



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 2020

**Statement of Management's Responsibilities for the Preparation and Approval
of the Consolidated Financial Statements
for the Year Ended 31 December 2020**



Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position, of Joint-Stock Commercial Bank "ASIA ALLIANCE BANK" and its subsidiary (collectively – "the Group") as at 31 December 2020, and the related consolidated statements of profit or loss and other comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Uzbekistan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2020 were approved by the Board of Management of the Group on 7 June 2021.

On behalf of the Management Board

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

7 June 2021
Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant

A blue ink signature of Mr. Khodjaev R.R. is written above a horizontal line.

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 2020 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 2020, 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	How the matter was addressed in the audit
<p data-bbox="209 315 762 367"><i>Allowance for expected credit losses ("ECL") on loans and advances to customers</i></p> <p data-bbox="209 394 762 546">As disclosed in note 9 to the consolidated financial statements, as at 31 December 2020, the gross value of loans and advances to customers amounted to UZS 1,941,064 million with related allowance for expected credit losses of UZS 88,235 million.</p> <p data-bbox="209 573 762 882">The collective assessment of ECL on loans and advances to customers is associated with the risk of inadequately collected historical data of the Group and its inconsistent application in the ECL models. Specifically, data on loans' maturity dates, outstanding balances, and status of arrears could be incomplete and/or inaccurate, which, as a consequence, could lead to inappropriate assumptions and inputs used in determining the risk factors such as probability of default (PD), loss given default (LGD), and exposure at default (EAD).</p> <p data-bbox="209 909 762 1061">While assessing the ECL on an individual basis, significant assumptions are used in determining whether a significant increase in credit risk or credit impairing events have occurred on loans since their initial recognition (migration between stage 1, 2 and 3).</p> <p data-bbox="209 1088 762 1294">Additionally, the assessment of ECL requires 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 includes current financial performance of the borrower, forecasts of the industry trends, collateral value and costs and time required to sell the collateral.</p> <p data-bbox="209 1321 762 1451">Due to the significance of the loans and advances to customers' balance, and significant judgements in determining the key assumptions use in the assessment of expected credit losses, we identified this matter as a key audit matter.</p> <p data-bbox="209 1478 762 1608">Refer to Notes 3, 5 and 30 to the consolidated financial statements for the Group's accounting policy, critical accounting judgements and key sources of estimation uncertainty and disclosures of expected credit loss allowances.</p>	<p data-bbox="794 315 1327 445">We updated our understanding of the credit risk management processes and ECL assessment and measurement, including identification of events leading to significant increase in credit risk ("SICR") and events of default.</p> <p data-bbox="794 472 1327 499">Our audit procedures included the following:</p> <p data-bbox="794 526 1327 754">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. 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.</p> <p data-bbox="794 781 1327 1064">With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant source data. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and Exposure at default (EAD).</p> <p data-bbox="794 1090 1327 1296">In order to evaluate whether the loans have been appropriately classified to the respective stage, we critically assessed the Group's results in determining the stages and whether relevant impairment events had been identified on a timely basis, including overdue of interest or principal, restructuring events and certain financial performance indicators.</p> <p data-bbox="794 1323 1327 1529">To check appropriateness of ECL for individually significant loans in stage 3, we reviewed the Group's documentation in relation to credit assessment of the borrowers, challenged assumptions underlying ECL calculation, such as future cash flow projections, the valuation of collateral held and key assumptions applied, including the impact of COVID-19 pandemic.</p> <p data-bbox="794 1556 1327 1662">We evaluated the adequacy and completeness of disclosures in the consolidated financial statements relating to the loans in accordance with IFRS requirements.</p>

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 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.

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 International Financial Reporting Standards ("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 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.

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. 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.

"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

7 June 2021

Tashkent, Uzbekistan



Turgunboy Tokhirov

Qualified Auditor/Engagement Partner

Auditor qualification certificate authorizing audit of companies, #05422 dated 20 August 2016 issued by the Ministry of Finance of the Republic of Uzbekistan

Auditor qualification certificate authorizing audit of banks, #6/11 dated 29 March 2021 issued by the Central bank of the Republic of Uzbekistan

Erkin Ayupov
Director

"Deloitte & Touche" Audit Organisation LLC

**Consolidated statement of financial position
as at 31 December 2020**



(in millions of Uzbek Soums)

	<i>Notes</i>	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	6	704,016	491,124
Due from banks	7	29,488	62,394
Investment securities	8	160,810	-
Loans and advances to customers	9,31	1,852,829	1,549,783
Property, plant and equipment	10	94,573	96,869
Intangible assets	10	7,857	8,411
Investment property	11	1,311	8,256
Assets held for sale		203	-
Current income tax prepayment		5,029	2,517
Deferred tax assets	25	9,961	6,444
Other assets	12	29,773	35,180
TOTAL ASSETS		2,895,850	2,260,978
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	13	22,217	31,404
Other borrowed funds	14	380,568	350,982
Customer accounts	15,31	2,137,478	1,566,423
Debt securities issued	16	47,052	36,265
Other liabilities	17	14,759	18,678
TOTAL LIABILITIES		2,602,074	2,003,752
EQUITY			
Share capital	19	186,776	167,482
Share premium	19	3,920	3,920
Retained earnings		103,080	85,824
TOTAL EQUITY		293,776	257,226
TOTAL LIABILITIES AND EQUITY		2,895,850	2,260,978


