PRIVATE JOINT STOCK BANK "TRUSTBANK"

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 bank "Trustbank":

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Private joint stock bank "Trustbank" (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") 3,522,000 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, including finance lease receivables.

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We designed our audit by determining materiality and assessing 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 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.

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 consolidated financial statements as a whole.

Overall Group materiality	UZS 3,522,000 thousand (2016: UZS 2,410,000 thousand).
How we determined it	5% of profit before tax
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 176,000 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, including finance lease receivables We considered impairment of loans and advances to customers, including finance lease receivables as key audit matter due to the following facts: (i) loans and advances to customers, including finance lease receivables as at 31 December 2017 represent approximately 47% of the Group's total assets; and	Our audit procedures over the loans and advances to customers, including finance lease receivables were as follows: - the assessment whether the provisioning methodology is in compliance with IAS 39 "Financial instruments: recognition and measurement"; - the assessment of the procedures over identifying the event or events as a result of which a loan has become impaired; - testing on a sample basis that in cases when the recovery of the loan is expected from the proceeds on

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(ii) the significance of judgements involved in making estimates over the assessment of loan impairment provisions.

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/or amounts of losses incurred.

The significant accounting policies, critical accounting estimates and judgements relative to the calculations of impairment and loans and advances to customers, including finance lease receivables is provided in Notes 3, 4 and 9, respectively, to the consolidated financial statements.

The Group's approach to the estimation of impairment losses on loans to customers, including finance lease receivables 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 the proceeds on sale of collateral discounted at the original effective interest rate.

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.

sale of collateral that the valuation of collateral is supported by an appropriate and current valuation;

- agreeing the key inputs used in impairment calculation to source systems and source documentation;
- re-performing on a sample basis the discounted cash flow calculations to confirm accuracy;
- the evaluation of the methodology, inputs and assumptions used by the Bank in calculating impairments assessed on a portfolio basis;
- the assessment of the adequacy of impairment allowances for individually and collectively assessed loans and advances to customers, including finance lease receivables.

We tested a sample of individually significant loans by focusing on identification of default or delinquency, considering the assumptions for timing and amount of estimated future cash flows, and the quality and valuation of collateral. Our selection was focused on possible under-collateralized loans.

For individually significant loans with no impairment identified and all other loans not considered as significant, we applied collective pool provision rates, except for 'day one loans', which are not considered to be impaired due to a short time since their origination.

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

1. We compared the principal assumptions made with our own knowledge and experience of the banking industry in Uzbekistan and the business specifics of the Group.
2. We re-performed calculation of collective impairment.

The following additional procedures were performed for provision for impairment of loans and advances to customers, including finance lease receivables at 31 December 2017:

1. We re-performed the back testing to ensure that accounting estimate is appropriate and has been applied consistently.
2. We developed independent expectations in respect of collective assessments based on our understanding of the industry sectors and the banking market in Uzbekistan. We compared the impairment provision levels to other banks in Uzbekistan and investigated reasons for any major differences.

In the course of performing our procedures we did not identify any material differences.

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.

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The Group consists of two entities, the parent – Private joint stock bank "Trustbank" and 100% owned leasing subsidiary – Limited liability company "Trast Leasing".

The Group's financial statements are a consolidation of these two entities. We performed an audit of the complete set of the 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.

Responsibilities of management and 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.

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

Audit Organization "PricewaterhouseCoopers" LLC
30 March 2018
Tashkent, Uzbekistan

In thousands of Uzbekistan Soums	Notes	31 December 2017	31 December 2016
ASSETS			
Cash and cash equivalents	7	596,267,609	472,536,745
Due from other banks	8	212,691,244	261,306,199
Loans and advances to customers, including finance lease receivables	9	846,879,993	570,219,979
Investments available for sale		1,073,087	73,087
Investment securities held to maturity	10	10,284,353	49,545,103
Investment in associate	11	5,813,936	5,149,648
Current income tax prepayment		3,870,697	1,071,715
Premises and equipment	12	53,040,408	44,731,772
Intangible assets	12	5,104,339	5,250
Other assets	13	43,955,305	9,028,092
TOTAL ASSETS		**1,778,980,971**	**1,413,667,590**
LIABILITIES			
Due to other banks	14	51,335,377	6,757,405
Customer accounts	15	1,488,057,353	1,234,370,582
Debt securities in issue	16	11,492,183	7,093,589
Deferred income tax liability	23	1,116,675	684,216
Other liabilities	17	9,714,046	7,038,592
TOTAL LIABILITIES		**1,561,715,634**	**1,255,944,384**
EQUITY			
Share capital	18	101,961,733	41,961,733
Share premium	18	25,997,110	7,097,110
Retained earnings		89,306,494	108,664,363
TOTAL EQUITY		**217,265,337**	**157,723,206**
TOTAL LIABILITIES AND EQUITY		**1,778,980,971**	**1,413,667,590**

Approved for issue and signed on 31 March 2018.

Normukhamedov S.R.
Chairman of the Board

Maisova M.M.
Chief Accountant

The notes set out on pages 5 to 56 form an integral part of these consolidated financial statements.

