

Joint Stock Commercial Bank

**"ASIA ALLIANCE BANK"
and its subsidiary**

**Consolidated financial statements
and independent auditor's report**

for the year ended 31 December 2022





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Independent auditor's report

To the Shareholders and Supervisory Board of Joint Stock Commercial Bank "Asia Alliance Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Asia Alliance Bank" and its subsidiary (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and 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 2022 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Expected credit losses on loans to customers

Assessment of expected credit losses ("ECL") on loans to customers based on the requirements of IFRS 9 Financial Instruments ("IFRS 9") is a key area of management's judgment.

The assessment of events that cause a significant increase in credit risk, the determination of probability of default, the distribution of assets into three stages of impairment, and the analysis of the criteria for transition between stages involve significant professional judgment and use of assumptions.

The calculation of the ECL involves the use of estimation methods with unobservable inputs, including the determination of the probability of default, the exposure at default and loss given default on the basis of available historical data, adjusted for forecast information, including forecast macroeconomic parameters.

The use of different models and assumptions can lead to significantly different estimates of the allowance for ECL for loans to customers. Due to the significance of the carrying amount of loans to customers for the Group's consolidated financial position, as well as the complexities and judgments associated with the assessment of the ECL, we considered this area a key audit matter.

Information on the allowance for ECL and the management's approach to assessing the allowance and managing credit risk is disclosed in Notes 3,4,7 and 31 to the consolidated financial statements.

Our audit procedures included evaluating the methodology developed by the Group for calculating ECL on loans to customers, testing controls over the customer lending process, including testing controls on accounting for overdue debts, procedures for assessing events that cause a significant increase in credit risk for borrowers based on internal classification, and procedures for calculating the allowance for ECL. We have analysed the consistency of judgments applied by the Group's management in calculating the allowance for ECL.

For allowance calculated on a portfolio basis, we evaluated the underlying models, key inputs and assumptions used by the Group to calculate the ECL, as well as the allocation of loans to the stages. We assessed the management's judgement in relation to the determination of whether significant increase in credit risk has occurred on an individual basis. For the selected credit impaired loans, we have analysed the expected cash flows from the sale of collateral and cash repayment. We recalculated the allowance for ECL.

We analysed the disclosures in the notes to the consolidated financial statements on the allowance for ECL on loans to customers.

Responsibilities of management and the Supervisory Board 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.

The Supervisory Board 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 skepticism 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 the Supervisory Board 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 the Supervisory Board 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board, 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.

Report on findings from procedures performed in accordance with the requirements of Law No. ZRU-580 dated 5 November 2019 On Banks and Banking Activity

Management is responsible for the Bank's compliance with prudential ratios and for maintaining internal controls and organizing risk management systems in accordance with the requirements established by the Central Bank of the Republic of Uzbekistan.

In accordance with Article 74 of Law No. ZRU-580 dated 5 November 2019 *on Banks and Banking Activity* (the "Law"), we have performed procedures to determine:

- whether as of 31 December 2022 the Bank complied with prudential ratios established by the Central Bank of the Republic of Uzbekistan;
- whether the elements of the Bank's internal control and organization of its risk management systems comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

These procedures were selected based on our judgment, and were limited to the analysis, inspection of documents, comparison of the Bank's internal policies, procedures and methodologies with the applicable requirements established by the Central Bank of the Republic of Uzbekistan, and recalculations, comparisons and reconciliations of numerical data and other information.

Our findings from the procedures performed are reported below.

Based on our procedures with respect to the Bank's compliance with the prudential ratios established by the Central Bank of the Republic of Uzbekistan, we found that the Bank's prudential ratios, as at 31 December 2022, were within the limits established by the Central Bank of the Republic of Uzbekistan.

We have not performed any procedures on the accounting records maintained by the Group, other than those which we considered necessary to enable us to express an opinion as to whether the Group's consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS.

Based on our procedures with respect to the compliance of the elements of the Bank's internal control and organization of its risk management systems with the requirements established by the Central Bank of the Republic of Uzbekistan, we found that:

