



STATE COMMERCIAL BANK OF TURKMENISTAN “TURKMENISTAN”

Financial Statements
for the year ended December 31, 2023

and independent auditors' report

STATE COMMERCIAL BANK OF TURKMENISTAN “TURKMENISTAN”

TABLE OF CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023	2
INDEPENDENT AUDITOR'S REPORT	3-5
FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023:	
Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9-10
Notes to the financial statements	11-49

STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The following statement, which should be read in conjunction with the independent auditor's responsibilities is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the financial statements of the State Commercial Bank of Turkmenistan "Turkmenistan" (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at December 31, 2023, the results of its operations, cash flows and changes in capital for the year ended December 31, 2023, in accordance with International Financial Reporting Standards ("IFRS") and requirements set by the Central Bank of Turkmenistan on the financial statements of banks and finance-credit institutions (the "CBT requirements").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Bank;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- maintaining statutory accounting records in compliance with legislation, accounting standards of Turkmenistan and requirements set by the Central Bank of Turkmenistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- detecting and preventing fraud and other irregularities.

The financial statements for the year ended December 31, 2023 were approved and authorized for issue on November 4, 2024 by the Management of the Bank.

On behalf of the Management of the Bank:


Hajyyev M.Ch.
Chairman of Management Board

December 17, 2024
Ashgabat, Turkmenistan




Analakov T.
Acting Chief Accountant

December 17, 2024
Ashgabat, Turkmenistan



INDEPENDENT AUDITORS' REPORT

To the Management of the State Commercial Bank of Turkmenistan "Turkmenistan":

Qualified opinion

We have audited the financial statements of the State Commercial Bank of Turkmenistan "Turkmenistan" (the "Bank"), which comprise the statement of financial position as at December 31, 2023, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis for qualified opinion" paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2023, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (the "IFRS").

Basis for qualified opinion

Allowance for expected credit losses on loans to customers

The Bank calculates the allowance for expected credit losses on loans to customers, according to the instruction of the Central Bank of Turkmenistan (the "CBT"), which differs from the approach of the International Financial Reporting Standards and specifically with the provisions of IFRS 9 "Financial instruments" (the IFRS 9). As at December 31, 2023 and 2022, the allowance for expected credit losses amounted to 202,544 thousand manat and 188,091 thousand manat, respectively (Note 12). As at the reporting date, the Bank has not implemented IFRS 9 for valuation of expected credit losses on loans to customers, consequently we were unable to estimate the difference between the final results of the calculation of the allowance for expected credit losses in accordance with the CBT instruction and the IFRS 9 approach, and the impact of this discrepancy on the assessment of the Bank's loan portfolio and the amount of allowance for expected credit losses in the financial statements as at December 31, 2023.

Revaluation reserve of property and equipment

As described in Note 14, the Bank performed revaluation of its property and equipment. As at December 31, 2023 the fair value adjustment was amounting to 21,777 thousand manat (22,721 thousand manat as at December 31, 2022). The revaluation was made using various indices prescribed by the Ministry of Finance of Turkmenistan which does not conform to the requirements of IAS 16 "Property, plant and equipment" and IFRS 13 "Fair value measurement". It was not practicable to extend our audit procedures to determine the impact of this departure from IFRS and so we are not able to quantify the effect of this departure on the amounts reported in the financial statements as property and equipment, depreciation expenses, revaluation reserve and retained earnings.

Due to limitations in the paragraphs above in Basis for qualified opinion, we were unable to determine, based on our audit procedures, the potential tax effects or adjustments that might be required for income tax determined for the year ended December 31, 2023, in connection with the mentioned paragraphs.

We conducted our audit in accordance with International Standards on Auditing (the "ISA"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Turkmenistan, 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 qualified opinion.

Material uncertainty related to going concern

Without further qualifying our opinion, we draw your attention to Note 2 to the financial statements. According to the National standards of financial reporting accepted in Turkmenistan the Bank is profitable and has a positive balance of retained earnings. During the year the Bank capitalizes part of retained earnings for reaching the required level of share capital according to the Central Bank of Turkmenistan requirements. In these financial statements the balance of retained earnings account is negative since there are differences between approaches for certain transactions in accordance with IFRS and National standards of financial reporting accepted in Turkmenistan. Consequently, these conditions indicate the existence of a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts, the amounts and classification of liabilities or any other adjustments that might result should the Bank be unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 12 to the attached financial statements, which states that the Bank as at December 31, 2023 the Bank does not comply with the standard of the maximum amount of risk per borrower or a group of related borrowers. The Bank is regularly subject to inspections by the Central Bank of Turkmenistan, the last of which was in 2024, including for compliance with economic standards, and given the Bank's status in financing government programs, no claims were made by the regulator.

