



ASIA ALLIANCE
BANK

**JOINT-STOCK
COMMERCIAL BANK
“ASIA ALLIANCE BANK”
AND ITS SUBSIDIARY**

**Consolidated Financial Statements and
Independent Auditors' Report**
For the Year Ended 31 December 2018

INDEPENDENT AUDITORS' 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" and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018 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 2018 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 *Auditors' 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
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Allowance for loans and advances to customers for expected credit losses ("ECL")

As described in the Note 3 to the consolidated financial statements, the newly adopted IFRS 9 Financial Instruments ("IFRS 9") introduced principles that require a significant degree of judgement, use of appropriate historical and forward-looking data and complex estimation techniques in determining the ECL on financial

We obtained an understanding of the processes and relevant control procedures in respect of expected loss provisioning, particularly over the allocation of loans to the appropriate impairment stage, modelling of expected credit losses, including the model's governance, input data and mathematical accuracy of calculations.

assets subject to impairment assessment. Given the significance of Loans and advances to customers to the Group's financial position, the degree of judgement and existence of estimation uncertainty associated with assessment and measurement of ECL, we considered this area as a key audit matter.

The assessment of ECL either on individual or collective basis involves the use of assumptions in determining whether a significant increase in credit risk has occurred on loans since their initial recognition.

For loans assessed for impairment on a collective basis, the measurement of ECL requires complex calculations and estimation techniques that heavily rely on unobservable information and depend on different factors, including history of delinquencies and recoveries, industry of the borrower, statistical modelling and expert judgement in determining the degree of adjustment in respect of forward looking information.

For loans assessed for impairment on the individual basis, ECL calculation involves an 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, forecasts of the industry trends, expected value of collateral, and costs and time required to sell the collateral.

Our audit procedures included the following:

- Assessment of the provisioning methodology developed for calculation of impairment losses in accordance with the requirements outlined in IFRS 9;
- With the involvement of our internal risk management and actuarial specialists, assessment of the reasonableness of management's assumptions with the reference to the historical information, market forecasts and industry practices;
- Testing accuracy of input data used in the model against supporting documents and loan monitoring acts;
- On a sample basis, analysing appropriateness of loans staging, the probability of a loan falling into default and assessment of any recoveries expected from defaulted loans;
- For individually assessed defaulted loans, testing of collateral valuation used in calculation of impairment losses by challenging assumptions around future cash flows and valuation of collateral held, agreeing key assumptions to supporting documents and other available information;
- Consideration of the adequacy and completeness of the Group's disclosures in respect of credit risk, structure and quality of loan portfolio and impairment allowance in accordance with IFRS 9.

We found no material exceptions in 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 auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' 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.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2017, were audited by another auditor who expressed an unmodified opinion on those statements on 16 March 2018.



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.

Auditors' 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 auditors' 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:

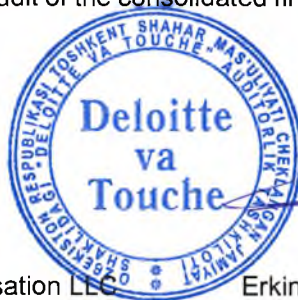
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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 auditors' 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 auditors' 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.

Deloitte.

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

Erkin Ayupov
Qualified Auditor/Engagement Partner

The license authorizing audit of companies registered by the Ministry of Finance of the Republic of Uzbekistan under #00776 dated 5 April 2019

Auditor qualification certificate authorizing audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

The certificate authorizing audit of banks registered by the Central bank of the Republic of Uzbekistan under #3 dated 14 October 2013

Auditor qualification certificate authorizing audit of banks, #6/8 dated 30 June 2015 issued by the Central bank of the Republic of Uzbekistan

29 April 2019
Tashkent, Uzbekistan

Director
"Deloitte & Touche" Audit Organisation LLC

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**
(in thousands of Uzbekistan Soums)



	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and cash equivalents	8	367,135,413	322,617,067
Due from banks	9	74,804,918	134,093,112
Trade securities	10	14,310,349	-
Loans and advances to customers	11	1,209,411,572	852,442,950
Property, plant and equipment	12	75,584,755	46,306,840
Intangible assets	12	4,923,689	1,096,419
Investment property	13	8,841,471	9,474,564
Assets classified as held for sale	14	4,281,749	-
Current income tax prepayment		5,141,042	4,854,693
Deferred tax assets	27	2,684,584	1,437,502
Other assets	15	17,902,990	20,644,213
TOTAL ASSETS		1,785,022,532	1,392,967,360
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	16	24,558,852	44,097,960
Other borrowed funds	17	122,614,234	43,529,475
Customer accounts	18	1,394,028,831	1,051,228,590
Other liabilities	19	13,848,952	12,432,633
TOTAL LIABILITIES		1,555,050,869	1,151,288,658
EQUITY			
Share capital	21	167,481,601	140,000,000
Share premium	21	3,919,856	3,919,856
Retained earnings		58,570,206	97,758,846
TOTAL EQUITY		229,971,663	241,678,702
TOTAL LIABILITIES AND EQUITY		1,785,022,532	1,392,967,360

On behalf of the Management Board

Mr. Abdulkhonorov I.A.
Chairman of the Management Board

29 April 2019
Tashkent, Uzbekistan



Mr. Sharipov D.P.
Chief Accountant

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**
(in thousands of Uzbekistan Soums)



