MIKROKREDITBANK

Joint-Stock Commercial Bank «Mikrokreditbank»

Financial statements for the year ended 31 December 2021
and Independent auditor's opinion
(Translated from Russian language)

Content

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Independent Auditor's opinion

To shareholders and the Supervisory Board of «Mikrokreditbank» JSCB

Opinion

We have audited the financial statements of Joint-stock Commercial Bank "Mikrokreditbank" (hereinafter referred to as the "Bank"), which consist of the statement of financial position as at 31 December 2021, and the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended on the specified date and the notes to the financial statements, including a summary of key accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Bank as at 31 December 2021, as well as its financial results and cash flows for the year ended on that date, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities in accordance with these standards are described further in the section "Auditor's responsibility for auditing financial statements" of our opinion. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the schedule in the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (PAIESB Code) and ethical requirements applicable to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our ethical responsibilities in accordance with these requirements. 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 matters that, in our professional judgment, were the most significant for our audit of the financial statements for the current period. These issues were considered in the context of our audit of the financial statements as a whole and in the formation of our opinion on these statements, and we do not express a separate opinion on these issues.

Key audit matters	*What audit procedures have been performed regarding the key audit matters?*
Provision for credit losses on loans to customers, as well as on credit commitments	
Due to the materiality of the provision for credit losses on loans to customers and credit commitments for the financial position of the Bank, as well as to the complexity and necessity of applying judgments in estimating expected credit losses in accordance with the new IFRS 9 "Financial Instruments" standard this issue is one of the key audit matters. It is necessary to apply judgment to determine a significant increase of credit risk from the date of initial recognition, both on an individual and on a portfolio basis, as well as for the calculation of expected credit losses. The assessment of the increase in credit risk is based on the relative change in credit ratings, the duration of overdue debts and other objective and subjective factors. The choice of thresholds at which an increase of credit risk is recognized as significant, such as the magnitude of deterioration in a credit rating, is also subjective. The calculation of expected credit losses includes valuation techniques that use significant unobservable input data and factors, such as internal credit ratings, as well as comprehensive statistical modeling and expert judgment. These methods are used to determine the probability of default based on available historical data and external information. An analysis of financial and non-financial information and the widespread use of assumptions are required to calculate expected credit losses for significant financial assets that have been individually impaired by credit. The estimation of future cash flows is based on such significant unobservable initial data as the current and forecast financial indicators of the borrower, the value of collateral and an assessment of the likelihood of possible scenarios. The use of other modeling techniques, assumptions and forecasts may lead to significantly different estimates of the provision for expected credit losses. Information on the provision for expected credit losses on loans to customers and credit commitments is presented in Notes 10 and 32 to the financial statements.	In the process of our audit, we paid special attention to the following: assessment of credit risk models and assumptions used to determine key parameters for provisioning and expected credit losses on a portfolio; assessment of management's judgments regarding the identification of a significant increase of credit risk on both of an individual and portfolio basis, using quantitative and qualitative criteria; testing of expected future cash flows, including cash flows from collateral, in respect of significant loans to customers and credit commitments. Our audit procedures included an assessment of the expected credit loss calculation methodology developed by the Bank in accordance with IFRS 9 to assess loan impairment provisions for loans to customers and credit commitments. We evaluated the reasonableness of credit risk factors and thresholds selected by management to determine a significant increase of credit risk on an individual and portfolio basis. We assessed the consistency in applying the criteria selected by management at the reporting date. When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key inputs and assumptions, as well as the forward-looking information used in the calculation of expected credit losses. For the selected material loans, we conducted an audit of internal credit ratings, credit risk factors and classification by stages. In collaboration with valuation specialists, we analyzed assumptions about future cash flows for selected material corporate loans, including the value of the collateral and the likelihood of possible scenarios. We reviewed the results of the Bank's subsequent testing of the models used for the purposes of IFRS 9.

Valuation of loans and advances to customers at fair value through profit or loss

We focused on this issue in connection with the materiality of the amount and the subjective nature of the assessment of loans and advances to customers, measured at fair value through profit or loss.

The fair value of these loans is estimated using complex valuation models that use data that are not observable on the market, including data that reflect the credit quality of customers, interest rate curves, and volatility.

