

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders 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 2020, 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 2020 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
<i>Assessment of expected credit losses on loans and advances to customers</i>	
As at 31 December 2020, loans and advances to customers represent UZS 6,819,483 million, net of allowance for expected credit losses ("ECL") of UZS 194,155 million assessed on a collective and individual basis.	We updated our understanding of management processes and relevant control procedures in respect of the assessment and measurement of ECL, including identification of events leading to significant increase in credit risk and events of default.
For collective assessment of ECL on loans and advances to customers there is a risk of using inappropriate assumptions about model parameters (probability of default, loss given default rates and exposure at default) and errors in input data.	For loans collectively assessed for impairment, with the assistance of internal credit risk specialists, we assessed changes in the Group's impairment methodologies, we also analysed the key assumptions and the underlying data used in ECL models, with the reference to the historical information. We challenged appropriateness of identification of the significant increase in credit risk and

In response to the COVID-19 pandemic, the Group has allowed borrowers to postpone monthly repayments of interest and/or principal on loans to later periods (the “forbearance program”). The implementation of this forbearance program and the unprecedented uncertainty over the economic implications created by the pandemic increased the subjectivity in assessment of ECL on loans and advances to customers; accordingly, there is a risk of applying inappropriate assumptions in relation to identification of events leading to significant increase in credit risk (“SICR”) and events of default.

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, costs and time required to sell the collateral.

Due to the significance of the loans and advances balances and significance of the judgments and subjectivity of assumptions used in classifying loans to customers into stages we identified assessment of ECL as a key audit matter.

Refer to Notes 3 (page 14), 4 (page 30), 9 (page 39) and 25 (page 70) to the consolidated financial statements for the Group’s accounting policy and disclosures of ECL allowances.

classification of exposures into stages, including the impact of COVID-19. We also analysed the assumption related to allocation of borrowers in stages and performed the subsequent to year end analysis of the repayment of the loans.

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 probability of default and loss given default calculation for the periods used by the Group, including statistics for recoveries of loans and the accuracy of arithmetical computation.

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 the valuation of collateral held and key assumptions applied, including the impact of COVID-19.

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

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### *Liquidity and Going concern principle*

As disclosed in Note 3 and 16 to the consolidated financial statements, as at 31 December 2020, the Group was not compliant with financial covenants of its loan agreements with Asian Development Bank (“ADB”) for the total amount of UZS 938,215 million.

As a result, the management has classified these borrowings as “Demand and less than 1 month” in the liquidity disclosure (Note 25).

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

We obtained understanding of the Management’s maintaining liquidity 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.

We reviewed the Group’s correspondence with ADB in respect of the breach of the loan agreement’s covenant.

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;

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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 and COVID-19 pandemic 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 also reviewed the Government's plan for the Bank's share capital replenishment, actual cash receipt of additional share capital and reviewed relevant supporting documentation.

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

We checked appropriateness and completeness of the disclosures made in the consolidated financial statements, including COVID-19 affect 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 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:

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- 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.

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  
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

22 June 2021  
Tashkent, Uzbekistan



  
Turgunboy Tokhirov  
Qualified Auditor/Engagement Partner  
Auditor qualification certificate authorizing audit of  
companies, #05422 dated 20 August 2016 issued by the  
Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks,  
#6/11 dated 29 March 2021 issued by the Central bank of the  
Republic of Uzbekistan

  
Erkin Ayupov  
Director  
"Deloitte & Touche" Audit Organisation LLC