Key Audit matters

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

Valuation of advances paid

As described in Note 15 as at December 31, 2023 the Bank had advances paid for construction of nursery, fitness center and golf club. There is a high probability that the constructions will be transferred to the balance of the Ashgabat City Municipality. In this regard, the Management of the Bank carried out estimation of the possibility of future losses and made a decision to create an appropriate allowance. Estimation of the required amount of allowance was made on the basis of available information at the time of issue of the financial statements, and fully reflects the probability of loss of the Bank's assets.

How we addressed the matter

We reviewed Management's assessment of the allowance, taking into account the possibility of future losses, existing practice for similar transactions and other available information and have come to the conclusion that Management assessment is valid.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, for compliance with the legislation and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also perform the following:

- identify and assess the risks of material misstatement of the 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 Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

Other matters

This report, including the opinion of the auditor, was prepared and intended solely for information and use by the Bank's management. To the maximum extent permitted by law, the audit was carried out in order to provide all the information required in the audit report and not for any other purposes. We are not responsible for the use of information for other purposes or by other users who may ever become familiar with this report.

Auditor:

Baker Tilly Klitou & P

BAKER TILLY KLITOU AND PARTNERS
Registered with the Public Electronic Register
Of Auditors and Audit Firms under FA 384

Autoritatea pentru Supravegherea Publică a
Activității de Audit Statutar (ASPAAS)
Auditor Financiar: BAKER TILLY
KLITOU AND PARTNERS S.R.L.
Registrul Public Electronic: FA 384

December 17, 2024

STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In thousands of Turkmen manat)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
Interest income	4	212,033	255,216
Interest expenses	4	(82,193)	(76,874)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		129,840	178,342
Accrual of allowance for expected credit losses on interest bearing assets	12	(14,453)	(17,865)
NET INTEREST INCOME		115,387	160,477
Commission income	5	100,501	92,906
Commission expenses	5	(13,185)	(16,516)
Net gain from investing operations		552	539
Net gain on foreign currency transactions	6	1,262	3,162
Other expenses, net	7	(9,247)	(847)
NET NON-INTEREST INCOME		79,883	79,244
Operating expenses	8	(112,616)	(106,799)
PROFIT BEFORE INCOME TAX		82,654	132,922
Income tax (expenses)/benefit	9	(42,356)	30,189
NET INCOME		40,298	163,111
Other comprehensive income		944	315
TOTAL COMPREHENSIVE INCOME		41,242	163,426

On behalf of the Management of the Bank:


Hajyyev M.Ch.
Chairman of Management Board

December 17, 2024
Ashgabat, Turkmenistan




Analakov T.
Acting Chief Accountant

December 17, 2024
Ashgabat, Turkmenistan

The notes on pages 11-49 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-5.

STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

(In thousands of Turkmen manat)

	Notes	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	10	6,834,936	6,977,688
Due from banks	11	663,999	327,809
Loans to customers	12	6,341,389	5,175,968
Investment in securities	13	152,312	126,431
Property and equipment	14	99,428	100,698
Intangible assets		2,556	2,868
Investment property		6,382	4,517
Advances paid for construction	15	1	1
Deferred tax assets	9	27,199	-
Other assets	16	77,646	67,846
TOTAL ASSETS		14,205,848	12,783,826
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Due to banks and other financial institutions		1,062	4,066
Customer accounts	17	9,046,328	8,681,027
Loans received from banks and other financial institutions	18	4,618,045	3,482,245
Deferred tax liabilities	9	-	61,462
Other liabilities	19	10,770	65,681
		13,676,205	12,294,481
SHAREHOLDERS' EQUITY:			
Share capital	20	535,000	475,000
General reserves		139,072	122,442
Revaluation reserve of property and equipment		21,777	22,721
Accumulated loss		(166,206)	(130,818)
		529,643	489,345
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		14,205,848	12,783,826

On behalf of the Management of the Bank:

