

**PRIVATE JOINT STOCK BANK "TRUSTBANK"**

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

**31 December 2016**

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## Independent auditor's report

To the Shareholders and Council of 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 Private Joint Stock Bank "TRUSTBANK" (the Bank) and its subsidiary (the Group) as at 31 December 2016, 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 2016;
- 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

<b>Materiality</b>	Overall Group materiality: Uzbek Soums (“UZS”) 2,410,000 thousand.
<b>Group scoping</b>	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.
<b>Key audit matter</b>	Impairment of loans to customers, including finance lease receivables.

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. 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 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 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.

### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about 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, if any, both individually and in aggregate on the consolidated financial statements as a whole.

<b>Overall Group materiality</b>	UZS 2,410,000 thousand.
<b>How we determined it</b>	5% of profit before tax.
<b>Rationale for the materiality benchmark applied</b>	We chose profit before tax as the base benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is most commonly measured by users, and it is a generally accepted benchmark. We chose 5% as in our professional experience this is the widely accepted quantitative measure for this benchmark





We agreed with management that we would report to them misstatements identified during our audit above UZS 120,500 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reason.

### Key audit matter

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

##### ***Impairment of loans to customers, including finance lease receivables***

We considered impairment of loans to customers, including finance lease receivables as key audit matter due to the following facts:

- (i) loans to customers, including finance lease receivables as at 31 December 2016 represent approximately 60% of the Group's total assets; and
- (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 the uncertainties over the timely identification of the loss events and/or amounts of losses incurred.

The summary of significant accounting policies, critical accounting estimates and judgements relative to the calculations of impairment and loans and advances to customers 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.

#### How our audit addressed the key audit matter

Our audit procedures over the loans and advances to customers included:

- the assessment whether the provisioning methodology is in compliance with IAS 39 "Financial instrument: recognition and measurement";
- the assessment of the procedures over identifying the event or events when 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 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.

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.





### 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.

2. We re-performed the calculation of the collective impairment.

The following additional procedures were performed for provision for impairment of loans to customers, including finance lease receivables at 31 December 2016:

1. We re-performed the back testing to ensure that accounting estimate is appropriate and has been applied consistently.
2. 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.

### *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.

The Council of the Group 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

Audit Organization "PricewaterhouseCoopers" LLC  
21 April 2017  
Tashkent, Uzbekistan

**Private Joint Stock Bank "TRUSTBANK" and its subsidiary  
Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Uzbekistan Soums</i>	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
Cash and cash equivalents	7	472,536,745	381,530,125
Due from other banks	8	261,306,199	164,142,096
Loans and advances to customers, including finance lease receivables	9	570,219,979	428,693,846
Investments available for sale		73,087	67,043
Investment securities held to maturity	10	49,545,103	32,594,720
Investment in associate	11	5,149,648	5,254,448
Current income tax prepayment		1,071,715	932,644
Premises and equipment	12	44,731,772	24,567,891
Intangible assets	12	5,250	22,843
Other assets	13	9,028,092	6,271,967
<b>TOTAL ASSETS</b>		<b>1,413,667,590</b>	<b>1,044,077,623</b>
<b>LIABILITIES</b>			
Due to other banks	14	6,757,405	18,860,850
Customer accounts	15	1,234,370,582	882,624,603
Debt securities in issue	16	7,093,589	7,142,612
Deferred income tax liability	23	684,216	1,337,531
Other liabilities	17	7,038,592	2,991,368
<b>TOTAL LIABILITIES</b>		<b>1,255,944,384</b>	<b>912,956,964</b>
<b>EQUITY</b>			
Share capital	18	41,961,733	41,961,733
Share premium	18	7,097,110	7,097,110
Retained earnings		108,664,363	82,061,816
<b>TOTAL EQUITY</b>		<b>157,723,206</b>	<b>131,120,659</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,413,667,590</b>	<b>1,044,077,623</b>

Approved for issue and signed on behalf of the Management Board of the Bank on 20 April 2017.

Samarhodjaev F.I  
Acting Bank Chairman



Matsova M.M.  
Chief Accountant



**Private Joint Stock Bank "TRUSTBANK" and its subsidiary**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**

<i>In thousands of Uzbekistan Soums</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
Interest income	19	85,516,223	65,745,948
Interest expense	19	(13,713,622)	(11,975,210)
<b>Net interest income</b>		<b>71,802,601</b>	<b>53,770,738</b>
Provision for impairment of loans and advances to customers, including finance lease receivables	9	(3,715,427)	(1,081,525)
<b>Net interest income after provision for impairment of loans and advances to customers, including finance lease receivables</b>		<b>68,087,174</b>	<b>52,689,213</b>
Fee and commission income	20	58,423,360	46,872,167
Fee and commission expense	20	(17,177,841)	(7,715,618)
Net gain on foreign exchange translation		963,423	1,542,846
Net loss from trading in foreign currencies		(18,774)	(64,249)
Net gain from financial derivatives		2,122,967	294,089
Provision for other assets		(603,252)	-
Share of result of associate	11	1,531,812	1,260,179
Other operating income	21	2,361,627	1,887,895
Administrative and other operating expenses	22	(67,221,891)	(56,033,177)
<b>Profit before tax</b>		<b>48,468,605</b>	<b>40,733,345</b>
Income tax expense	23	(12,017,803)	(8,905,846)
<b>PROFIT FOR THE YEAR</b>		<b>36,450,802</b>	<b>31,827,499</b>
Other comprehensive income		-	-
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>36,450,802</b>	<b>31,827,499</b>
<b>Basis and diluted earnings per preference share (expressed in UZS per share)</b>	24	<b>811</b>	<b>450</b>
<b>Basis and diluted earnings per ordinary share (expressed in UZS per share)</b>	24	<b>906</b>	<b>863</b>

**Private Joint Stock Bank "TRUSTBANK" and its subsidiary  
Consolidated Statement of Changes in Equity**

<i>In thousands of Uzbekistan Soums</i>	Share capital	Share premium	Retained earnings	Total
<b>Balance at 1 January 2015</b>	<b>33,961,733</b>	<b>4,873,110</b>	<b>69,992,918</b>	<b>108,827,761</b>
Profit for the year	-	-	31,827,499	31,827,499
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for 2015</b>	<b>-</b>	<b>-</b>	<b>31,827,499</b>	<b>31,827,499</b>
Dividends paid on ordinary shares	-	-	(9,925,544)	(9,925,544)
Dividends paid on preference shares	-	-	(3,450)	(3,450)
Shares issued via capitalization of retained earnings	7,660,683	2,168,924	(9,829,607)	-
Issue of shares	339,317	55,076	-	394,393
<b>Balance at 31 December 2015</b>	<b>41,961,733</b>	<b>7,097,110</b>	<b>82,061,816</b>	<b>131,120,659</b>
Profit for the year	-	-	36,450,802	36,450,802
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for 2016</b>	<b>-</b>	<b>-</b>	<b>36,450,802</b>	<b>36,450,802</b>
Dividends paid on ordinary shares	-	-	(9,855,615)	(9,855,615)
Dividends paid on preference shares	-	-	(3,450)	(3,450)
Return of unpaid dividends	-	-	10,810	10,810
<b>Balance at 31 December 2016</b>	<b>41,961,733</b>	<b>7,097,110</b>	<b>108,664,363</b>	<b>157,723,206</b>



**Private Joint Stock Bank "TRUSTBANK" and its subsidiary**  
**Consolidated Statement of Cash Flows**

<i>In thousands of Uzbekistan Soums</i>	<b>Note</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities</b>			
Interest received		84,425,961	65,297,005
Interest paid		(13,857,186)	(11,753,847)
Fee and commission received		58,336,793	46,291,047
Fee and commission paid		(17,177,841)	(7,715,618)
Loss from trading in foreign currencies		(18,774)	(64,249)
Gain incurred on derivatives		863,814	(48,124)
Other operating income received		2,361,627	1,887,895
Staff costs paid		(39,023,189)	(29,600,263)
Administrative and other operating expenses paid		(21,952,892)	(20,178,735)
Income tax paid		(12,810,189)	(9,381,494)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>			
		<b>41,148,124</b>	<b>34,733,617</b>
<i>Net (increase) / decrease in:</i>			
- due from other banks		(96,493,984)	(52,257,000)
- loans and advances to customers, including finance lease receivables		(142,407,104)	(28,593,725)
- other assets		(1,959,406)	(2,602,165)
<i>Net increase / (decrease) in:</i>			
- due to other banks		(12,162,187)	10,430,447
- customer accounts		348,919,497	231,469,224
- other liabilities		1,627,216	944,110
<b>Net cash from operating activities</b>			
		<b>138,672,155</b>	<b>194,124,508</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment securities held to maturity		(26,600,000)	(18,600,000)
Proceeds from redemption of investment securities held to maturity		9,650,000	10,537,000
Sale of shares in associate		517,728	-
Income received from associate		796,351	945,665
Net cash outflow from investment securities available for sale		(6,044)	(4,836)
Acquisition of premises, equipment and intangible assets		(23,684,761)	(1,671,083)
<b>Net cash used in investing activities</b>			
		<b>(39,326,726)</b>	<b>(8,793,254)</b>
<b>Cash flows from financing activities</b>			
Repayment of debt securities		-	(3,000,000)
Proceeds from issuance of debt securities		(47,500)	3,993,178
Issue of ordinary shares		-	394,393
Dividends paid		(9,848,255)	(9,928,994)
<b>Net cash used in financing activities</b>			
		<b>(9,895,755)</b>	<b>(8,541,423)</b>
Effect of exchange rate changes on cash and cash equivalents		1,556,946	1,270,641
<b>Net increase in cash and cash equivalents</b>		<b>91,006,620</b>	<b>178,060,472</b>
Cash and cash equivalents at the beginning of the year	7	381,530,125	203,469,653
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>472,536,745</b>	<b>381,530,125</b>
Non cash financing activities - issue of share capital		-	9,829,607