TRASTBANK

PRIVATE JOINT-STOCK BANK
«TRUSTBANK»

Consolidated financial statement for the year ended 31 December 2019
and Independent auditor's opinion
(Translated from Russian language)

Content

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Independent Auditor's opinion

To shareholders and the Supervisory Board of PJSB «Trustbank»

Opinion

We have audited the consolidated financial statements of Private Joint-Stock Bank "Trustbank" (hereinafter referred to as the "Bank") and its subsidiary (hereinafter collectively referred to as the "Group"), which consist of the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements, including a summary of key accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly in all material respects the financial position of the Group as at 31 December 2019, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section " Auditor's responsibility for auditing consolidated financial statements" of our opinion. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those that according to our professional judgment were most significant to our audit of the consolidated financial statements for the current period. These matters were considered in the context of our audit of the consolidated financial statements as a whole and in forming our opinion on these statements, and we do not express a separate opinion on these matters.

Key audit matters	***What audit procedures were performed regarding the key audit matter***
Provision for credit losses on loans to customers, as well as on credit related commitments	
Due to the materiality of the provision for impairment of loans and advances to customers and credit related liabilities for the financial position of the Group, as well as due to the complexity and necessity to apply judgments in estimating expected credit losses in accordance with the new IFRS 9 Financial Instruments This issue is one of the key audit questions. It is necessary to apply judgment to determine a significant increase in credit risk from the date of initial recognition, both on an individual and on a portfolio basis, as well as for the calculation of expected credit losses. The assessment of the increase in credit risk is based on the relative change in credit ratings, the duration of overdue debts and other objective and subjective factors. The choice of thresholds at which an increase in credit risk is recognized as significant, such as the magnitude of deterioration in a credit rating, is also subjective. The calculation of expected credit losses includes valuation techniques that use significant unobservable input data and factors, such as internal credit ratings, as well as comprehensive statistical modeling and expert judgment. These methods are used to determine the probability of default based on available historical data and external information. To calculate expected credit losses in respect of significant financial assets that have been individually impacted by a credit impairment, it is required to analyze financial and non-financial information, and extensive use of assumptions. Estimation of future cash flows is based on such material unobservable baseline data as the borrower's current and projected financial indicators, the value of the collateral and an estimate of the likelihood of possible scenarios. The use of other modeling techniques, assumptions and forecasts can lead to significantly different estimates of the provision for expected credit losses.	In the process of our audit, we paid special attention to the following: assessment of credit risk models and assumptions used to determine key parameters for provisioning and expected credit losses from a portfolio; assessment of management's judgments regarding the identification of a significant increase in credit risk on both of an individual and portfolio basis, using quantitative and qualitative criteria; testing of expected future cash flows, including cash flows from collateral, in terms of significant loans and advances to customers and credit related commitments. Our audit procedures included an assessment of the methodology for calculation of expected credit losses developed by the Group in accordance with IFRS 9, for estimation of provision for impairment of loans and advances to customers, as well as credit related commitments. We evaluated the rationality of the credit risk factors and the thresholds chosen by management to determine a significant increase in credit risk on both of an individual and portfolio basis. We assessed the sequence of application of the criteria selected by management at the reporting date. When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key input data and assumptions, as well as forward-looking information used to calculate expected credit losses. For selected significant loans, we conducted an audit of internal credit ratings, credit risk factors and classification by stages. In collaboration with valuation specialists, we analyzed assumptions about future cash flows for selected material corporate loans, including the value of the collateral and the likelihood of possible scenarios. We reviewed the results of a Group that was subsequently tested on the models used for IFRS 9.

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Information on the provision for expected credit losses in respect of loans and advances to customers, as well as credit related commitments presented in Notes 10, 18 and 30 to the consolidated financial statements.

Valuation of loans and advances to customers at fair value through profit or loss

We focused on this issue in connection with the materiality of the amount and the subjective nature of the valuation of loans and advances to customers, measured at fair value through profit or loss.

The fair value of these loans is estimated using complex valuation models that use data that are not observable on the market, including data that reflect the credit quality of customers, interest rate curves, and volatility.

Note 10 and 30 to the consolidated financial statements provide detailed information about the measurement of loans and advances to customers at fair value through profit or loss.

During our audit, we paid special attention to the assessment of the key methodologies, formulas and source of information used by the Group for the assessment, for their compliance with IFRS.

We tested models for evaluating our selected loans. Our work included an assessment of whether the models and the data used are acceptable, the repetition of individual calculations, as well as various analytical and other procedures.

Other information

Management is responsible for other information. Other information includes information contained in the annual report, but does not include the consolidated financial statements and our audit report about it.

Our view of the financial statements does not apply to other information, and we will not provide conclusion with assurance of any form regarding this information.

In a view of conducting our audit of the financial statements, our responsibility is to review other information and consider whether there are significant discrepancies between other information and the financial statements or our knowledge gained during the audit and whether other information contains other significant distortion.

