

Joint-Stock Commercial Bank “Asaka” and its subsidiaries

Consolidated financial statements

*Year ended 31 December 2018
together with independent auditor's report*

Independent auditor's report

To the Shareholders and the Council of the Joint-Stock Commercial Bank "Asaka"

Opinion

We have audited the consolidated financial statements of Joint-Stock Commercial Bank "Asaka" (the Bank) and its subsidiaries (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 flow for the year then ended, and notes to the consolidated financial statements, including 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 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 (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in 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. 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
<p data-bbox="225 394 1390 432"><i>Allowance for impairment of loans to customers, including finance lease receivables</i></p> <p data-bbox="225 443 858 656">Assessment of allowance for impairment of loans to customers, including finance lease receivables is performed based on the requirements of IFRS 9 "Financial Instruments" ("IFRS 9") and is a key area of the judgment of the Group's management.</p> <p data-bbox="225 667 858 913">Assessment of whether significant increase in credit risks has occurred, identification of events of default, the allocation of credit risk across three stages and the analysis of transition criteria between stages are matters of significant use of professional judgment and assumptions.</p> <p data-bbox="225 925 858 1205">Assessment of allowance for impairment involves the use of valuation techniques with unobservable baseline data, including determination of the probability of default, the value of the credit claim at the date of default and the level of losses in the event of default based on available historical and projected data.</p> <p data-bbox="225 1216 858 1541">The use of various models and assumptions can significantly affect the amount of allowance for impairment of loans to customers, including finance lease receivables. Due to the significance of the carrying value of loans to customers, including finance lease receivables, as well as due to the significant judgment involved, assessment of allowance for impairment is a key audit matter.</p> <p data-bbox="225 1552 858 1758">Information on the allowance for impairment and the approach of Group's management to assess the allowance for impairment and credit risk management are described in Note 3 and Note 7 to the consolidated financial statements.</p>	<p data-bbox="858 443 1466 869">Our audit procedures included analysis of the methodology for assessing the impairment of loans to customers, including finance lease receivables, testing controls on customer lending process, including controls on overdue loans accounting, procedures for assessing events resulting in significant increase in credit risk, and the calculation of the allowance for impairment. We analysed the consistency of judgments used by the Group's management when calculating allowance for impairment.</p> <p data-bbox="858 880 1466 1339">As part of the audit procedures, on a sample basis, we tested the source data and assumptions used by the Group to calculate the allowance for impairment, as well as analysed the model and calculation of the probability of default and expected cash flow on loans. With respect to the sampled loans, we have checked the estimation of the cash flows from the realisation of guarantees, the sale of collateral and the cash repayment, as well as the allocation of loans according to the impairment stages. We recalculated the allowance for impairment.</p> <p data-bbox="858 1350 1466 1462">The audit procedures were conducted both as of 31 December 2018 and on the date of transition to IFRS 9 as of 1 January 2018.</p> <p data-bbox="858 1473 1466 1653">We assessed the information disclosed in notes to the consolidated financial statements with respect to allowance for impairment on loans to customers, including finance lease receivables.</p>

Responsibilities of management and the Council of the Bank 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 Council of the Bank 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 Council of the Bank 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 Council of the Bank 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 the Council of the Bank, 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 Paul Cohn.

Tashkent, Uzbekistan

15 May 2019

Audit company, Ernst & Young MChJ

«Ernst & Young» Audit Organization LLC

Certificate authorizing audit of banks registered by the
Central Bank of the Republic of Uzbekistan Under #11
dated 23 august 2013

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

Head of Uzbekistan practice

«Ernst & Young» Audit Organization LLC

Consolidated statement of financial position**as of 31 December 2018***(millions of Uzbekistan soums)*

	Notes	2018	2017
Assets			
Cash and cash equivalents	5	1,193,747	3,800,241
Amounts due from credit institutions	6	1,426,691	1,402,975
Loans to customers	7	26,073,354	17,776,310
Equity securities at FVTPL	8	24,300	26,422
Debt securities at amortized cost	8	50,075	50,000
Investments in associates	29	126,546	55,182
Property and equipment	9	507,991	228,915
Deferred income tax assets	10	52,615	75,372
Current income tax assets		11,409	5,970
Other assets	12	160,705	141,369
Total assets		29,627,433	23,562,756
Liabilities			
Amounts due to the CBU and the Government	13	13,458,988	11,072,345
Amounts due to credit institutions	14	354,470	593,346
Amounts due to customers	15	6,776,131	8,228,090
Debt securities issued	16	140,413	158,305
Other borrowed funds	17	6,225,401	1,056,497
Current income tax liabilities		20,519	-
Other liabilities	12	120,791	53,458
Total liabilities		27,096,713	21,162,041
Equity			
	18		
Share capital		2,132,990	2,132,990
Additional paid-in capital		28,661	3,741
Capital reserve		7,382	7,382
Buildings and premises revaluation reserve		51,097	57,446
Retained earnings		298,124	190,486
Total equity attributable to shareholders of the Bank		2,518,254	2,392,045
Non-controlling interests		12,466	8,670
Total equity		2,530,720	2,400,715
Total equity and liabilities		29,627,433	23,562,756

Signed and authorised for release on behalf of the Management Board of the Bank.

Saydullaev Nodirbek Narzullaevich

Chairman of the Management Board

Atakulov Ramon Ismoilovich

Chief Accountant

15 May 2019

Consolidated statement of comprehensive income
for the year ended 31 December 2018

(thousands of Uzbekistan soums)

	Note	2018	2017
Interest revenue calculated using effective interest rate	20	1,210,400	626,812
Other interest revenue	20	27,668	25,196
Interest expense	20	(725,515)	(375,821)
Net interest income	20	512,553	276,187
Credit loss expense	11	(206,316)	(784,522)
Unwind of initial recognition adjustment on interest bearing assets	7	81,991	34,599
Net interest income after credit loss expense		388,228	(473,736)
Fee and commission income	21	117,936	133,549
Fee and commission expense	21	(24,445)	(26,660)
<i>Net gains/(losses) from foreign currencies</i>			
- dealing		12,304	69,993
- translation differences		15,571	644,797
Share of profit/(loss) of associates	29	72,806	23,813
Other income	22	22,835	81,340
Non-interest income		217,007	926,832
Personnel expenses	23	(231,129)	(186,571)
Depreciation and amortisation	9	(33,400)	(26,086)
Other operating expenses	23	(157,377)	(123,878)
Other (impairment and provisions)/reversal	11	(29,886)	(39,844)
Non-interest expense		(451,792)	(376,379)
Profit before income tax expense		153,443	76,717
Income tax (expense)/benefit	10	(51,877)	9,047
Profit for the year		101,566	85,764
Attributable to:			
- shareholders of the Bank		101,464	85,226
- non-controlling interests		102	538
		101,566	85,764

/ Saydullaev Nodirbek Narzullaevich

Chairman of the Management Board

Atakulov Ramon Ismoilovich

Chief Accountant

15 May 2019

The accompanying notes on pages 13 to 69 are an integral part of these Consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2018

(thousands of Uzbekistan soums)

	Note	2018	2017
Profit for the year		101,566	85,764
Other comprehensive income			
<i>Other comprehensive income to be reclassified subsequently to profit or loss when specific conditions are met:</i>			
Revaluation gain of buildings and premises	9	-	32,880
Deferred income tax on revalued property	10	-	(6,542)
Other comprehensive income/(loss) for the year, net of tax		-	26,338
Total comprehensive income for the year		101,566	112,102
Attributable to:			
- shareholders of the Bank		101,464	111,564
- non-controlling interests		102	538
Total comprehensive income for the year		101,566	112,102

/ Saydullaev Nodirbek Narzullaevich

Chairman of the Management Board

Atakulov Ramon Ismoilovich

Chief Accountant

15 May 2019

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Consolidated statement of changes in equity
for the year ended 31 December 2018

(thousands of Uzbekistan soums)

	Note	Attributable to shareholders of the Bank					Non-controlling interests	Total equity
		Share capital	Additional paid-in capital	Treasury shares	Buildings and premises revaluation reserve	Retained earnings		
31 December 2016		550,185	3,741	7,382	39,101	195,240	3,918	799,567
Profit for the year		-	-	-	-	85,226	538	85,764
Other comprehensive income for the year		-	-	-	26,338	-	-	26,338
Total comprehensive income for the year		-	-	-	26,338	85,226	538	112,102
Dividends to shareholders of the Group	18	-	-	-	-	(33,081)	-	(33,081)
Dividends to non-controlling interests		-	-	-	-	-	(163)	(163)
Issue of share capital		1,582,805	-	-	-	(64,508)	4,377	1,522,674
Release of revaluation on disposed property		-	-	-	(3,672)	3,672	-	-
Transfer of revaluation reserve		-	-	-	(4,321)	4,321	-	-
Disposal of subsidiary		-	-	-	-	(384)	-	(384)
31 December 2017		2,132,990	3,741	7,382	57,446	190,486	8,670	2,400,715

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Chief Accountant

15 May 2019

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**Consolidated statement of changes in equity
for the year ended 31 December 2018**

(thousands of Uzbekistan soums)

Note	Attributable to shareholders of the Bank						Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Treasury shares	Buildings and premises revaluation reserve	Retained earnings	Total equity attributable to shareholders of the Bank		
31 December 2017	2,132,990	3,741	7,382	57,446	190,486	2,392,045	8,670	2,400,715
Impact of adopting IFRS 9					69,354	69,354		69,354
Restated opening balance under IFRS 9	2,132,990	3,741	7,382	57,446	259,840	2,461,399	8,670	2,470,069
Profit for the year	-	-	-	-	101,464	101,464	102	101,566
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	101,464	101,464	102	101,566
Dividends to shareholders of the Group	18	-	-	-	(69,529)	(69,529)	-	(69,529)
Issue of share capital		-	-	-	-	-	3,694	3,694
Gain on initial recognition of borrowings received from Government		24,920	-	-	-	24,920	-	24,920
Transfer of revaluation reserve		-	-	(6,349)	6,349	-	-	-
31 December 2018	2,132,990	28,661	7,382	51,097	298,124	2,518,254	12,466	2,530,720

Saydullaev Nodirbek Narzullaevich

Chairman of the Management Board

Atakulov Ramon Ismoilovich

Chief Accountant

15 May 2019

The accompanying notes on pages 13 to 69 are an integral part of these Consolidated financial statements.

Consolidated statement of cash flows**for the year ended 31 December 2018***(thousands of Uzbekistan soums)*

	Notes	2018	2017
Cash flows from operating activities			
Profit before income tax expense		153,443	76,717
Adjustments for:			
Allowance for loan impairment	11	121,616	749,923
Other impairment and provisions	11	29,886	39,844
Unrealized gain on foreign exchange operations		15,572	(704,082)
Unrealized gain on swaps		11,965	(28,977)
Disposal of property and equipment		(11,332)	(950)
Depreciation expenses	9	33,400	26,086
Changes in interest accruals		(1,314)	55,487
Changes in other accruals		(3,952)	(33)
Share of profits in associates and additions	29	(72,807)	(23,813)
Cash flows from operating activities before changes in operating assets and liabilities		276,477	190,202
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(22,477)	(1,171,069)
Loans to customers		(8,389,374)	(4,745,610)
Other assets		(59,207)	(352,643)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		(233,875)	1,659,970
Amounts due to customers		(1,451,959)	(2,131,848)
Other liabilities		74,979	97,929
Net cash flows from operating activities before income tax		(9,805,436)	(6,453,069)
Income tax paid		(16,017)	(31,285)
Net cash from operating activities		(9,821,453)	(6,484,354)
Cash flows from investing activities			
Dividends received from associates	29	1,443	999
Proceeds from disposal of a subsidiary, net of cash disposed of		1,142	2,258
Other dividends received		-	266
Proceeds from investment securities		2,121	15,675
Purchase of property, equipment and intangible assets	9	(315,135)	(98,069)
Proceeds on sale of property and equipment		13,991	10,726
Purchase of investment securities		-	(54,915)
Net cash used in investing activities		(296,438)	(123,060)
Cash flows from financing activities			
Proceeds from issue of shares		-	1,518,297
Amounts due to the CBU and Government		2,381,643	3,050,076
Other borrowed funds		5,168,904	1,154,111
Capitalisation of dividends		24,920	64,508
(Repayment of)/proceeds from debt securities issued		(17,892)	(70,065)
Dividends paid to shareholders of the Bank	18	(43,081)	(33,081)
Net cash from / (used in) financing activities		7,514,494	5,683,846
Effect of exchange rates changes on cash and cash equivalents		(1,081)	2,288,323
Effect of expected credit losses on cash and cash equivalents		(2,016)	-
Net increase in cash and cash equivalents		(2,606,494)	1,364,755
Cash and cash equivalents, beginning	5	3,800,241	2,435,486
Cash and cash equivalents, ending	5	1,193,747	3,800,241

/ Saydullaev Nodirbek Narzullaevich

Chairman of the Management Board

Atakulov Ramon Ismoilovich

Chief Accountant

15 May 2019

The accompanying notes on pages 13 to 69 are an integral part of these Consolidated financial statements.