Hajyyev M.Ch.
Chairman of Management Board

December 17, 2024
Ashgabat, Turkmenistan



Analakov T.
Acting Chief Accountant

December 17, 2024
Ashgabat, Turkmenistan

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STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In thousands of Turkmen manat)

	Note	Share capital	General reserve	Revaluation reserve	Accumulated deficit	Total equity
Balance at December 31, 2021		425,000	104,879	23,036	(226,681)	326,234
Profit for the year		-	-	-	163,111	163,111
Transfer revaluation reserve of property and equipment to retained earnings		-	-	(315)	315	-
Increase in share capital		50,000	-	-	(50,000)	-
Transfer to general reserves		-	17,563	-	(17,563)	-
Balance at December 31, 2022	25	475,000	122,442	22,721	(130,818)	489,345
Profit for the year		-	-	-	40,298	40,298
Transfer revaluation reserve of property and equipment to retained earnings		-	-	(944)	944	-
Increase in share capital	25	60,000	-	-	(60,000)	-
Transfer to general reserves		-	16,630	-	(16,630)	-
Balance at December 31, 2023	25	535,000	139,072	21,777	(166,206)	529,643

On behalf of the Management of the Bank:


Hajyyev M.Ch.
Chairman of Management Board

December 17, 2024
Ashgabat, Turkmenistan




Analakov T.
Acting Chief Accountant

December 17, 2024
Ashgabat, Turkmenistan

The notes on pages 11-49 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-5.

STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023**

(In thousands of Turkmen manat)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expenses		82,654	132,922
Adjustments for:			
Net interest income	4	(129,840)	(178,342)
Depreciation of property and equipment	14	5,860	5,795
Amortization of intangible assets	14	318	308
Depreciation of investment property		186	157
Loss on disposal of property, equipment and drip irrigation system	7, 14	8,442	1,577
Change in allowance for expected credit losses on loans to customers	12	14,453	17,865
Gain from investing operations		(552)	(539)
Change in provision for unused vacation	8	2,470	242
Change in allowance for impairment of advances paid for construction and other assets	7	(3,737)	(408)
Foreign exchange differences	6	(35)	(239)
Cash inflow/(outflow) from operating activities before changes in operating assets and liabilities		(19,781)	(20,662)
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Loans to customers		(1,346,138)	1,074,072
Obligatory reserve in the Central bank of Turkmenistan		(27,852)	27,398
Due from banks		(341,948)	(152,907)
Advances paid for construction		319	-
Other assets		(6,378)	480,681
Increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		(3,004)	3,884
Customer accounts		363,706	4,204,699
Other liabilities		(57,381)	55,380
Cash inflow/(outflow) from operating activities before income tax and interests		(1,438,457)	5,672,545
Interest received		378,297	779,079
Interest paid		(80,749)	(76,494)
Income tax paid		(131,017)	(194,446)
Net cash (outflow)/inflow from operating activities		(1,271,926)	6,180,684

STATE COMMERCIAL BANK OF TURKMENISTAN "TURKMENISTAN"

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 (CONTINUED)**

(In thousands of Turkmen manat)

	Notes	For the year ended December 31, 2023	For the year ended December 31, 2022
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	14	(15,087)	(12,637)
Purchase of intangible assets		(6)	(1,274)
Dividends received		552	539
Changes in investment securities		(25,881)	-
Net cash outflow from investing activities		(40,422)	(13,372)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from loans received from banks and other financial institutions		1,750,970	403,651
Repayment of loans received from banks and other financial institutions		(615,170)	(284,813)
Net cash inflow from financing activities		1,135,800	118,838
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(176,548)	6,286,150
Effect of exchange rate changes on the balance of cash held in foreign currencies		134	(178)
CASH AND CASH EQUIVALENTS, at the beginning of the year	10	6,657,776	371,804
CASH AND CASH EQUIVALENTS, at the end of the year	10	6,481,362	6,657,776

On behalf of the Management of the Bank:


Hajyyev M.Ch.
Chairman of Management Board

December 17, 2024
Ashgabat, Turkmenistan




Analakov T.
Acting Chief Accountant

December 17, 2024
Ashgabat, Turkmenistan

The notes on pages 11-49 form an integral part of the financial statements. The Independent Auditors' Report is on pages 3-5.

Baker Tilly Bishkek LLC trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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