If, based on the work we have carried out, we conclude that other information contains a material misstatement, we must report this fact.

Responsibility of the Management and Those Charged with Corporate Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with IFRS and for such internal control system as management determines is necessary to enable the preparation of the consolidated financial statements that is free from material misstatements, due to fraud or errors.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters relating 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 management and those charged with governance are responsible for overseeing the preparation of the consolidated financial statements of the Group.

Auditor's responsibility for auditing consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on 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 conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of consolidated financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system;
- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Group to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the consolidated financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Group losing the ability to continue its business continuously;
- assess the presentation of the consolidated financial statements in general, its structure and content, including disclosure of information, as well as whether the consolidated financial statements present the underlying operations and events in a manner that ensures their reliable representation;
- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for the management, control and conduct of the Group's audit. We remain fully responsible for our audit opinion.

We collaborate with persons responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

We also provide the Management and those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these individuals about all relationships and other issues that can reasonably be considered to affect the independence of the auditor. And if it is required - on appropriate precautions.

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From those questions that we brought to the attention of the Management and to those responsible for corporate governance, we identify issues that were most essential to the audit of the consolidated financial statements for the current period and, therefore, are considered as key audit issues. We describe these issues in our audit report, except when public disclosure of information on these matters is prohibited by law or regulation. In extremely rare cases, we conclude that information on any matter should not be communicated in our report, since it can be reasonably assumed that the negative consequences of communicating such information will exceed the socially significant benefits.

Shoodil Nosirov

Partner

Qualification certificate of the auditor for conducting bank audits No. 13/1 dated 24 July 2017, issued by the Central Bank of the Republic of Uzbekistan.

AO "Grant Thornton" LLC

01 April 2020
Tashkent, Uzbekistan

(in thousands UZS)

Consolidated statement of financial position

	Notes	31 December 2019	31 December 2018
Assets			
Cash and cash equivalents	7	905 295 569	991 805 915
Mandatory reserves in CBU	8	87 746 644	100 607 014
Due from other banks	9	39 544 003	46 063 034
Loans and advances to customers	10	1 797 215 358	1 318 767 598
Investment financial assets	11	268 544 592	137 636 739
Investments in an associate	12	26 603 789	9 632 350
Income tax advances payments		1 651 680	68 493
Deferred tax asset	24	4 839 895	-
Fixed assets and intangible assets	13	154 122 695	106 522 110
Non-current assets held for sale		-	1 700 853
Other assets	14	41 250 588	29 460 855
Total assets		**3 326 814 813**	**2 742 264 961**
Liabilities			
Due to other banks	15	72 367 728	27 122 257
Customer deposits	16	2 671 929 634	2 348 171 853
Debt securities issued		-	477 185
Other borrowings	17	62 991 726	39 907 182
Deferred tax liabilities		-	860 510
Other liabilities	18	34 104 303	18 450 516
Total liabilities		**2 841 393 391**	**2 434 989 503**
Equity			
Share capital	19	226 961 733	161 961 733
Share premium	19	73 864 358	46 997 915
Retained earnings and funds		184 595 331	98 315 810
Total equity		**485 421 422**	**307 275 458**
Total liabilities and equity		**3 326 814 813**	**2 742 264 961**

Approved and signed on behalf of the management of the Group:

S.R. Normukhammedov
Chairman of the Board of the Bank

M.M. Maisova
Chief Accountant of the Bank

01 April 2020

The notes on pages from 11 to 85 are an integral part of these consolidated financial statements

(in thousands UZS)

Consolidated statement of profit and loss and other comprehensive income

	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income calculated at the effective interest rate	20	313 592 929	194 544 386
Other interest income	20	31 006 711	18 719 139
Interest expense calculated at the effective interest rate	20	(52 680 798)	(23 688 274)
Other interest expenses	20	(3 472 944)	(2 439 973)
Net interest income		**288 445 898**	**187 135 278**
Provision for credit losses on debt financial assets	7,9,10,11	(12 595 955)	(15 823 396)
Net income / (expense) from initial recognition of financial instruments and loan modifications	10,17	(19 081 202)	(3 643 447)
Net interest income after provision for credit losses		**256 768 741**	**167 668 435**
Fee and commission income	21	119 400 515	104 135 737
Commission expenses	21	(15 015 743)	(14 081 977)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency		10 853 650	7 058 633
The share of the financial result of the associate	12	14 691 309	4 941 350
Recovery / (creation) of a provision for credit losses on credit related commitments	18	(1 073 600)	(2 346 877)
Provision for other assets	14	(196 515)	(1 015 934)
Other operating income	22	5 373 221	5 811 113
Administrative and other operating expenses	23	(160 226 286)	(139 774 683)
Income before tax		**230 575 292**	**132 395 797**
Income tax expense	24	(45 784 255)	(31 575 677)
Net income for the year		**184 791 037**	**100 820 120**
Other comprehensive income:			
Securities classified as measured at fair value through other comprehensive income - equity instruments	11	(368 125)	-
Income tax relating to components of comprehensive income		73 625	-
Total other comprehensive income / (loss)		**(294 500)**	**-**
Total comprehensive income for the year		**184 496 537**	**100 820 120**

