



ASIA ALLIANCE
BANK

**The Joint-Stock Commercial Bank
«ASIA ALLIANCE BANK»
and its subsidiary**

Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Joint-Stock Commercial Bank "Asia Alliance Bank"

Opinion

We have audited the consolidated financial statements of Joint Stock Commercial Bank "Asia Alliance Bank" ("the Bank") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019 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 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*Allowance for expected credit losses ("ECL") on loans and advances to customers*

As disclosed in note 10 to the consolidated financial statements, as at 31 December 2019, the gross value of loans and advances to customers amounted to UZS 1,597,886 million with related allowance for expected credit losses of UZS 48,103 million.

The assessment of expected credit losses involves the use of subjective assumptions in determining whether a significant increase in credit risk has occurred on loans since their initial recognition.

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 maturity date or outstanding balances, inaccurate or incomplete inputs and assumptions used in assessing probability of default (PD), loss given default data (LGD) and use of appropriate historical and forward-looking information.

Individual assessment of ECL is dependent on the accuracy of loans' allocation to the appropriate stage of impairment. In particular, there is a risk that loans with significant increase in credit risk and credit-impaired exposures (movements between stage 1, stage 2 and stage 3, or vice versa) are not accurately identified, as not all relevant qualitative, quantitative and forward-looking information was captured.

In addition to above, the ECL on individually significant credit-impaired loans in stage 3 may be misstated due to incorrectly estimated future cash receipts which results from the use of inappropriate or unsupported information.

Allowance for ECL is determined to be a key audit matter due to the significance of Loans and advances to customers balances and the degree of judgement and estimation uncertainty.

For more information refer to Notes 3, 6 and 32 of the consolidated financial statements.

How the matter was addressed in the audit

We updated our understanding of the processes and relevant control procedures in respect of expected credit loss provisioning process.

Our audit procedures included the following:

On a sample basis, we tested, the accuracy and completeness of input data and other information used in the models, including principle balances, allocation of loans by days in arrears, and checked other parameters, such as overdue amounts of interest or principle, restructuring events, existence of litigation processes and statistics for repayment of loans;

- For loans assessed on a collective basis, 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 adjusted for relevant forward-looking information. On a sample basis, we tested the accuracy and completeness of the data used in the ECL models against supporting documents and loan monitoring acts.

- For individually significant borrowers, we have challenged the Group's staging results and whether relevant impairment events had been identified on a timely basis, including overdue amounts 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.

- We tested the appropriateness of the amount of allowance recognized as at the reporting date by re-performing the calculations on a sample basis for individually significant loans in stage 3, including reviewing the Group's documented credit assessment of the borrowers, challenging assumptions underlying ECL calculation and agreeing key assumptions to supporting documents.

- We analysed adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio, as well as impairment allowance in accordance with IFRS (IFRS 9).

We found no material exceptions according to the results of these tests.

Other Information

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.

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 judgment 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.

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.



"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

30 April 2020
Tashkent, Uzbekistan

Erkin 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

**Consolidated statement of financial position
as at 31 December 2019**



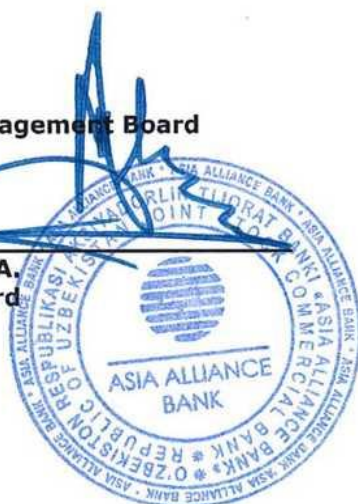
(in millions of Uzbek Soums)

	Notes	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	491,124	367,135
Due from banks	8	62,394	74,805
Trade securities	9	-	14,310
Loans and advances to customers	10	1,549,783	1,209,412
Property, plant and equipment	11	96,869	75,585
Intangible assets	11	8,411	4,924
Investment property	12	8,256	8,841
Assets classified as held for sale	13	-	4,282
Current income tax prepayment		2,517	5,141
Deferred tax assets	27	6,444	2,685
Other assets	14	35,180	17,903
TOTAL ASSETS		2,260,978	1,785,023
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	15	31,404	24,559
Other borrowed funds	16	350,982	122,614
Customer accounts	17	1,566,423	1,394,029
Debt securities issued	18	36,265	-
Other liabilities	19	18,678	13,849
TOTAL LIABILITIES		2,003,752	1,555,051
EQUITY			
Share capital	21	167,482	167,482
Share premium	21	3,920	3,920
Retained earnings		85,824	58,570
TOTAL EQUITY		257,226	229,972
TOTAL LIABILITIES AND EQUITY		2,260,978	1,785,023

