

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

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

for the year ended 31 December 2023

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 2023, 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 2023 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, 8 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 2023 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 2023, 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 2023, 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 2023, 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 2023 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 2023, 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 2023 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 2023, 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 2023, 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 2023, 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 2023, 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 2023, 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

07 June 2024

FE, Ernst and Young "Audit Organisation 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



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



Nataliya Kim
General Director


Consolidated statement of financial position

As at 31 December 2023

(in million Uzbek soums)

	<i>Note.</i>	2023	2022
Assets			
Cash and cash equivalents	5	2,783,123	2,780,617
Amounts due from credit institutions	6	232,289	133,728
Trading and equity securities at FVTPL	7	683,450	780,152
Loans to customers	8	3,929,704	2,317,409
Property, plant and equipment	9	81,903	79,028
Intangible assets	9	33,931	19,643
Investment Properties	10	987	1,110
Assets held for sale	11	8,473	41,564
Current income tax assets		-	2,102
Deferred tax assets		13,678	17,282
Other assets	12	260,549	118,345
Total assets		8,028,087	6,290,980
Liabilities and Equity			
Liabilities			
Due to the Central Bank of Uzbekistan and the Government	13	61,884	43,591
Amount due to credit institutions	14	503,072	82,017
Other borrowed funds	17	468,957	431,577
Customer accounts	15	6,088,843	5,139,404
Debt securities issued	16	47,556	47,218
Other liabilities	12	48,379	27,576
Total liabilities		7,218,691	5,771,383
Equity			
Equity capital	19	536,776	380,268
Additional paid-in capital		3,920	3,920
Retained earnings		268,700	135,409
Total equity		809,396	519,597
Total equity and liabilities		8,028,087	6,290,980

On behalf of the Board


Abduazimov U.A.
Chairman of the Board

7 June 2024
Tashkent, Uzbekistan


Khodjaev R.R.
Chief Accountant

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2023**

(in million Uzbek soums)

	Note.	2023	2022
Interest income	20	674,581	516,646
Interest expense	20	(323,469)	(250,845)
Net interest income		351,112	265,801
Loss on initial recognition of interest-bearing assets		(5,540)	(4,177)
Credit loss expense	8	(12,508)	(58,900)
Net interest income after credit loss expenses		333,064	202,724
Fee and commission income	22	460,906	191,463
Fee and commission expense	22	(311,315)	(83,341)
Net gains/(losses) from financial instruments at fair value through profit or loss	23	(9,407)	4,245
Net gains/(losses) from currencies:			
- translation differences	21	(11,578)	(13,553)
- dealing	21	200,605	157,195
Other income	24	21,313	27,195
Non-interest income		350,524	283,204
Personal expenses	25	(164,298)	(162,688)
Depreciation and amortisation	25	(32,432)	(26,143)
Other operating expenses	25	(80,169)	(61,662)
Other impairment and provisions		(7,315)	(8,752)
Non-interest expenses		(284,214)	(259,245)
Profit before income tax expenses		399,374	226,683
Income tax expense	27	(62,007)	(32,893)
Net profit for the year		337,367	193,790
Total comprehensive income		337,367	193,790
Earnings per share:			
Basic and diluted, in relation to profit for the year attributable to ordinary holders of the parent	26	206	202

On behalf of the Board

Abduazimov U.A.
Chairman of the Board

7 June 2024
Tashkent, Uzbekistan

Khodjaev R.R.
Chief Accountant

**Consolidated statement of changes in equity
for the year ended December 31, 2023**

(in million Uzbek soums)

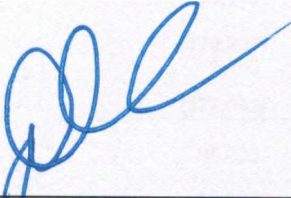
	<i>Authorised capital</i>	<i>Additional capital</i>	<i>Retained earnings</i>	<i>Total equity</i>
As of 31 December 2021	186,776	3,920	145,295	335,991
Total comprehensive income for the period	-	-	193,790	193,790
Capitalized dividends	193,492	-	(193,492)	-
Accrued dividends	-	-	(1,305)	(1,305)
Dividend tax	-	-	(8,879)	(8,879)
As of 31 December 2022	380,268	3,920	135,409	519,597
Total comprehensive income for the period	-	-	337,367	337,367
Capitalized dividends	156,508	-	(156,508)	-
Dividend tax	-	-	(7,824)	(7,824)
Dividend distribution	-	-	(39,744)	(39,744)
As of 31 December 2023	536,776	3,920	268,700	809,396

On behalf of the Board



Abduazimov U.A.
Chairman of the Board

7 June 2024
Tashkent, Uzbekistan

Khodjaev R.R.
Chief Accountant

Consolidated statement of cash flows
for the year ended December 31, 2023
(in million Uzbek soums)

	Note	2023	2022
Cash flows from operating activities			
Interest received		642,828	494,734
Interest paid		(325,515)	(251,509)
Fee and commission received		460,906	191,463
Fee and commission paid		(311,315)	(82,066)
Income received from trading in foreign currencies		189,027	157,195
Other operating income received		21,313	27,195
Staff costs paid		(164,298)	(162,556)
Administrative and other operating expenses paid		(80,169)	(58,548)
Income tax paid		(56,299)	(35,311)
Cash flows from operating activities before changes in operating assets and liabilities		376,478	280,597
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(67,073)	(96,621)
Trading securities		94,638	(357,790)
Loans to customers		(1,513,120)	(509,955)
Assets held for sale		25,443	67,542
Other assets		67,181	(89,686)
<i>(Decrease)/increase in liabilities</i>			
Amount due to credit institutions		415,885	(15,433)
Customer accounts		721,233	2,835,742
Other liabilities		(41,516)	(14,770)
Net cash inflow/(outflow) from operating activities		79,149	2,099,626
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(179,207)	(25,435)
Proceeds from disposal of property, plant and equipment		2,145	794
Net cash inflow/(outflow) from investing activities.		(177,062)	(24,641)
Cash flow from financing activities			
Proceeds from other borrowed funds		95,026	420,016
Proceeds from increase in amounts due to the Central Bank of the Republic of Uzbekistan and the Government		26,305	18,373
Repayment of other borrowed funds		(92,724)	(374,863)
Repayment of amounts due to the Central Bank of the Republic of Uzbekistan and the Government		(5,833)	(23,775)
Dividends paid on ordinary shares	18	(39,744)	-
Net cash inflow/(outflow) from investing activities.		(16,970)	39,751
Net increase/(decrease) in cash and cash equivalents			
Effects of exchange rate changes on cash balances in foreign currency		(114,883)	2,114,736
Effect of expected credit losses on cash and cash equivalents		(769)	(560)
Cash and cash equivalents at the beginning of the period	5	2,780,617	2,134,215
Cash and cash equivalents at the end of the period	5	2,783,123	2,780,617

On behalf of the Board


Abduazimov U.A.
Chairman of the Board


Khodjaev R.R.
Chief Accountant

7 June 2024
Tashkent, Uzbekistan

The accompanying notes on pages 5 to 66 are an integral part of these consolidated financial statements.