

**JOINT STOCK
COMMERCIAL BANK**



**Consolidated Financial Statements
And Independent Auditor's Report
For the year ended 31 December 2019**

JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
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JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Joint Stock Commercial Bank "Turonbank" ("the Bank") and its subsidiaries ("the Group") as at 31 December 2019 and the related consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:


- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with legislation of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved by the Management of the Group on 3 June 2020.

On behalf of the Management Board:



Mirzaev Chori Sadibakosovich
Chairman of the Board

3 June 2020
Tashkent, Uzbekistan





Bozorov Sherzod Eshmanovich
Chief Accountant

3 June 2020
Tashkent, Uzbekistan

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of Joint Stock Commercial Bank "Turonbank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Turonbank" (hereinafter - "the Bank") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

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 are independent of the Group 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 consolidated financial statements in *the Republic of Uzbekistan*, 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 opinion.

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.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p><i>Assessment of expected credit losses on loans and advances to customers</i></p> <p>As at 31 December 2019, loans and advances to customers represent UZS 4,314,352 million, net of allowance for expected credit losses ("ECL") of UZS 68,167 million assessed on a collective and individual basis.</p> <p>For collective assessment of ECL on loans and advances to customers there is a risk of applying inappropriate assumptions (probability of default, loss given default rates and exposure at default) and errors in input data.</p> <p>For individually significant loans, the judgement is applied determining whether the loan is staged appropriately to reveal the level of credit risk based on the estimation of the expected future cash flows of individual balances.</p>	<p>We updated our understanding of management processes in respect of the assessment and measurement of ECL, including identification of events leading to significant increase in credit risk ("SICR") and events of default.</p> <p>We assessed changes in the Group's impairment methodologies, analysed the key assumptions and the underlying data used in ECL models. We challenged appropriateness of identification of the significant increase in credit risk and classification of exposures into stages.</p> <p>For a sample of exposures assessed collectively, we checked the loans' staging, tested allocation of loan principle amounts and accrued interests by days in arrears, restructuring events, existence of litigation processes and other criteria set by the Group's methodology; checked appropriateness of exposure at default, checked probability of default calculation</p>

Management applies significant judgements in designing the models and determining the inputs to be used.

Credit impaired loans are assessed individually. ECL calculation involves analysis of financial and non-financial data for estimating the future cash flows under different scenarios weighted for their probabilities. Information used for such analysis could include current financial performance of the borrower, the industry trends, expected value of collateral, and costs and time required to sell the collateral.

Due to the significance of the loans and advances balances and subjectivity of management's judgements as described above we identified assessment of ECL as a key audit matter.

Refer to Notes 3, 8 and 26 to the consolidated financial statements for the Group's accounting policy and disclosures of ECL allowances.

for the periods. We analysed the assessment of the loss given default used by the Group, including information on sale of collateral, statistics for recoveries of loans and the accuracy of arithmetical calculations.

For individually significant borrowers we challenged the Group's staging results and whether relevant impairment events had been identified on a timely manner, including delinquency of interest or principal, restructuring events and certain financial performance indicators, in order to evaluate whether the loans have been appropriately classified to the respective stage.

To check appropriateness of ECL for individually significant loans in stage 3, we reviewed the Group's documentation in relation to credit assessment of the borrowers, challenged assumptions underlying ECL calculation, such as future cash flow projections, the valuation of collateral held and key assumptions applied.

We assessed the accuracy and completeness of the disclosures in the financial statements.

Liquidity and Going concern principle

As disclosed in Note 3 and 16 to the consolidated financial statements, as at 31 December 2019, the Group was not compliant with financial covenant of its loan agreements with Asian Development Bank ("ADB") for the total amount of UZS 763,858 million. As a result, the management has classified these borrowings as "Demand and less than 1 month" in the liquidity disclosure (Note 26).

In reaching the conclusion on its ability to continue as a going concern in the foreseeable future, the Group had assumed the continued provision of funds by ADB and support by the Government of the Republic of Uzbekistan, considered the effect of the breach of financial covenant, its strategic role as a government arm in the economy of Uzbekistan and its ability to take mitigating actions if and when required.

The Bank has concluded that the going concern basis remains appropriate and no material uncertainty exists according to actions taken and plans as described in Note 3.

Due to a significant impact of the covenant breach on the liquidity and financial position of the Bank and pervasiveness of the effect of using the going concern assumption on the financial statements, this area is determined as key audit matter.

We obtained understanding of the Management's remediation plan and focused on evaluating and challenging the Group's ability to continue as a going concern. Further, we checked documentation, including Management board and Council meeting minutes and the action plan and analysed the feasibility of the Management's plan.

We reviewed the Group's correspondence with ADB in respect of the breach of the loan agreement's covenant and the approved remediation plan.

We also assessed the Group's ongoing support from the Government and performed the following procedures:

- We reviewed the Group's participation in the strategically important state programs and checked supporting documentation on eligibility for Government's financing;
- We also reviewed the Government's plan for the Bank's capital reserves replenishment and reviewed relevant supporting documentation.