Note 10 and 32 to the financial statements provide details of the measurement of loans and advances to customers at fair value through profit or loss.

During our audit, we paid special attention to the assessment of the key methodologies, formulas and source of information used by the Bank for evaluation, for their compliance with the requirements of IFRS.

We tested models for evaluating our selected loans. Our work included an assessment of whether the models and the data used are acceptable, the repetition of individual calculations, as well as various analytical and other procedures.

Other information

Management is responsible for other information. Other information includes information contained in the annual report, but does not include the financial statements and our audit report about it.

Our view of the financial statements does not apply to other information, and we will not provide conclusion with assurance of any form regarding this information.

In a view of conducting our audit of the financial statements, our responsibility is to review other information and consider whether there are significant discrepancies between other information and the financial statements or our knowledge gained during the audit and whether other information contains other significant distortion.

If, based on the work we have carried out, we conclude that other information contains a material misstatement, we must report this fact.

Responsibility of the Management and Those Charged with Corporate Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with IFRS and for such internal control system as management determines is necessary to enable the preparation of the financial statements that is free from material misstatements, due to fraud or errors.

In preparing the financial statements, management is responsible for assessing the ability of the Bank to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The management and those charged with governance are responsible for overseeing the preparation of the financial statements of the Bank.

Auditor's responsibility for auditing financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or on the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing, we apply professional judgment to retain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of non-detection of material as a result of unfair acts is higher than the risk of not detecting a significant distortion as a result of an error, since unfair acts may include conspiracy, fraud, intentional omission, misrepresentation of information or actions bypassing the internal control system;
- get an understanding of the internal control system that is relevant to the audit, in order to develop audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control system;
- assess the proper nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- make a conclusion about the legitimacy of management's use of the assumption of business continuity, and on the basis of the obtained audit evidence - the conclusion whether there is a significant uncertainty in connection with events or conditions that may raise significant doubts in the ability of the Bank to continue its business continuously. If we conclude that there is significant uncertainty, we must draw attention to our disclosure in the financial statements, or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Bank losing the ability to continue its business continuously;
- assess the presentation of the financial statements in general, its structure and content, including disclosure of information, as well as whether the financial statements present the underlying operations and events in a manner that ensures their reliable representation;
- obtain sufficient appropriate audit evidence relating to the financial information of the organization or activities within the Bank in order to express an opinion on the financial statements. We are responsible for the management, control and conduct of the Bank's audit. We remain fully responsible for our audit opinion.

We collaborate with persons responsible for corporate governance, including, among other things, information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the course of the audit.

We also provide the Management and those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements regarding independence and informed these individuals about all relationships and other issues that can reasonably be considered to affect the independence of the auditor. And if it is required - on appropriate precautions.

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From those questions that we brought to the attention of the Management and to those responsible for corporate governance, we identify issues that were most essential to the audit of the financial statements for the current period and, therefore, are considered as key audit issues. We describe these issues in our audit report, except when public disclosure of information on these matters is prohibited by law or regulation. In extremely rare cases, we conclude that information on any matter should not be communicated in our report, since it can be reasonably assumed that the negative consequences of communicating such information will exceed the socially significant benefits.

Shoodil Nosirov
Partner

Auditor's qualification certificate for auditing banks No. 13/1 dated 24 July 2017, issued by the Central Bank of the Republic of Uzbekistan.

AO "Grant Thornton" LLC

13 June 2022
Tashkent, Uzbekistan

(in thousands UZS)

Statement of financial position

	Notes	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents		1 172 161 642	1 019 211 478
Mandatory reserves in CBU		27 336 514	21 398 086
Due from other banks		116 440 600	137 134 087
Loans and advances to customers		10 334 248 893	8 143 820 128
Investment financial assets		507 199 539	206 817 551
Investment property		61 959 438	-
Deferred tax asset		18 663 410	7 999 935
Fixed assets and intangible assets		462 862 254	306 621 645
Non-current assets held for sale		51 958 814	-
Other assets		49 460 571	35 931 860
Total assets		**12 802 291 675**	**9 878 934 770**
Liabilities			
Due to other banks		1 068 854 512	1 585 713 773
Customer deposits		2 688 126 941	2 375 155 372
Debt Securities Issued		19 600 153	35 146 203
Other borrowings		5 245 244 899	4 097 676 349
Other liabilities		1 488 859 366	97 890 562
Total liabilities		**10 510 685 871**	**8 191 582 259**
Equity			
Share capital		2 197 278 787	1 642 009 001
Retained earnings and funds		94 327 017	45 343 510
Total equity		**2 291 605 804**	**1 687 352 511**
Total liabilities and equity		**12 802 291 675**	**9 878 934 770**

