

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Council 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 subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the 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 2021 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

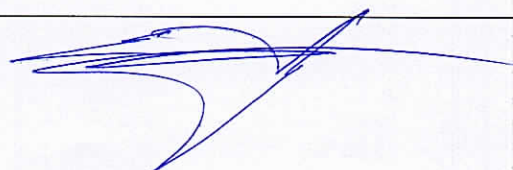
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Erkin Ayupov, Qualified Auditor/Engagement Partner

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<p data-bbox="240 584 746 640"><i>Collective assessment of the expected credit losses on loans and advances to customers</i></p> <p data-bbox="240 669 746 779">As at 31 December 2021, gross loans and advances to customers represent UZS 6,110,121 million, net of allowance for expected credit losses ("ECL") of UZS 324,173 million assessed on a collective basis.</p> <p data-bbox="240 808 783 972">For loans assessed on a collective basis, there is a risk of errors in the underlying data used in assessment of the ECL, including errors in loan data, inaccurate or incomplete inputs and especially assumptions used in assessing probability of default (PD) and loss given default data (LGD).</p> <p data-bbox="240 1001 762 1252">During the year ended 31 December 2021, the Group's borrowers continued to experience the impact of the COVID-19 pandemic. Due to the significance and subjectivity of judgements used by management of the Group and the volume of loans assessed on collective basis, we identified the assessment of expected credit losses, particularly the assessment of the probability of default, significant increase in credit risk ("SICR") and a loss given default as a key audit matter.</p> <p data-bbox="240 1281 762 1391">Refer to Notes 3, 9 and 25 to the consolidated financial statements for the Group's accounting policy and disclosures of gross carrying amounts and related allowances balances.</p>	<p data-bbox="831 669 1394 779">We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL assessment for loans and advances to customers, assessed on a collective basis.</p> <p data-bbox="831 808 1417 891">We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements.</p> <p data-bbox="831 920 1417 1003">We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses.</p> <p data-bbox="831 1032 1417 1252">With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant source data. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and Exposure at default ("EAD").</p> <p data-bbox="831 1281 1417 1364">On a sample basis, we tested the accuracy and completeness of statistics for recoveries of loans used in the ECL models and traced back this information to source data.</p> <p data-bbox="831 1393 1417 1503">We evaluated the accuracy and completeness of the notes disclosed in the consolidated financial statements relating to the loans and advances to customers in accordance with IFRS 9 requirements.</p>

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Individual assessment of the expected credit losses on loans and advances to customers

As at 31 December 2021, the Group's gross loans assessed for impairment on an individual basis amounted to UZS 2,332,517 million, net of allowance for expected credit losses ("ECL") of UZS 12,575 million.

The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Group.

In particular, there is a risk that exposures with significant increase in credit risk and credit-impaired exposures (movements between stage 1, stage 2 and stage 3 and vice versa) are not completely or accurately identified/classified as at the reporting date, as not all relevant qualitative and quantitative information was captured.

Additionally, the ECL on individually significant credit-impaired loans in stage 3 may be misstated due to errors related to the estimation of future cash receipts from the sale of collateral or use of inappropriate or unsupported information.

Due to the significance of the gross carrying amount of individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter.

Refer to Notes 3, 9 and 25 to the consolidated financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for loans.

We obtained an understanding of the loan origination and credit risk management processes.

We assessed the Group's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.

For a sample of loans, we performed a detailed credit review and challenged the Group's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3). In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (financial rating), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events and certain financial performance indicators had been identified on a timely manner.

On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as the valuation of collateral held, cost and time to sell the collateral under various probability-weighted scenarios agreeing key assumptions to supporting documents.

We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans to customers in accordance with IFRS requirements.

Liquidity and Going concern principle

As disclosed in Note 3 and 16 to the consolidated financial statements, as at 31 December 2021, the Group was not compliant with certain financial covenants stipulated in the loan agreements with one financial institution with aggregate borrowings amounting to UZS 977,775 million. This, as a consequence, triggered cross default clauses stipulated in the loan agreements signed between the Group and two other financial institutions with the year-end aggregate outstanding balance of UZS 206,574 million. The breach of covenants and resultant cross defaults gave the respective financial institutions the right to demand repayment of their borrowings extended to the Group prior to their original maturity.

The Management has, therefore, classified the borrowings for the total amount of UZS 1,184,349 million as "Demand and less than 1 month" in the liquidity disclosure (Note 25).

We reviewed the annual budget of the Group for 2022 as well as management's analysis of liquidity risks that it submits to the Central bank of Uzbekistan, and evaluated reasonableness of going concern assumption by challenging management's judgments and conclusions.

We focused on evaluating and challenging the reasonableness of the Group's assumptions in respect of its strategic role in governmental programs and the continuing financial support from the Government.

We read the Management's board meeting minutes.

As part of the review of the meetings minutes above, we analysed the sources of planned funding from the Government and international financial institutions and checked the status of negotiating and agreeing the terms of financing.

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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 lenders and support by the Government of the Republic of Uzbekistan, considered the effect of the breach of financial covenants, its strategic role as government arm in the economy of Uzbekistan and its ability to take mitigating actions if and when required.

The Group 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 significant impact of the covenant breach on the liquidity of the Group and pervasiveness of the effect of using the going concern assumption on the consolidated financial statement, this area is determined as key audit matter.

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 amounts of additional financing received under existing credit lines in 2022.

We reviewed loan agreements attributable to the Group's borrowings with regards to the risk of non-compliance with covenants. We checked the mathematical accuracy of covenant calculations according to terms and conditions stipulated in the loan agreements.

We checked the appropriateness and completeness of the disclosure 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 will 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 identified above when it becomes available 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.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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.

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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.

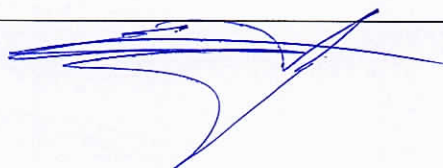
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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. 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.

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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.



“Deloitte & Touche” Audit Organisation LLC

Erkin Ayupov

Auditing organisation LLC “Deloitte & Touche” is included in the Register of auditing organisations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

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 25 January 2021 issued by the Central bank of the Republic of Uzbekistan

29 June 2022
Tashkent, Uzbekistan

Director
“Deloitte & Touche” Audit Organisation LLC