

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Management of the OJSC "Sohibkorbank":

Qualified opinion

We have audited the accompanying financial statements of the Open Joint Stock Company "Sohibkorbank" (the "Bank"), which comprise the statement of financial position as at December 31, 2018 and 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 a summary of significant accounting policies and other explanatory notes.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" paragraph the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2018, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

As at December 31, 2018 in the statement of financial position the Bank presents loans to customers in the amount of 34,080 thousand somoni which includes allowance for impairment of loans to customers in the amount of 15,239 thousand somoni. The Bank calculates allowance for impairment of loans to customers according to regulation of the National Bank of Tajikistan, which differs from International Financial Reporting Standards approach. The Bank did not implement new model for measurement and recognition of expected credit losses of loans to customers according to IFRS 9 "Financial Instruments" (hereafter "IFRS 9"). It was not practicable to perform alternative audit procedures for measurement and recognition of expected credit losses of loans to customers according to IFRS 9. As the result of these matters, we were unable to determine whether any adjustments might be necessary in respect of loans valuation as at January 1, 2018 and December 31, 2018 for compliance with IFRS 9.

In 2010, the Bank carried out revaluation of property and equipment. Revaluation was carried out in accordance with the ratios established by the Ministry of Finance of the Republic of Tajikistan and Government Decision No. 698 dated December 30, 2009. In our opinion the revaluation does not conform to IAS 16 "Property, plant and equipment" which allows revaluation to fair value. In this regard, we were not able to determine the quantitative effect of this departure on the amounts reported in the financial statements as property and equipment, revaluation reserve, retained earnings, depreciation charge and income tax.

As at December 31, 2018, in the Bank's statement of financial position there were amounts of correspondent accounts at AS "Trasta Komerbanka" (Latvia) in the amount of 14,430 thousand somoni. The European Central Bank (ECB) with the initiative of the Financial and Capital Market Commission of Latvia decided to revoke the license of AS "Trasta Komerbanka" on March 3, 2016. On March 14, 2016, the Court of the Vidzeme District of Riga decided to recognize AS "Trasta Komerbanka" as to be liquidated. The decision was final and not to be appealable to higher authorities. As at December 31, 2018 and 2017, the amount disclosed in the statement of financial position is 9,700 thousand somoni, which does not meet the requirements of IFRS 9 "Financial instruments". In our opinion as at the reporting dates there were significant evidence for impairment of this asset.

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). 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 Tajikistan, 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.

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 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.

Auditor's 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 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 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 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.

Daler Kabilov

Director, Baker Tilly Tajikistan LLC
License No. 0000063, issued by the National bank of Tajikistan and
License No. 0000077, issued by the Ministry of Finance of the Republic of Tajikistan

April 3, 2019
Dushanbe, Republic of Tajikistan

OJSC "SOHIBKORBANK"

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest income	4	3,092	7,195
Interest expenses	4	(918)	(1,493)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS TO CUSTOMERS		2,174	5,702
Accrual of allowance for impairment losses on loans to customers	7	(5,687)	(5,306)
NET INTEREST (LOSS)/INCOME		(3,513)	396
Commission income	5	12,313	9,645
Commission expenses	5	(2,250)	(2,689)
Net gain on foreign exchange operations	6	17,922	17,898
Recovery of allowance for expected credit losses on due from banks, money transfer systems and bad debts		240	-
Other income, net		215	242
NET NON - INTEREST INCOME		28,440	25,096
Operating expenses	8	(26,984)	(19,987)
(LOSS)/PROFIT BEFORE INCOME TAX		(2,057)	5,505
Income tax expenses	9	(445)	(1,404)
NET (LOSS)/PROFIT FOR THE YEAR		(2,502)	4,101
Other comprehensive income:		-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME		(2,502)	4,101
(Loss)/earnings per share		(0.50)	0.82

On behalf of the Management of the Bank:

Sherali Zardov
General Director

April 3, 2019.
Dushanbe, Republic of Tajikistan



Farruh Davlatov
Financial Director

April 3, 2019.
Dushanbe, Republic of Tajikistan

The notes on pages 10-46 form an integral part of the financial statements. The independent auditors' report is on pages 3-4.