- as at 31 December 2022, the Bank's internal audit function was subordinated to, and reported to, the Supervisory Board, and the risk management function was not subordinated to, and did not report to, divisions taking relevant risks;
- the frequency of reports prepared by the Bank's internal audit function during 2022 was in compliance with the requirements of the Central Bank of the Republic of Uzbekistan. The reports were approved by the Supervisory Board and included observations made by the Bank's internal audit function in respect of internal control systems;
- as at 31 December 2022, the Bank established Information security function, and the information security policy was approved by the Bank's board. Information security function was subordinated to and reported directly to the Chairman of the board;
- reports by the Bank's Information security function to the Chairman of the board during 2022 included assessment and analysis of information security risks, and results of actions to manage such risks;
- the Bank's internal documentation, effective on 31 December 2022, establishing the procedures and methodologies for identifying and managing credit risk, market risk, liquidity risk, operational risk, country risk, legal risk, reputational risk, fraud risk (hereinafter "significant risks"), and for stress-testing, was approved by the authorised management bodies of the Bank;
- as at 31 December 2022, the Bank maintained a system for reporting on the Bank's significant risks, and on the Bank's capital;
- the frequency of reports prepared by the Bank's risk management and internal audit functions during 2022, which cover the Bank's significant risks management, was in compliance with the Bank's internal documentation. The reports included observations made by the Bank's risk management and internal audit functions as to their assessment of the Bank's significant risks and risk management system, and recommendations for improvement;
- as at 31 December 2022, the Supervisory Board and Executive Management of the Bank had responsibility for monitoring the Bank's compliance with the risk limits and capital adequacy ratios established in the Bank's internal documentation. In order to monitor the effectiveness of the Bank's risk management procedures and their consistent application during 2022, the Supervisory Board and executive management bodies of the Bank periodically discussed the reports prepared by the risk management and internal audit functions, and considered the proposed corrective actions.

Procedures with respect to elements of the Bank's internal control and organization of its risk management systems were performed solely for the purpose of examining whether these elements, as prescribed in the Law and as described above, comply with the requirements established by the Central Bank of the Republic of Uzbekistan.

The partner in charge of the audit resulting in this independent auditor's report is Anvarkhon Azamov.

Tashkent, Uzbekistan

14 April 2023

FE „Ernst & Young“ Audit Organization LLC

FE «Ernst & Young» Audit Organization LLC
Certificate authorizing audit of banks registered
by the Central Bank of the Republic of Uzbekistan
Under #11 dated 22 July 2019

A Azamov

Anvarkhon Azamov
Partner / Qualified auditor
Auditor qualification certificate authorizing audit of banks
#25 dated 29 March 2023 issued by
the Central Bank of the Republic of Uzbekistan

Consolidated statement of financial position

As at 31 December 2022

(in million Uzbek soums)

| | Note | 2022 | 2021 |
|--|------|------------------|------------------|
| Assets | | | |
| Cash and cash equivalents | 5 | 2,780,617 | 646,402 |
| Amounts due from credit institutions | 6 | 133,728 | 26,624 |
| Loans to customers | 7 | 2,317,409 | 1,914,059 |
| Trading securities | 8 | 777,076 | 400,095 |
| Equity securities at FVPL | 8 | 3,076 | 2,772 |
| Property, plant and equipment | 9 | 79,028 | 86,368 |
| Intangible assets | 9 | 19,643 | 13,681 |
| Investment Properties | 10 | 1,110 | 1,233 |
| Assets held for sale | 11 | 41,564 | 31,851 |
| Current income tax assets | | 2,102 | 1,733 |
| Deferred tax assets | 27 | 17,282 | 15,234 |
| Other assets | 12 | 118,345 | 36,994 |
| Total assets | | 6,290,980 | 3,177,046 |
| Liabilities | | | |
| Due to the Central Bank of Uzbekistan and the Government | 13 | 43,591 | 49,045 |
| Amount due to credit institutions | 14 | 82,017 | 93,859 |
| Customer accounts | 15 | 5,139,404 | 2,252,338 |
| Debt securities issued | 16 | 47,218 | 47,182 |
| Other borrowed funds | 17 | 431,577 | 375,874 |
| Other liabilities | 12 | 27,576 | 22,757 |
| Total liabilities | | 5,771,383 | 2,841,055 |
| Equity | | | |
| Equity capital | 19 | 380,268 | 186,776 |
| Additional paid-in capital | 19 | 3,920 | 3,920 |
| Retained earnings | 19 | 135,409 | 145,295 |
| Total equity | | 519,597 | 335,991 |
| Total equity and liabilities | | 6,290,980 | 3,177,046 |

On behalf of the Board

Khakimov U.A.
Acting Chairman of the Board

14 April 2023
Tashkent, Uzbekistan



Khodjaev R.R.
Chief Accountant

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2022**

(in million Uzbek soums)

| | Note | 2022 | 2021 |
|---|---------|------------------|------------------|
| Interest income | 20 | 516,646 | 388,810 |
| Interest expense | 20 | (250,845) | (179,485) |
| Net interest income | | 265,801 | 209,325 |
| Loss on initial recognition of interest-bearing assets | | (4,177) | (3,247) |
| Credit loss expense | 5, 6, 7 | (58,900) | (86,100) |
| Net interest income after credit loss expenses | | 202,724 | 119,978 |
| Fee and commission income | 22 | 191,463 | 121,959 |
| Fee and commission expense | 22 | (83,341) | (54,432) |
| Net gains from financial instruments at fair value through profit or loss | 23 | 4,245 | 4,643 |
| Net gains/(losses) from foreign currencies: | | | |
| - translation differences | 21 | (13,553) | 473 |
| - Dealing | 21 | 157,195 | 45,615 |
| Other income | 24 | 27,195 | 6,275 |
| Non-interest income | | 283,204 | 124,533 |
| Personnel expenses | 25 | (162,688) | (140,231) |
| Depreciation and amortisation | 25 | (26,143) | (16,950) |
| Other operating expenses | 25 | (61,662) | (45,842) |
| Other impairment and provisions | | (8,752) | 2,035 |
| Non-interest expense | | (259,245) | (200,988) |
| Profit before income tax expenses | 27 | 226,683 | 43,523 |
| Income tax expense | 27 | (32,893) | (1,308) |
| Profit for the year | | 193,790 | 42,215 |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 193,790 | 42,215 |

