

**Joint Stock Commercial Bank
"ASIA ALLIANCE BANK"
and its subsidiary**

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

for the year ended December 31, 2021



Audit company Ernst & Young LLC
Inkonel Business Center, 3rd floor
Mustaqillik Prospect, 75
Tashkent, 100000
Republic of Uzbekistan
Tel: +998 (71) 140 6482
Fax: +998 (71) 140 6483
www.ey.com/uz

MChJ "Ernst & Young" AT
O'zbekiston Respublikasi,
100000, Toshkent shahar,
Mustaqillik shox ko'chasi, 75
Inkonel Biznes Markazi, 3-qavat
Tel: +998 (71) 140 6482
Fax: +998 (71) 140 6483

АО «Ernst & Young» ООО
Республика Узбекистан
100000, Ташкент
Пр-т Мустакиллик, 75
Бизнес-центр «Инконель», 3 этаж
Тел.: +998 (71) 140 6482
Факс: +998 (71) 140 6483

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 2021, 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 Company the Group as at 31 December 2021 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 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. We have identified the following matter as key audit matter that need to be disclosed in our report. This matter was 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 this matter. For the 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 this matter. 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 matter

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 3,4,8 and 27 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.

Other matters

The consolidated financial statements of the Group for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on June 7, 2021.

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 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 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 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.

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

Tashkent, Uzbekistan

14 June 2022

Audit Organization „Ernst & Young LLC”

Audit Organization «Ernst & Young» 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
Qualified auditor
Auditor qualification certificate authorizing audit of
banks #11/4 dated 11 May 2017 issued by the Central
Bank of the Republic of Uzbekistan on 30 March 2018
Head of Uzbekistan practice
«Ernst & Young» Audit Organization LLC

**Consolidated statement of financial position
as of December 31, 2021**

(in million Uzbek soums)

	Note	2021	2020
Assets			
Cash and cash equivalents	5	646 402	704 016
Amount due from credit institutions	6	26 624	29 488
Loan to customers	7	1 914 059	1 852 829
Trading Securities	8	400 095	160 810
Equity securities at FVPL	8	2 772	2 158
Property and equipment	9	86 368	94 573
Intangible assets	9	13 681	7 857
Investment Properties	10	1 233	1 311
Assets held for sale	11	31 851	203
Current income tax assets	26	1 733	5 029
Deferred tax assets	26	15 234	9 961
Other assets	12	36 994	27 615
Total assets		3 177 046	2 895 850
Liabilities			
Due to the Central Bank of Uzbekistan and the Government	13	49 045	33 676
Amount due to credit institutions	14	93 859	22 217
Customer accounts	15	2 252 338	2 137 478
Debt securities issued	16	47 182	47 052
Other borrowed funds	17	375 874	346 892
Other liabilities	12	22 757	14 759
Total liabilities		2 841 055	2 602 074
Equity			
Equity capital	19	186 776	186 776
Additional paid-in capital	19	3 920	3 920
Retained earnings	19	145 295	103 080
Total equity		335 991	293 776
Total equity and liabilities		3 177 046	2 895 850

On behalf of the Board


Khakimov U.A.
Acting Chairman of the Board

June 14, 2022
Tashkent, Uzbekistan





Khodjaev R.R.
Chief Accountant

Consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2021

(in millions of Uzbek soums)


	Note	2021	2020
Interest revenue calculated using effective interest rate	20	321 333	296 926
Other interest revenue	20	67 477	22 673
Interest expense	20	(179 485)	(165 521)
Net interest income		209 325	154 078
Effect calculated due to loan modification		-	(4 709)
Loss on initial recognition of interest-bearing assets		(3 247)	-
Credit loss expense	5, 6, 7	(86 100)	(45 492)
Net interest income after credit loss expenses		119 978	103 877
Fee and commission income	22	121 959	114 092
Fee and commission expense	22	(54 432)	(45 996)
Net gains/(losses) from financial instruments at fair value through profit or loss		4 643	-
Net gains/(losses) from foreign currencies:			
- translation differences	21	473	(2 436)
- dealing	21	45 615	17 241
Other income	24	6 275	8 594
Non-interest income		124 533	91 495
Personnel expenses	25	(140 231)	(100 070)
Depreciation and amortisation	25	(16 950)	(14 043)
Other operating expenses	25	(45 842)	(33 030)
Other impairment and provisions		2 036	(532)
Non-interest expenses		(200 987)	(147 675)
Profit before income tax expenses	26	43 523	47 697
Income tax expense	26	(1 308)	(10 131)
Profit and comprehensive income for the year		42 215	37 566

On behalf of the Board


Khakimov U.A.
Acting Chairman of the Board

June 14, 2022
Tashkent, Uzbekistan




Khodjaev R.R.
Chief Accountant

Consolidated Statement of Changes in Equity for 2021

(in million Uzbek soums)


	Note	Authorized capital	Additional capital	Retained earnings	Total equity
As of December 31, 2019		167 482	3 920	85 824	257 226
Profit and comprehensive income for the year		-	-	37 567	37 567
Capitalized dividends	19	19 294	-	(19 294)	-
Dividend tax	19	-	-	(1 017)	(1 017)
As of December 31, 2020.		186 776	3 920	103 080	293 776
Profit and comprehensive income for the year		-	-	42 215	42 215
As of December 31, 2021		186 776	3 920	145 295	335 991

On behalf of the Board




Khakimov U.A.
Acting Chairman of the Board

June 14, 2022
Tashkent, Uzbekistan



Khodjaev R.R.
Chief Accountant

Consolidated Statement of Cash Flows for 2021

(in million Uzbek soums)

	<i>Note</i>	December 31, 2021	December 31, 2020
Cash flow from operating activities			
Interest received		405 622	283 687
Interest paid		(183 457)	(160 641)
Fee and commission received		120 937	114 329
Fee and commission paid		(52 480)	(45 178)
Income received from trading in foreign currencies		45 615	6 315
Other operating income received		9 519	7 190
Staff costs paid		(137 316)	(98 627)
Administrative and other operating expenses paid		(45 843)	(37 604)
Income tax paid		(3 285)	(16 160)
Cash flows from operating activity before changes in operating assets and liabilities		159 312	53 311
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets:</i>			
Amount due from credit institutions		2 642	37 252
Trading Securities		(231 667)	(158 000)
Loans and advances to customers		(181 302)	(252 297)
Other assets		(7 671)	13 399
<i>(Decrease)/increase in liabilities</i>			
Amount due to credit institutions		71 903	(15 895)
Customer accounts		101 182	550 163
Other liabilities		645	320
Net cash inflow/(outflow) from operating activities		(84 955)	228 253
Cash flow from investment activities			
Acquisition of premises, equipment and intangible assets		(15 883)	(27 897)
Proceeds from sale of premises and equipment		1 594	16 376
Net cash outflow from investment activities		(14 289)	(11 521)
Cash flow from financial activities			
Proceeds from other borrowed funds		68 796	55 453
Repayment of other borrowed funds		(33 779)	(66 671)
Debt securities issued		-	10 516
Debt securities received		-	(32 076)
Dividends paid		-	(1 017)
Net cash inflow/(outflow) from financial activities		35 017	(33 795)
Effect of exchange rates changes on cash and cash equivalents		6 613	29 955
Net (decrease)/increase in cash and cash equivalents		(57 615)	212 892
Cash and cash equivalents, at the beginning of the period		704 016	491 124
Cash and cash equivalents, at the end of the period	5	646 402	704 016