OJSC "SOHIBKORBANK"

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018 (in thousands of Tajik somoni)


	Notes	December 31, 2018	December 31, 2017
ASSETS			
Cash and cash equivalents	10	22,666	14,909
Due from banks	11	12,737	35,400
Loans to customers	12	15,239	21,999
Investment in securities	13	41,550	14,625
Property and equipment	14	14,875	18,235
Intangible assets		184	207
Deferred tax asset	9	2,823	769
Other assets	15	20,932	27,421
TOTAL ASSETS		131,006	133,565
LIABILITIES AND EQUITY			
LIABILITIES			
Customer accounts	17	44,205	51,381
Due to banks and financial institutions	16	8,245	6,540
Other liabilities	18	14,606	8,913
		67,056	66,834
EQUITY			
Share capital	19	50,000	50,000
General reserves		1,361	1,361
Revaluation reserve of property and equipment		-	4,910
Retained earnings		12,589	10,460
		63,950	66,731
TOTAL LIABILITIES AND EQUITY		131,006	133,565

On behalf of the Management of the Bank:


Sherali Zardov
General Director

April 3, 2019.
Dushanbe, Republic of Tajikistan




Farruh Davlatov
Financial Director

April 3, 2019.
Dushanbe, Republic of Tajikistan

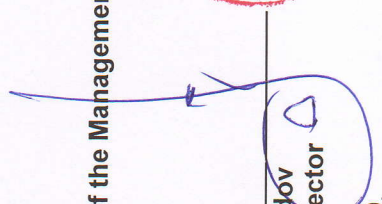
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OJSC "SOHIBKORBANK"

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018**
(in thousands of Tajik somoni)

	Notes	Share capital	Revaluation reserve of property and equipment	General reserves	Retained earnings	Total
Balance at December 31, 2016 <i>(restated)</i>	19	40,000	4,910	1,361	6,359	52,630
Increase in share capital	19	10,000	-	-	-	10,000
Profit for the year		-	-	-	4,101	4,101
Balance at December 31, 2017	19	50,000	4,910	1,361	10,460	66,731
Effect from implementation of IFRS 9	3	-	-	-	(279)	(279)
Balance at January 1, 2018	19	50,000	4,910	1,361	10,181	66,452
Write-off of revaluation reserve of property and equipment		-	(4,910)	-	4,910	-
Loss for the year		-	-	-	(2,502)	(2,502)
Balance at December 31, 2018	19	50,000	-	1,361	12,589	63,950

On behalf of the Management of the Bank:


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General Director





Farruh Davlatov
Financial Director

April 3, 2019.

Dushanbe, Republic of Tajikistan

April 3, 2019.

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OJSC "SOHIBKORBANK"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before income tax expenses		(2,057)	5,505
Adjustments for:			
Change in allowance for impairment losses on loans to customers	7	(5,687)	5,306
Depreciation of property and equipment and amortization of intangible assets	8	2,882	1,110
Change in allowance for impairment of long-term assets, held for sale	8	103	(2,554)
Change in allowance for expected credit losses on due from banks		(196)	-
Change in allowance for expected credit losses on money transfer system		(25)	-
Change in allowance on bad debt		(19)	-
Change in allowance on other assets	8	4,695	2,186
Change in provision for unused vacation	8	(781)	260
Loss on disposal of property and equipment	8	1,388	16
Forex exchange differences	6	(779)	(2,115)
Net interest income, net	4	(2,174)	(5,702)
Cash flows before changes in operating assets and liabilities		(2,650)	4,012
Changes in operating assets and liabilities			
Decrease/(increase) in due from banks		8,309	(2,767)
Decrease in loans to customers		7,855	8,384
Decrease/(increase) in other assets		2,492	(986)
Decrease in customer accounts		(8,268)	(2,903)
Increase in due to banks and financial institutions		1,006	1,276
Increase/(decrease) in other liabilities		6,372	(3,691)
Cash inflow from operating activities before taxation		15,166	3,325
Interest received		7,647	4,399
Interest paid		(1,622)	(1,598)
Income tax paid		(2,815)	(2,620)
Net cash inflow from operating activities		18,703	3,506

OJSC "SOHIBKORBANK"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

(in thousands of Tajik somoni)

	Notes	For the year ended December 31, 2018	For the year ended December 31, 2017
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	14	(80)	(290)
(Purchase)/sales of securities		<u>(26,107)</u>	<u>17,246</u>
Net cash (outflow)/inflow from investing activities		<u>(26,187)</u>	<u>16,956</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase of share capital	19	-	10,000
Proceeds from borrowings		<u>-</u>	<u>(6,234)</u>
Net cash inflow from financing activities		<u>-</u>	<u>3,766</u>
Effect of changes in exchange rates on cash and cash equivalents		<u>(523)</u>	<u>1,477</u>
NET (DECREASE)/INCREASE OF CASH AND CASH EQUIVALENTS		<u>(7,484)</u>	<u>24,228</u>
CASH AND CASH EQUIVALENTS, at the beginning of the year	10	<u>40,312</u>	<u>14,607</u>
CASH AND CASH EQUIVALENTS, at the end of the year	10	<u>32,305</u>	<u>40,312</u>

On behalf of the Management of the Bank:

Sherali Zardov
General Director

April 3, 2019.
Dushanbe, Republic of Tajikistan



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