On behalf of the Management Board

Mr. Abdukakhorov I.A.
Chairman of the Board

30 April 2020
Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant

**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
Interest income	22	251,543	174,307
Interest expense	22	(130,202)	(73,599)
Net interest income before impairment losses on interest bearing assets		121,341	100,708
Effect from initial recognition of assets measured at amortised cost	10,13	(8,521)	-
Impairment losses on interest bearing assets	7,8,10	(14,416)	(6,706)
Net interest income after impairment losses on interest bearing assets		98,404	94,002
Fee and commission income	24	107,210	82,510
Fee and commission expense	24	(43,816)	(35,092)
Net gain on foreign exchange operations	23	11,232	8,576
Recovery/(accrual) of provision for other assets and liabilities	14,30	24	(191)
Other income	25	4,525	2,833
Net non-interest income		79,175	58,636
Operating income		177,579	152,638
Operating expenses	26	(143,449)	(111,040)
Profit before income tax		34,130	41,598
Income tax expense	27	(6,876)	(8,541)
Net profit for the year		27,254	33,057
Other comprehensive income for the year		-	-
Total comprehensive income for the year		27,254	33,057
Basic and diluted earnings per ordinary share (in UZS)	28	49	59

On behalf of the Management Board

Mr. Abdukakhorov I.A.
Chairman of the Board

30 April 2020
Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant

**Consolidated statement of changes in equity
for the year ended 31 December 2019**

(in millions of Uzbek Soums)

	Notes	Share capital	Share premium	Retained earnings	Total equity
31 December 2017		140,000	3,920	97,759	241,679
Impact of adopting IFRS 9 as at 1 January 2018		-	-	(4,346)	(4,346)
Restated balance as at 1 January 2018		140,000	3,920	93,413	237,333
Total comprehensive income for the year		-	-	33,057	33,057
Dividends declared (for 2017)		-	-	(67,900)	(67,900)
Capitalisation of dividends	21	27,482	-	-	27,482
31 December 2018		167,482	3,920	58,570	229,972
Total comprehensive income for the year		-	-	27,254	27,254
31 December 2019		167,482	3,920	85,824	257,226

On behalf of the Management Board

Mr. Abdukakhorov I.A.
Chairman of the Board

30 April 2020
Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant

**Consolidated statement of cash flows
for the year ended 31 December 2019**

(in millions of Uzbek Soums, unless otherwise indicated)



	Notes	For year ended 31 December 2019	For year ended 31 December 2018
<i>Cash flows from operating activities:</i>			
Interest received		236,583	167,208
Interest paid		(127,384)	(75,809)
Fee and commission received		107,585	82,132
Fee and commission paid		(43,226)	(34,630)
Income received from operations in foreign currencies		8,154	8,546
Other operating income received		3,986	2,374
Staff costs paid		(95,101)	(66,277)
Administrative and other operating expenses paid		(30,694)	(42,907)
Income tax paid		(8,011)	(8,848)
Cash flows from operating activities before changes in operating assets and liabilities		51,892	31,789
<i>Net decrease / (increase) in assets</i>			
Due from other banks		13,276	58,696
Trade securities		14,310	-
Acquired trade securities		-	(14,282)
Loans and advances to customers		(246,859)	(355,754)
Other assets		(9,117)	8,675
<i>Net (decrease) / increase in liabilities</i>			
Due to other banks		(1,165)	(18,852)
Customer accounts		213,957	335,911
Other liabilities		(335)	12
Net cash from operating activities		35,959	46,195
<i>Cash flows from investing activities:</i>			
Acquisition of property, plant and equipment and intangible assets		(47,675)	(42,874)
Proceeds from disposal of premises and equipment		836	641
Net cash used in investing activities		(46,839)	(42,233)
<i>Cash flows from financing activities:</i>			
Proceeds from other borrowed funds		208,079	87,038
Repayment of other borrowed funds		(26,833)	(8,808)
Proceeds from issue of debt securities		40,878	79,200
Repayment of debt securities		(111,600)	(79,550)
Dividends paid		(3,054)	(37,365)
Net cash from financing activities		107,470	40,515
Net increase in cash and cash equivalents		96,590	44,477
Effect of exchange rate changes on cash and cash equivalents		27,399	41
CASH AND CASH EQUIVALENTS, beginning of the year	7	367,135	322,617
CASH AND CASH EQUIVALENTS, end of the year	7	491,124	367,135

During 2019, in order to stimulate employees, the Group provided 14 apartments previously acquired by the Group for its employees at a book value of UZS 13,107 million and accumulated depreciation of UZS 313 million on an interest-free basis for a period of 10 years.

On behalf of the Management Board

Mr. Abdukakhorov I.A.
Chairman of the Board

30 April 2020
Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant