085,700)	(8,125,144)	(13,210,844)
Balance at 31 December 2018		320,000,000	1,853,395	-	-	-	48,742,144	370,595,539	-	370,595,539

On behalf of the Management Board:

Burkhanov B. N.
Chairman of the Management Board

Toshpulatkhujaev J.O.
Chief Accountant

3 June 2019
Tashkent, Uzbekistan

The notes on pages 10-72 form an integral part of these consolidated financial statements.

JOINT STOCK COMMERCIAL BANK "INVEST FINANCE BANK" AND ITS SUBSIDIARIES
Consolidated Statement of Cash Flows
for the year ended 31 December 2018
(in thousands of Uzbekistan Soums)

	Notes	2018	2017
Cash flows from operating activities			
Interest received		186,882,514	110,168,951
Interest paid		(112,434,248)	(61,683,398)
Fee and commission received		93,012,316	57,978,877
Fee and commission paid		(13,437,416)	(13,332,563)
Income received from insurance operations		-	30,656,293
Expense paid on insurance operations		-	(12,420,400)
Net gain on foreign exchange operations, dealing transactions		22,183,254	280,083
Other operating income received		1,160,372	5,029,101
Staff costs paid		(61,319,591)	(41,359,980)
Administrative and other operating expenses paid		(68,540,399)	(38,532,642)
Income tax paid		(7,869,331)	(6,812,945)
Cash flows from operating activities before changes in operating assets and liabilities		39,637,471	29,971,377
<i>Net (increase)/decrease in:</i>			
- due from other banks		140,845,933	55,347,253
- loans and advances to customers		(1,288,414,007)	(125,109,530)
- other assets		(8,668,222)	21,109,652
<i>Net increase/(decrease) in:</i>			
- due to other banks		42,914,215	88,098,512
- customer accounts		963,878,645	(30,471,875)
- debt securities in issue		120,859,192	3,899,781
- other liabilities		5,037,940	(26,926,529)
Net cash from operating activities		16,091,167	15,918,641
Cash flows from investing activities			
Acquisition of property, equipment and intangible assets		(235,080,606)	(75,740,429)
Proceeds from disposal of property, equipment and intangible assets		12,600,323	48,178,018
Acquisition of investment securities available for sale		(3,863,365)	(454,974)
Dividend income received		11,738	97,324
Proceeds from disposal of subsidiaries, net of cash received	27	18,266,531	-
Net cash used in investing activities		(208,065,379)	(27,920,061)
Cash flows from financing activities			
Issuance of ordinary shares	20	20,000,000	160,519,320
Proceeds from other borrowed funds		166,995,360	-
Repayment of other borrowed funds		(39,952,261)	-
Proceeds from issuance of subordinated debt		63,000,000	-
Dividends paid	26	(21,954,359)	-
Net cash from financing activities		188,088,740	160,519,320
Effect of exchange rate changes on cash and cash equivalents		3,502,758	120,614,722
Effect of expected credit losses		(18,863)	n/a
Net increase/(decrease) in cash and cash equivalents		(401,577)	269,132,622
Cash and cash equivalents at the beginning of the year	7	540,384,015	271,251,393
Cash and cash equivalents at the end of the year	7	539,982,438	540,384,015
Non-cash transactions:			
<i>Recognition of off balance sheet items within:</i>			
- Loans and advances to customers		(111,096,517)	(28,118,126)
- Other borrowed funds		43,199,400	-
- Due to other banks		67,897,117	28,118,126

The notes on pages 10-72 form an integral part of these consolidated financial statements