Approved and signed on behalf of the management of the Group:

S.R. Normukhammedov
Chairman of the Board of the Bank

M.M. Maisova
Chief Accountant of the Bank

01 April 2020

The notes on pages from 11 to 85 are an integral part of these consolidated financial statements

Notes to the Consolidated financial statement for the year ended 31 December 2019 (in thousands UZS)

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings and funds	Total equity
Balance as at 1 January 2018	**101 961 733**	**25 997 110**	**90 204 558**	**218 163 401**
Net income for the year	-	-	100 820 120	100 820 120
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	**100 820 120**	**100 820 120**
Increase in equity	60 000 000	21 000 805	-	81 000 805
Dividends declared on ordinary shares	-	-	(92 709 975)	(92 709 975)
Dividends declared on preferred shares	-	-	(3 450)	(3 450)
Return of unpaid dividends	-	-	4 557	4 557
Balance as at 31 December 2018	**161 961 733**	**46 997 915**	**98 315 810**	**307 275 458**
Net income for the year	-	-	184 791 037	184 791 037
Other comprehensive income	-	-	(294 500)	(294 500)
Total comprehensive income for the year	-	-	**184 496 537**	**184 496 537**
Increase in equity	65 000 000	26 866 443	-	91 866 443
Dividends declared on ordinary shares	-	-	(98 219 151)	(98 219 151)
Dividends declared on preferred shares	-	-	(3 450)	(3 450)
Return of unpaid dividends	-	-	5 585	5 585
Balance as at 31 December 2019	**226 961 733**	**73 864 358**	**184 595 331**	**485 421 422**

Approved and signed on behalf of the management of the Group:

S.R. Normukhammedov
Chairman of the Board of the Bank

M.M. Maisova
Chief Accountant of the Bank

01 April 2020

(in thousands UZS)

Consolidated statement of cash flows

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flow from operating activities		
Interest received	338 402 300	207 432 302
Interest paid	(53 162 953)	(24 873 882)
Fee and Commission received	119 086 805	103 974 230
Commissions paid	(15 229 445)	(13 067 491)
Net income from operations in foreign currency	(10 853 650)	(7 058 633)
Other operating income	5 373 221	5 811 113
Staff costs	(89 126 216)	(74 119 371)
Administrative and other operating expenses	(75 974 632)	(51 106 904)
Income tax paid	(52 994 222)	(27 279 111)
Cash flow from operating activities before changes in operating assets and liabilities	**165 521 208**	**119 712 253**
Net (increase) / decrease in operating assets		
Mandatory reserves in CBU	12 860 370	69 870 288
Due from other banks	6 519 031	(6 446 278
Loans and advances to customers	(478 447 760)	(475 485 647)
Other assets	(10 088 880)	16 595 801
Net increase / (decrease) in operating liabilities		
Due to other banks	45 245 471	(24 213 120)
Customer deposits	323 757 781	867 811 686
Other liabilities	15 653 787	8 480 305
Net cash flow from operating activities	**81 021 008**	**576 325 288**
Cash flow from investing activities		
Investment securities purchased	(227 126 706)	(136 810 354)
Investment securities repaid	130 907 853	4 000 000
Acquisition of fixed assets and intangible assets	(50 639 293)	(58 086 955)
Revenue from sale of fixed assets	414 492	13 805
Net cash flow from investing activities	**(146 443 654)**	**(190 883 504)**

Notes to the Consolidated financial statement for the year ended 31 December 2019 (in thousands UZS)

Consolidated statement of cash flows (Continue)

	For the year ended 31 December 2019	For the year ended 31 December 2018
Cash flow from financing activities		
Debt securities repaid	(477 185)	(11 000 000)
Other borrowings received	39 021 544	39 907 182
Other borrowings repaid	(15 937 000)	-
Dividends paid	(6 352 708)	(11 827 200)
Net cash flow from financing activities	**16 254 651**	**17 079 982**
The effect of changes in exchange rates on cash and cash equivalents	(36 962 941)	(5 998 794)
Net change in cash and cash equivalents	**(86 130 936)**	**396 522 972**
Cash and cash equivalents at the beginning of the reporting year	992 790 581	**596 267 609**
Cash and cash equivalents at the end of the reporting year	**906 659 645**	**992 790 581**

For the value of cash and cash equivalents at the end of the period less the provision for expected credit losses see Note 7.

Approved and signed on behalf of the management of the Group:

S.R. Normukhammedov
Chairman of the Board of the Bank

M.M. Maisova
Chief Accountant of the Bank

01 April 2020