

**PRIVATE JOINT STOCK COMMERCIAL BANK
“ORIENT FINANS”**

**International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor’s Report**

31 December 2017



Independent auditor's report

To the Shareholders and Council of the Private Joint Stock Commercial Bank "Orient Finans":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Private Joint Stock Commercial Bank "Orient Finans" (the "Bank") and its subsidiary (the "Group") as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements of the Code of Professional Ethics for Auditors of Uzbekistan and auditor's independence requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.



Our audit approach

Overview

Materiality	Overall Group materiality: Uzbek Soums (“UZS”) 5,479,000 thousand.
Group scoping	The Group consists of two entities, both of which are located in Uzbekistan. We performed full audit procedures on the consolidated financial statements that include the transactions and balances of both group entities.
Key audit matter	Impairment of loans and advances to customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of two entities, the parent – Private Joint Stock Commercial Bank “Orient Finans” and 100% owned leasing subsidiary – Limited Liability Company “Orient Finans Business”. The Group’s financial statements are a consolidation of these two entities. We performed an audit of the complete set of consolidated financial statements of the Group. This, together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group’s consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	UZS 5,479,000 thousand (2016: UZS 3,400,000 thousand).
How we determined it	We determined overall materiality as being 5% of the average profit before tax for the last three years (2015 - 2017) adjusted for one-time effect of foreign exchange translation gain of UZS 106,746,345 thousand as a result of liberalization of currency regulations in Uzbekistan on 4 September 2017.



Rationale for the materiality benchmark applied

We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which users and stakeholders most commonly measure the performance of the Group as a whole, and it is a generally accepted benchmark. We chose 5% threshold as in our professional experience, this is widely accepted quantitative measure for this benchmark.

We agreed with the management and the Council of the Group, that we would report to them misstatements identified during our audit above UZS 274,000 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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.

Key audit matter

How our audit addressed the key audit matter

Impairment of loans and advances to customers

We considered impairment of loans and advances to customers as a key audit matter due to:

- (i) the fact that loans and advances to customers as at 31 December 2017 represent approximately 49% of the Group's total assets; and
- (ii) the significance of judgements involved in making estimates for loan impairment.

The judgements and decisions made by management in estimating loan impairment are highly subjective due to uncertainties over the timely identification of the loss events and the amounts of losses incurred.

The Group's approach to the estimation of impairment losses on loans and advances to customers is the following:

Individually significant loans

These are the loans to legal entities that the Bank's Credit Committee assesses individually in order to determine whether there is an objective evidence that the loan is impaired. If the individually assessed loans have no signs of impairment, they are assessed on a collective basis.

The Bank measures individually impaired loans based on the present value of estimated future cash flows from the borrower or where applicable from realising collateral, discounted at the original effective interest rate.

We tested overall provisioning methodology for the compliance with IAS 39 "Financial instruments: recognition and measurement".

For individually significant loans, we tested a sample of loans focusing on the identification of default or delinquency, considering the timing of identification of impairment events, the amounts and timing of estimated future cash flows and the quality and valuation of collateral. Our selection was focused on potentially under-collateralized loans.

We tested, on a sample basis, that in case when the recovery of a loan is expected from the proceeds on sale of collateral that the valuation of collateral is supported by an appropriate and current valuation.

We agreed on a sample basis the key inputs used in impairment calculation to source systems and source documents.

For impairment estimated collectively on a portfolio basis, we tested the operation of the model and the data and assumptions used. Our work included the following steps:

1. We compared the principal assumptions made by the management with our own knowledge and experience of the banking industry and the specifics of the Group.
2. We checked that calculation of provision for loan impairment is mathematically accurate, including the movements for the period.
3. We compared the impairment provision levels to other banks in Uzbekistan and investigated reasons for any major differences.
4. We re-performed the back testing exercise to ensure that accounting estimate is appropriate and has been applied consistently.



Collectively assessed loans

The Bank groups loans by similar credit risk characteristics that are indicative of the borrowers' ability to pay all amounts due according to the contractual terms.

The Bank estimates future cash flows in a group of loans based on historical loss experience, prevailing economic and credit conditions and peer group experience for loans with credit risk characteristics similar to those in the group.

The summary of significant accounting policies, critical accounting estimates and judgements relevant to the calculation of impairment on loans and advances to customers is provided in Notes 3, 4 and 9, respectively, to the consolidated financial statements.

While performing our procedures we did not identify any material differences.

Responsibilities of management and the Council of the Group for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

The Council is responsible for overseeing the Group's 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 scepticism 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 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Utkir Muhammadiyev
General Director/Certified Auditor
Certificate of Auditor No. 9/15
dated 16 August 2013

Grigoriy Asaturov
Auditor
Certificate of Auditor No. 9/18
dated 30 January 2015

Audit Organization "PricewaterhouseCoopers" LLC
28 February 2018
Tashkent, Uzbekistan