In thousands of Uzbekistan Soums	Note	2017	2016
Interest income	19	129,449,042	85,516,223
Interest expense	19	(13,330,932)	(13,713,622)
Net interest income		**116,118,110**	**71,802,601**
Provision for impairment of loans and advances to customers, including finance lease receivables	9	(14,058,251)	(3,715,427)
Net interest income after provision for impairment of loans and advances to customers, including finance lease receivables		**102,059,859**	**68,087,174**
Fee and commission income	20	86,218,431	58,423,360
Fee and commission expense	20	(16,388,976)	(17,177,841)
Net (loss)/gain on foreign exchange translation		(15,753,029)	963,423
Net gain/(loss) from trading in foreign currencies		-	(18,774)
Net gain from financial derivatives		16,093,895	2,122,967
Provision for other assets		(89,674)	(603,252)
Share of result of associate	11	1,683,900	1,531,812
Other operating income	21	2,603,505	2,361,627
Administrative and other operating expenses	22	(97,238,925)	(67,221,891)
Profit before tax		**79,188,986**	**48,468,605**
Income tax expense	23	(18,094,037)	(12,017,803)
PROFIT FOR THE YEAR		**61,094,949**	**36,450,802**
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**61,094,949**	**36,450,802**
Basis and dilluted earnings per preference share (expressed in UZS per share)	25	**1,359**	**811**
Basis and dilluted earnings per ordinary share (expressed in UZS per share)	25	**1,358**	**906**

The notes set out on pages 5 to 56 form an integral part of these consolidated financial statements.

In thousands of Uzbekistan Soums	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2016	**41,961,733**	**7,097,110**	**82,061,816**	**131,120,659**
Profit for the year	-	-	36,450,802	**36,450,802**
Other comprehensive income	-	-	-	-
Total comprehensive income for 2016	-	-	**36,450,802**	**36,450,802**
Dividends declared on ordinary shares	-	-	(9,855,615)	**(9,855,615)**
Dividends declared on preference shares	-	-	(3,450)	**(3,450)**
Return of unpaid dividends	-	-	10,810	**10,810**
Balance at 31 December 2016	**41,961,733**	**7,097,110**	**108,664,363**	**157,723,206**
Profit for the year	-	-	61,094,949	**61,094,949**
Other comprehensive income	-	-	-	-
Total comprehensive income for 2017	-	-	**61,094,949**	**61,094,949**
Capitalization of dividends	59,754,069	18,822,532	(78,576,601)	-
Dividends declared on ordinary shares	-	-	(1,877,399)	**(1,877,399)**
Dividends declared on preference shares	-	-	(3,450)	**(3,450)**
Return of unpaid dividends	-	-	4,632	**4,632**
Share issue	245,931	77,468	-	**323,399**
Balance at 31 December 2017	**101,961,733**	**25,997,110**	**89,306,494**	**217,265,337**

In thousands of Uzbekistan Soums	Note	2017	2016
Cash flows from operating activities			
Interest received		126,355,629	84,425,961
Interest paid		(12,898,726)	(13,857,186)
Fee and commission received		86,089,126	58,336,793
Fee and commission paid		(16,388,976)	(17,177,841)
Losses from trading in foreign currencies		-	(18,774)
Gains less losses from financial derivatives		16,872,997	863,814
Other operating income received		2,603,505	2,361,627
Staff costs paid		(52,877,794)	(39,023,189)
Administrative and other operating expenses paid		(37,871,453)	(21,952,892)
Income tax paid		(20,460,560)	(12,810,189)
Cash flows from operating activities before changes in operating assets and liabilities		**91,423,748**	**41,148,124**
Net (increase) / decrease in:			
- due from other banks		30,884,606	(96,493,984)
- loans and advances to customers, including finance lease receivables		(306,538,603)	(142,407,104)
- other assets		(4,094,867)	(1,959,406)
Net increase / (decrease) in:			
- due to other banks		47,732,962	(12,162,187)
- customer accounts		267,705,420	348,919,497
- other liabilities		26,282	1,627,216
Net cash from operating activities		**127,139,548**	**138,672,155**
Cash flows from investing activities			
Acquisition of investment securities held to maturity		-	(26,600,000)
Proceeds from redemption of investment securities held to maturity		39,000,000	9,650,000
Sale of shares in associate		-	517,728
Income received from associate		1,055,144	796,351
Acquisition of investment securities available for sale		(1,000,000)	(6,044)
Acquisition of premises, equipment and intangible assets		(36,701,753)	(23,684,761)
Proceeds from sale of premises and equipment		72,532	-
Net cash from / (used in) investing activities		**2,425,923**	**(39,326,726)**
Cash flows from financing activities			
Proceeds from issuance of debt securities		9,380,000	-
Repayment of debt securities		(5,000,000)	(47,500)
Issue of ordinary shares		323,399	-
Dividends paid		(1,709,340)	(9,848,255)
Net cash from / (used in) financing activities		**2,994,059**	**(9,895,755)**
Effect of exchange rate changes on cash and cash equivalents		(8,828,666)	1,556,946
Net increase in cash and cash equivalents		**123,730,864**	**91,006,620**
Cash and cash equivalents at the beginning of the year	7	472,536,745	381,530,125
Cash and cash equivalents at the end of the year	7	**596,267,609**	**472,536,745**
Non cash financing activities - issue of share capital		78,576,601	-