On behalf of the Management Board

Mr. Abdukakhorov I.A.
Chairman of the Management Board
 7 June 2021
 Tashkent, Uzbekistan



Mr. Khodjaev R.R.
Chief Accountant

The notes on pages 11-70 form an integral part of these consolidated financial statements

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2020**



(in millions of Uzbek Soums)

	Notes	2020	2019
Interest income	20,31	319,599	251,543
Interest expense	20,31	(165,521)	(130,202)
Net interest income before impairment losses on interest bearing assets		154,078	121,341
Initial recognition adjustment on interest bearing assets	9	-	(8,521)
Effect of loans modification	9	(4,709)	-
Impairment losses on interest bearing assets	6,7,9,31	(45,492)	(14,416)
Net interest income after impairment losses on interest bearing assets		103,877	98,404
Fee and commission income	22,31	114,092	107,210
Fee and commission expense	22	(45,996)	(43,816)
Net gain on foreign exchange operations	21	14,805	11,232
(Provision)/recovery of provision for other assets and liabilities	12,28	(532)	24
Other income	23	8,594	4,525
Net non-interest income		90,963	79,175
Operating income		194,840	177,579
Operating expenses	24,31	(147,142)	(143,449)
Profit before income tax		47,698	34,130
Income tax expense	25	(10,131)	(6,876)
Net profit for the year		37,567	27,254
Other comprehensive income for the year		-	-
Total comprehensive income for the year		37,567	27,254
Basic and diluted earnings per ordinary share (in UZS)	26	56	49

On behalf of the Management Board

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

7 June 2021
Tashkent, Uzbekistan

Mr. Khodjaev R.R.
Chief Accountant

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**Consolidated statement of changes in equity
for the year ended 31 December 2020**



(in millions of Uzbek Soums)

	<i>Notes</i>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
1 January 2019		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
Total comprehensive income for the year		-	-	37,567	37,567
Capitalisation of dividends	19	19,294	-	(19,294)	-
Other distribution	19	-	-	(1,017)	(1,017)
31 December 2020		186,776	3,920	103,080	293,776

On behalf of the Management Board

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

7 June 2021
Tashkent, Uzbekistan

Mr. Khodjaev R.R.
Chief Accountant

**Consolidated statement of cash flows
for the year ended 31 December 2020**
(in millions of Uzbek Soums)



	<i>Notes</i>	For year ended 31 December 2020	For year ended 31 December 2019
<i>Cash flows from operating activities:</i>			
Interest received		283,687	236,583
Interest paid		(160,641)	(127,384)
Fee and commission received		114,329	107,585
Fee and commission paid		(45,178)	(43,226)
Income received from operations in foreign currencies		6,315	8,154
Other operating income received		7,190	3,986
Staff costs paid		(98,627)	(95,101)
Administrative and other operating expenses paid		(37,604)	(30,694)
Income tax paid		(16,160)	(8,011)
Cash flows from operating activities before changes in operating assets and liabilities		53,311	51,892
<i>Net decrease / (increase) in assets</i>			
Due from other banks		37,252	13,276
Investment securities		(158,000)	14,310
Loans and advances to customers		(252,297)	(246,859)
Other assets		13,399	(9,117)
<i>Net (decrease) / increase in liabilities</i>			
Due to other banks		(15,895)	(1,165)
Customer accounts		550,163	213,957
Other liabilities		320	(335)
Net cash from operating activities		228,253	35,959
<i>Cash flows from investing activities:</i>			
Acquisition of property, plant and equipment and intangible assets		(27,897)	(47,675)
Proceeds from disposal of property, plant and equipment		16,376	836
Net cash used in investing activities		(11,521)	(46,839)
<i>Cash flows from financing activities:</i>			
Proceeds from other borrowed funds		55,453	208,079
Repayment of other borrowed funds		(66,671)	(26,833)
Proceeds from issue of debt securities		10,516	40,878
Repayment of debt securities		(32,076)	(111,600)
Dividends paid		(1,017)	(3,054)
Net cash from financing activities		(33,795)	107,470
Net increase in cash and cash equivalents		182,937	96,590
Effect of exchange rate changes on cash and cash equivalents		29,955	27,399
CASH AND CASH EQUIVALENTS, beginning of the year	6	491,124	367,135
CASH AND CASH EQUIVALENTS, end of the year	6	704,016	491,124

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 Management Board

7 June 2021
Tashkent, Uzbekistan

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Chief Accountant

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