Approved and signed on behalf of the management of the Bank:

Butaev O.A.
Chairman of the Board of the Bank

13 June 2022

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI «MIKROKREDITBANK» AKSIYADORLIK-TIJORAT BANKI

Rahmanov F.B.
Chief Accountant of the Bank

The notes on pages from 11 to 80 are an integral part of these financial statements.

(in thousands UZS)

Statement of profit and loss and other comprehensive income

	Notes	For the year ended 31 December 2021	For the year ended 31 December 2020
Continuing activities			
Interest income calculated at the effective interest rate		1 115 719 262	844 763 838
Other interest income		458 316 779	288 208 597
Interest expense calculated at the effective interest rate		(683 500 566)	(425 438 629)
Other interest expenses		(230 038 892)	(156 733 290)
Net interest income		**660 496 583**	**550 800 516**
Provisions for credit losses on debt financial assets		(435 953 517)	(223 030 805)
Net income / (expense) from initial recognition of financial instruments and loan modifications		179 639 092	24 011 559
Net interest income after provision for credit losses		**404 182 158**	**351 781 270**
Commission income		114 971 623	90 512 190
Commission expense		(41 046 240)	(24 339 722)
Net income / (expense) from operations in foreign currency and from revaluation of foreign currency		28 153 830	11 466 594
Recovery / (creation) of a provision for credit losses on credit related commitments		(3 621 803)	(10 376 131)
Provisions for other assets		(8 633 753)	(3 773 395)
Other operating income		7 417 481	11 170 096
Administrative and other operating expenses		(493 758 142)	(392 268 606)
Income before tax		**7 665 154**	**34 172 296**
Income tax expense		(2 570 579)	(2 570 579)
Net income for the year		**5 094 575**	**27 337 837**
Other comprehensive income			
Revaluation of the building		43 888 932	-
Total other comprehensive income / (loss)		**43 888 932**	**-**
Total comprehensive income for the year		**48 983 507**	**27 337 837**

Approved and signed on behalf of the management of the Banк:

Butaev O.A.
Chairman of the Board of the Bank

13 June 2022

O'ZBEKISTON RESPUBLIKASI "MIKROKREDITBANK" AKSIYADORLIK-TIJORAT BANKI TOSHKENT SHAHRI

Rahmanov F.B.
Chief Accountant of the Bank

The notes on pages from 11 to 80 are an integral part of these financial statements.

(in thousands UZS)

Statement of changes in equity

	Share capital	Retained earnings and funds	Total capital
Balance as at 1 January 2020	**1 642 009 001**	**18 005 673**	**1 660 014 674**
Net income for the year	-	27 337 837	27 337 837
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-**	**27 337 837**	**27 337 837**
Balance as at 31 December 2020	**1 642 009 001**	**45 343 510**	**1 687 352 511**
Net income for the year	-	5 094 575	5 094 575
Other comprehensive income	-	43 888 932	43 888 932
Total comprehensive income for the period	**-**	**48 983 507**	**48 983 507**
Increase in share capital	558 495 819	-	558 495 819
Reduction of share capital	(3 226 033)	-	(3 226 033)
Balance as at 31 December 2021	**2 197 278 787**	**94 327 017**	**2 291 605 804**

Approved and signed on behalf of the management of the Bank:

Butaev O.A.
Chairman of the Board of the Bank

13 June 2022

O'ZBEKISTON RESPUBLIKASI TOSHKENT SHAHRI "MIKROKREDITBANK" AKSIYADORLIK-TIJORAT BANKI

Rahmanov F.B.
Chief Accountant of the Bank

The notes on pages from 11 to 80 are an integral part of these financial statements.