**Private Joint Stock Commercial Bank "ORIENT FINANS" and its subsidiary
Consolidated Statement of Financial Position**

<i>In thousands of Uzbekistan Soums</i>	Note	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	7	1,490,636,883	678,563,579
Due from other banks	8	407,410,227	269,453,003
Loans and advances to customers	9	1,973,020,698	689,077,523
Investments securities available for sale	11	2,892,442	2,392,442
Current income tax prepayment	21	2,711,631	882,333
Deferred income tax asset	21	8,691,687	2,985,689
Premises and equipment	10	99,010,937	61,466,054
Intangible assets	10	5,613,094	4,666,287
Other assets	12	7,188,023	1,788,657
TOTAL ASSETS		3,997,175,622	1,711,275,567
LIABILITIES			
Due to other banks	13	410,057,359	7,423,168
Other borrowed funds	14	845,116,278	355,862,696
Customer accounts	15	2,293,961,078	1,163,563,831
Other liabilities	16	6,633,279	4,300,549
TOTAL LIABILITIES		3,555,767,994	1,531,150,244
EQUITY			
Share capital	17	170,514,188	109,297,039
Share premium	17	2,105,273	2,105,273
Retained earnings		268,788,167	68,723,011
TOTAL EQUITY		441,407,628	180,125,323
TOTAL LIABILITIES AND EQUITY		3,997,175,622	1,711,275,567

Approved for issue and signed on behalf of the Management Board of the Bank on 28 February 2018.

Parpiev B. B.
Chairman of the Board



Rakhimov D.T.
Chief Accountant

Private Joint Stock Commercial Bank "ORIENT FINANS" and its subsidiary
Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Uzbekistan Soums</i>	Note	2017	2016
Interest income	18	169,556,957	55,963,901
Interest expense	18	(36,646,374)	(4,896,559)
Net interest income		132,910,583	51,067,342
Provision for loan impairment	9	(23,548,566)	(5,832,307)
Net interest income after provision for loan impairment		109,362,017	45,235,035
Fee and commission income	19	141,354,935	93,936,984
Fee and commission expense	19	(20,235,071)	(12,492,704)
Net gain from foreign exchange translation		145,627,761	3,918,877
Net gain from trading in foreign currencies		4,737,982	895,161
Net gain from swap operations		990,373	1,063,548
Other operating income		1,798,166	1,346,792
Administrative and other operating expenses	20	(78,519,043)	(51,500,418)
Profit before tax		305,117,120	82,403,275
Income tax expense	21	(43,834,815)	(17,963,182)
PROFIT FOR THE YEAR		261,282,305	64,440,093
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		261,282,305	64,440,093
Basis and diluted earnings per ordinary share (expressed in UZS per share)	22	2,264	1,316

Private Joint Stock Commercial Bank "ORIENT FINANS" and its subsidiary
Consolidated Statement of Changes in Equity

<i>In thousands of Uzbekistan Soums</i>	Note	Share capital	Share premium	Retained earnings	Total
Balance at 31 December 2015		52,357,500	89,290	60,997,254	113,444,044
Total comprehensive income		-	-	64,440,093	64,440,093
Capitalisation of retained earnings	17	47,708,846	-	(9,005,490)	38,703,356
Share issue for cash	17	9,230,693	2,015,983	(47,708,846)	(36,462,170)
Balance at 31 December 2016		109,297,039	2,105,273	68,723,011	180,125,323
Total comprehensive income		-	-	261,282,305	261,282,305
Capitalisation of retained earnings	17	61,217,149	-	(61,217,149)	-
Balance at 31 December 2017		170,514,188	2,105,273	268,788,167	441,407,628

Private Joint Stock Commercial Bank "ORIENT FINANS" and its subsidiary
Consolidated Statement of Cash Flows

<i>In thousands of Uzbekistan Soums</i>	Note	2017	2016
Cash flows from operating activities			
Interest received		163,832,364	54,676,343
Interest paid		(35,071,809)	(4,546,415)
Fee and commission received		142,044,391	93,936,984
Fee and commission paid		(19,233,663)	(12,492,704)
Income received from trading in foreign currencies		4,737,982	895,161
(Losses) / gains from financial derivatives		(1,603,371)	2,298,094
Other operating income received		1,798,166	1,443,837
Staff costs paid		(33,179,929)	(27,802,634)
Administrative and other operating expenses paid		(38,136,697)	(17,652,841)
Income tax paid		(51,370,111)	(18,283,158)
Cash flows from operating activities before changes in operating assets and liabilities			
		133,817,323	72,472,667
<i>Net (increase) / decrease in:</i>			
- due from other banks		(120,760,387)	(147,531,868)
- loans and advances to customers		(8,894,214)	(290,327,842)
- other assets		(1,263,150)	(178,466)
<i>Net increase / (decrease) in:</i>			
- due to other banks		400,851,382	1,086,376
- customer accounts		482,667,395	363,776,656
- other liabilities		(3,907,514)	685,239
Net cash from operating activities			
		882,510,834	(17,238)
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets	10	(46,501,562)	(26,762,277)
Proceeds from redemption of investment available for sale		(688,054)	-
Net cash used in investing activities			
		(47,189,616)	(26,762,277)
Cash flows from financing activities			
Issue of ordinary shares	17	-	11,246,676
Proceeds from other borrowed funds		10,728,475	355,462,800
Repayment of other borrowed funds		(98,272,931)	-
Dividends paid	17	-	(9,005,490)
Net cash from financing activities			
		(87,544,456)	357,703,986
Effect of exchange rate changes on cash and cash equivalents		64,296,541	3,918,877
Net increase in cash and cash equivalents			
		812,073,304	334,843,348
Cash and cash equivalents at the beginning of the year	7	678,563,579	343,720,231
Cash and cash equivalents at the end of the year			
	7	1,490,636,883	678,563,579
Non cash financing activities - issue of share capital		61,217,149	-