Earnings per share:

Basic and diluted, in relation to profit for the year attributable to ordinary holders of the parent

| | | |
|----|-----|----|
| 26 | 202 | 57 |
|----|-----|----|

On behalf of the Board

Khakimov U.A.
Acting Chairman of the Board

14 April 2023
Tashkent, Uzbekistan




Khodjaev R.R.
Chief Accountant

**Consolidated statement of changes in equity
for 2022**

(in million Uzbek soums)


| | Note | Authorised capital | Additional capital | Retained earnings | Total equity |
|---|------|-----------------------|-----------------------|----------------------|----------------|
| As of 31 December 2020 | | 186,776 | 3,920 | 103,080 | 293,776 |
| Profit and other comprehensive income for the year | | – | – | 42,215 | 42,215 |
| As of 31 December 2021 | | 186,776 | 3,920 | 145,295 | 335,991 |
| Profit and other comprehensive income for the year | | – | – | 193,790 | 193,790 |
| Capitalized dividends | 19 | 193,492 | – | (193,492) | – |
| Accrued dividends | 19 | – | – | (1,305) | (1,305) |
| Dividend tax | | – | – | (8,879) | (8,879) |
| As of 31 December 2022 | | <u>380,268</u> | <u>3,920</u> | <u>135,409</u> | <u>519,597</u> |

On behalf of the Board


Khakimov U.A.
Acting Chairman of the Board

14 April 2023
Tashkent, Uzbekistan




Khodjaev R.R.
Chief Accountant

Consolidated statement of cash flows for 2022

(in million Uzbek soums)

| | Note | 31 December 2022 | 31 December 2021 |
|--|------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Interest received | | 494,734 | 405,622 |
| Interest paid | | (251,509) | (183,457) |
| Fee and commission received | | 191,463 | 120,937 |
| Fee and commission paid | | (82,066) | (52,480) |
| Income received from trading in foreign currencies | | 157,195 | 45,615 |
| Other operating income received | | 27,195 | 9,519 |
| Staff costs paid | | (162,556) | (137,316) |
| Administrative and other operating expenses paid | | (58,548) | (45,843) |
| Income tax paid | | (35,311) | (3,285) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 280,597 | 159,312 |
| Changes in operating assets and liabilities | | | |
| <i>(Increase)/decrease in operating assets</i> | | | |
| Amounts due from credit institutions | | (96,621) | 2,642 |
| Trading securities | | (357,790) | (231,667) |
| Loans to customers | | (509,955) | (180,912) |
| Assets held for sale | | 67,542 | 203 |
| Other assets | | (89,686) | (7,671) |
| <i>(Decrease)/increase in liabilities</i> | | | |
| Amount due to credit institutions | | (15,433) | 71,903 |
| Customer accounts | | 2,835,742 | 101,182 |
| Other liabilities | | (14,770) | 646 |
| Net cash inflow/(outflow) from operating activities | | 2,099,626 | (84,362) |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment and intangible assets | | (25,435) | (15,883) |
| Proceeds from disposal of property, plant and equipment | | 794 | 1,391 |
| Net cash outflow from investment activities | | (24,641) | (14,492) |
| Cash flows from financial activities | | | |
| Proceeds from other borrowed funds | 18 | 420,016 | 53,525 |
| Proceeds from increase in amounts due to the Central Bank of the Republic of Uzbekistan and the Government | | 18,373 | 15,271 |
| Repayment of other borrowed funds | 18 | (374,863) | (33,636) |
| Repayment of amounts due to the Central Bank of the Republic of Uzbekistan and the Government | | (23,775) | (143) |
| Net cash inflow from financial activities | | 39,751 | 35,017 |
| Effects of exchange rate changes on cash balances in foreign currency | | 20,039 | 6,613 |
| Effect of expected credit losses on cash and cash equivalents | | (560) | (390) |
| Net increase/(decrease) in cash and cash equivalents | | 2,134,215 | (57,614) |
| Cash and cash equivalents at the beginning of the period | | 646,402 | 704,016 |
| Cash and cash equivalents at the end of the period | 5 | 2,780,617 | 646,402 |

On behalf of the Board

Khakimov U.A.
Acting Chairman of the Board

14 April 2023
Tashkent, Uzbekistan



Khodjaev R.R.
Chief Accountant