	Notes	2018	2017
Interest income	22	174,307,278	131,799,930
Interest expense	22	(73,599,438)	(40,325,053)
Net interest income before impairment losses on interest bearing assets		100,707,840	91,474,877
Impairment losses on interest bearing assets	8,9,11	(6,705,617)	(9,411,347)
Net interest income after impairment losses on interest bearing assets		94,002,223	82,063,530
Fee and commission income	24	82,510,467	78,203,003
Fee and commission expense	24	(35,092,310)	(31,507,060)
Net gain on foreign exchange operations	23	8,576,236	21,691,460
(Provision)/Recovery of provision for other assets and liabilities	15,19,30	(191,256)	2,589,828
Other income	25	2,832,828	3,307,854
Net non-interest income		58,635,965	74,285,085
Operating income		152,638,188	156,348,615
Operating expenses	26	(111,039,747)	(82,364,715)
Profit before income tax		41,598,441	73,983,900
Income tax expense	27	(8,540,943)	(13,269,757)
Net profit for the year		33,057,498	60,714,143
Other comprehensive income for the year		-	-
Total comprehensive income for the year		33,057,498	60,714,143
Basic and diluted earnings per ordinary share (in UZS)	28	59	122

On behalf of the Management Board

Mr. Abdukakhorov T.A.
Chairman of the Management Board

29 April 2019
Tashkent, Uzbekistan



Mr. Sharipov D.P.
Chief Accountant

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**
(in thousands of Uzbekistan Soums)



	<i>Notes</i>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
1 January 2017		124,166,125	(7,646,750)	3,075,267	73,840,256	193,434,898
Total comprehensive income for the year		-	-	-	60,714,143	60,714,143
Dividends declared <i>(for 2016)</i>	21	-	-	-	(11,798,429)	(11,798,429)
Dividends declared <i>(for 6 month 2017)</i>	21	-	-	-	(8,529,894)	(8,529,894)
Capitalisation of dividends	21	15,833,875	-	633,355	(16,467,230)	-
Sale of treasury shares	21	-	7,646,750	211,234	-	7,857,984
31 December 2017		140,000,000	-	3,919,856	97,758,846	241,678,702
Impact of adopting IFRS 9 as at 1 January 2018		-	-	-	(4,346,138)	(4,346,138)
Restated balance as at 1 January 2018		140,000,000	-	3,919,856	93,412,708	237,332,564
Total comprehensive income for the year		-	-	-	33,057,498	33,057,498
Dividends declared	21	-	-	-	(67,900,000)	(67,900,000)
Capitalisation of dividends	21	27,481,601	-	-	-	27,481,601
31 December 2018		167,481,601	-	3,919,856	58,570,206	229,971,663

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018**
(in thousands of Uzbekistan Soums)



<i>Notes</i>	2018	2017 (restated*)
<i>Cash flows from operating activities</i>		
Interest received	167,207,713	120,670,072
Interest paid	(75,809,418)	(37,504,464)
Fee and commissions received	82,132,298	77,617,990
Fee and commissions paid	(34,629,594)	(30,919,443)
Income received from operations in foreign currencies	8,546,399	2,907,397
Other operating income received	2,374,252	3,097,203
Staff costs paid	(66,277,008)	(43,643,703)
Administrative and other operating expenses paid	(42,907,494)	(32,569,541)
Income tax paid	(8,848,540)	(18,513,268)
Cash flows from operating activities before changes in operating assets and liabilities	31,788,608	41,142,243
<i>Net decrease / (increase) in assets</i>		
Due from other banks	58,695,861	(14,690,370)
Trade securities	(14,281,856)	-
Loans and advances to customers	(355,753,854)	(106,453,587)
Other assets	8,675,408	(339,241)
<i>Net (decrease) / increase in liabilities</i>		
Due to other banks	(18,851,772)	(82,902,259)
Customer accounts	335,911,244	204,080,053
Other liabilities	11,492	(1,908,189)
Net cash from operating activities	46,195,131	38,928,650
<i>Cash flows from investing activities</i>		
Acquisition of property, plant and equipment	(42,873,616)	(19,756,696)
Proceeds from disposal of premises and equipment	641,103	-
Net cash used in investing activities	(42,232,513)	(19,756,696)
<i>Cash flows from financing activities</i>		
Proceeds from other borrowed funds	20 87,037,770	17,990,543
Repayment of other borrowed funds	20 (8,808,422)	-
Proceeds from issue of debt securities	20 79,200,000	120,050,000
Repayment of debt securities	20 (79,550,000)	(76,700,000)
Proceeds from the sale of treasury shares	-	7,857,984
Dividends paid	(37,364,887)	(20,328,323)
Net cash from financing activities	40,514,461	48,870,204
Net increase in cash and cash equivalents	44,477,079	68,042,158
Effect of exchange rate changes on cash and cash equivalents	41,436	14,195,301
CASH AND CASH EQUIVALENTS, beginning of the year	8 322,617,067	240,379,608
CASH AND CASH EQUIVALENTS, end of the year	8 367,135,582	322,617,067
Non-cash settlements excluded from the consolidated statement of cash flows:		
Loans and advances to customers settled by means of collateral repossession	(4,281,749)	-
Assets classified as held for sale	4,281,749	-
Dividends capitalized	27,481,601	15,833,875

* See note 7