We reviewed key loan agreements with regards to the risk of non-compliance with covenants and performed loan covenant calculations.

We checked appropriateness and completeness of the disclosures made in the consolidated financial statements in respect of going concern.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), 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.

Those charged with governance are 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 judgement 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.

Deloitte.

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.

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.



A handwritten signature in blue ink, appearing to read 'Erin Ayupov', is written over the right side of the circular logo.

"Deloitte & Touche" Audit Organisation LLC
License authorizing audit of companies registered
by the Ministry of Finance of the Republic of
Uzbekistan under #00776 dated 5 April 2019

Certificate authorizing audit of banks registered by
the Central bank of the Republic of Uzbekistan
under #3 dated 14 October 2013

3 June 2020
Tashkent, Uzbekistan

Erin Ayupov
Qualified Auditor/Engagement Partner
Auditor qualification certificate authorizing audit of
companies, #04830 dated 22 May 2010 issued by the
Ministry of Finance of the Republic of Uzbekistan

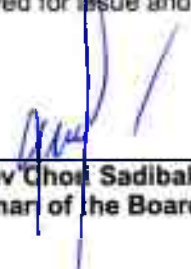
Auditor qualification certificate authorizing audit of
banks, #6/8 dated 30 June 2015 issued by the Central
bank of the Republic of Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC


JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019
(in millions of Uzbek Soums)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	6,30	1,016,755	519,869
Due from other banks	7,30	349,648	143,398
Loans and advances to customers	8,30	4,314,352	2,271,891
Financial assets at fair value through other comprehensive income	9,30	31,553	21,524
Investment in associates	10	6,579	6,810
Deferred income tax asset	23	8,302	11,526
Premises, equipment and intangible assets	11	117,005	59,003
Other assets	12,30	20,441	15,657
TOTAL ASSETS		5,864,635	3,049,678
LIABILITIES			
Due to other banks	13,30	405,956	113,564
Customer accounts	14,30	1,654,238	1,199,430
Debt securities in issue	15,30	12,928	8,103
Borrowings from government, state and international financial institutions	16,30	2,750,831	892,333
Other liabilities	17,30	18,428	13,262
TOTAL LIABILITIES		4,842,381	2,226,692
EQUITY			
Share capital	18	887,273	768,027
Share premium	18	219	219
Retained earnings		118,065	46,008
Revaluation reserve of financial assets at fair value through other comprehensive income		15,830	7,335
Net assets attributable to the Bank's owners		1,021,387	821,589
Non-controlling interest		867	1,397
TOTAL EQUITY		1,022,254	822,986
TOTAL LIABILITIES AND EQUITY		5,864,635	3,049,678

Approved for issue and signed on behalf of the Management Board on 3 June 2020.


Mirzaev Chot Sadibakosovich
 Chairman of the Board





Bozorov Sherzod Eshmanovich
 Chief Accountant


JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Uzbek Soums)

	Notes	2019	2018
Continued operations			
Interest income	19,30	373,157	204,352
Interest expense	19,30	(152,831)	(51,993)
NET INTEREST INCOME BEFORE CREDIT LOSSES		220,326	152,359
Initial recognition adjustment on interest bearing assets		(2,007)	(8,204)
Expected credit losses on loans and advances to customers	26,30	(15,056)	(30,229)
NET INTEREST INCOME		203,263	113,926
Fee and commission income	20,30	70,824	48,658
Fee and commission expense	20,30	(16,954)	(11,689)
Foreign exchange translation gains less losses		6,448	(709)
Gain less losses from trading in foreign currencies		6,653	5,406
Dividend income		1,336	5,709
Other operating income, net	21	4,142	4,847
Impairment of share in associate	10	(1,033)	-
Share of the net profit or loss of the associate	10,30	802	195
Other impairment provision		(1,906)	(2,360)
Administrative and other operating expenses	22,30	(168,463)	(126,017)
PROFIT BEFORE TAX		105,112	37,966
Income tax expense	23	(20,993)	(5,584)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		(533)	25
PROFIT FOR THE YEAR		83,586	32,407
Attributable to:			
- Owners of the Bank		84,116	33,014
- Non-controlling interest		(530)	(607)
PROFIT FOR THE YEAR		83,586	32,407
Total basic and diluted earnings per ordinary share			
(expressed in UZS per share)	24	181	85
Total basic and diluted earnings per preference share			
(expressed in UZS per share)	24	181	85

Approved for issue and signed on behalf of the Management Board on 3 June 2020.


 Mirzaev Chori Sadibakosovich
 Chairman of the Board





 Bozorov Sherzod Eshmanovich
 Chief Accountant

JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)
(in millions of Uzbek Soums)

	Notes	2019	2018
PROFIT FOR THE YEAR		83,586	32,407
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Fair value gain on financial assets at fair value through other comprehensive income		10,833	820
Tax effect		(2,338)	(5)
OTHER COMPREHENSIVE INCOME		8,495	815
TOTAL COMPREHENSIVE INCOME		92,081	33,222
Attributable to:			
- Owners of the Bank		92,611	33,829
- Non-controlling interest		(530)	(607)
TOTAL COMPREHENSIVE INCOME		92,081	33,222

Approved for issue and signed on behalf of the Management Board on 3 June 2020.


 Mirzaev Cheri Sadibakosovich
 Chairman of the Board




 Bozorov Sherzod Eshmanovich
 Chief Accountant

JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

<i>In millions of Uzbekistan Soums</i>	Share capital	Share premium	Retained earnings	Revaluation reserve of financial assets at fair value through other comprehensive income	Total	Non- controlling interest	Total equity
31 December 2017	280,647	219	40,078	-	320,944	2,004	322,948
Effect of IFRS 9 adoption on 1 January 2018	-	-	(17,120)	6,520	(10,600)	-	(10,600)
1 January 2018 (restated under IFRS 9)	280,647	219	22,958	6,520	310,344	2,004	312,348
Profit for the year	-	-	33,014	-	33,014	(607)	32,407
Total comprehensive income for 2018	-	-	33,014	815	33,829	(607)	33,222
Shares issued	487,380	-	-	-	487,380	-	487,380
Dividends declared	-	-	(9,964)	-	(9,964)	-	(9,964)
31 December 2018	768,027	219	46,008	7,335	821,589	1,397	822,986
Profit for the year	-	-	84,116	-	84,116	(530)	83,586
Total comprehensive income for 2019	-	-	84,116	8,495	92,611	(530)	92,081
Shares issued	119,246	-	-	-	119,246	-	119,246
Dividends declared	-	-	(12,059)	-	(12,059)	-	(12,059)
31 December 2019	887,273	219	118,065	15,830	1,021,387	867	1,022,254

Approved for issue and signed on behalf of the Management Board on 3 June 2020.


Mirzaev Chon Sadibakosovich
Chairman of the Board




Bozorov Sherzod Eshmanovich
Chief Accountant

The notes on pages 12-83 form an integral part of these consolidated financial statements

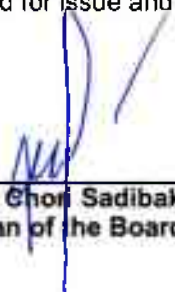
JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Uzbek Soums)

	Notes	2019	2018
Cash flows from operating activities			
Interest received		347,622	188,908
Interest paid		(133,392)	(48,957)
Fees and commissions received		69,205	53,923
Fees and commissions paid		(16,954)	(11,689)
Income received from trading in foreign currencies		6,653	5,406
Other operating income received		4,453	4,847
Staff costs paid		(107,361)	(77,623)
Administrative and other operating expenses paid		(51,131)	(40,108)
Income tax paid		(22,071)	(8,095)
Cash flows from operating activities before changes in operating assets and liabilities			
		97,024	66,612
Net increase in due from other banks		(206,276)	(72,020)
Net increase in loans and advances to customers		(1,794,588)	(1,343,234)
Net decrease in other assets		8,468	1,422
Net increase in due to other banks		279,786	69,178
Net increase in customer accounts		396,081	288,422
Net decrease in other liabilities		(11,056)	(2,532)
Net cash used in operating activities			
		(1,230,561)	(992,152)
Cash flows from investing activities			
Acquisition of premises, equipment and intangible assets		(70,920)	(28,260)
Proceeds from disposal of premises, equipment and intangible assets		980	276
Proceeds from disposal of financial assets at fair value through other comprehensive income		270	-
Dividend income received		1,455	3,508
Net cash used in investing activities			
		(68,215)	(24,476)

JOINT STOCK COMMERCIAL BANK "TURONBANK" AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019
(in millions of Uzbek Soums)

	Notes	2019	2018
Cash flows from financing activities			
Issue of ordinary shares		119,246	487,380
Proceeds from borrowings from government, state and international financial institutions		1,679,121	644,072
Repayment of borrowings from government, state and international financial institutions		(34,112)	(2,810)
Proceeds from debt securities in issue		18,400	5,200
Repayment of debt securities in issue		(13,600)	(7,900)
Dividends paid		(12,091)	(10,166)
Net cash from financing activities		1,756,964	1,115,776
Effect of exchange rate changes on cash and cash equivalents		38,727	(3,602)
Effect of changes in expected credit losses		(29)	3
Net increase in cash and cash equivalents		496,886	95,549
Cash and cash equivalents at the beginning of the year	6	519,869	424,320
Cash and cash equivalents at the end of the year	6	1,016,755	519,869

Approved for issue and signed on behalf of the Management Board on 3 June 2020.


 Mirzaev Ghori Sadibakosovich
 Chairman of the Board




 Bozorov Sherzod Eshmanovich
 Chief Accountant