(in thousands UZS)

Statement of cash flow

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash flow from operating activities		
Interest received	1 492 898 451	1 001 756 100
Interest paid	(952 805 198)	(563 296 510)
Commissions received	114 808 759	90 425 466
Commissions paid	(41 044 001)	(24 318 798)
Net income from operations in foreign currency	27 828 212	(35 859 455)
Other operating income	7 417 481	11 170 096
Staff costs	(317 098 917)	(249 649 694)
Administrative and other operating expenses	(186 653 351)	(132 559 587)
Income tax paid	(7 261 621)	13 679 702
Cash flow from operating activities before changes in operating assets and liabilities	**138 089 815**	**111 347 320**
Net (increase) / decrease in operating assets		
Share of the financial result of the associated organization		
Due from other banks	20 693 487	120 900 676
Loans and advances to customers	(2 036 962 129)	(3 801 468 327)
Other assets	(13 528 711)	(14 913 258)
Net increase / (decrease) in operating liabilities		
Due to other banks	(516 859 261)	330 163 192
Customer deposits	312 971 569	996 182 916
Other liabilities	1 390 968 804	41 843 381
Net cash flow from operating activities	**(710 564 854)**	**(2 193 895 846)**
Cash flows from investing activities		
Purchase of investment securities	(917 229 362)	(114 704 000)
Repayment of investment securities	639 010 000	31 342 587
Acquisition of investment property	(61 959 438)	-
Acquisition of fixed assets and intangible assets	(162 752 235)	(85 527 498)
Revenues from sale of fixed assets	8 785 413	116 869
Dividends received	167 042	124 150
Net cash flows from investing activities	**(493 978 580)**	**(168 647 892)**

The notes on pages from 11 to 80 are an integral part of these financial statements.

(in thousands UZS)

Statement of cash flow (Continuation)

	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash flows from financing activities		
Proceeds from the issue of shares	558 495 819	-
Debt Securities Issued	19 600 000	-
Repayment of debt securities	(35 100 000)	(70 800 000)
Receipt of other borrowings	3 679 662 418	3 505 957 673
Repayment of other borrowings	(2 875 275 651)	(506 559 731)
Dividends paid	(602)	(31 153)
Net cash flows from financing activities	**1 347 381 984**	**2 928 566 789**
The effect of changes in exchange rates on cash and cash equivalents	9 785 996	47 326 049
The effect of expected credit losses on cash and cash equivalents	325 618	(1 492 846)
Net change in cash and cash equivalents	**152 950 164**	**611 856 254**
Cash and cash equivalents at the beginning of the reporting year	1 019 211 478	407 355 224
Cash and cash equivalents at the end of the reporting year	**1 172 161 642**	**1 019 211 478**

Approved and signed on behalf of the management of the Bank:

Butaev Q.A.
Chairman of the Board of the Bank

13 June 2022

Rahmanov F.B.
Chief Accountant of the Bank

The notes on pages from 11 to 80 are an integral part of these financial statements.

(in thousands UZS)

Notes to the financial statements

1 Primary activity

The Bank was registered in May 2006 in accordance with the Decree of the President of the Republic of Uzbekistan on the basis of the former Joint-Stock Commercial Bank Tadbirkor. The Bank was registered in the Republic of Uzbekistan in order to promote the development of small business, private entrepreneurship and farming, family business, especially in order to further expand the provision of financial resources by providing access to microfinance services to wide sections of the population, especially in rural areas. The main owner of the Bank is the Government of the Republic of Uzbekistan, through the Ministry of Finance of the Republic of Uzbekistan.

The Bank is registered in the Republic of Uzbekistan to carry out banking activities in accordance with the updated banking license No. 37 dated 25 December, 2021, issued by the Central Bank of the Republic of Uzbekistan (hereinafter - "CBU").

The main activity of the Bank is the implementation of commercial banking operations, operations with securities, foreign currency, the provision of loans and guarantees. The Bank accepts deposits from the population and issues loans, makes payments on the territory of the Republic of Uzbekistan and abroad, and also provides other banking services to legal entities and individuals.

The Bank participates in the state deposit insurance program, approved by the Law of the Republic of Uzbekistan No. 360-II "On the Guarantee of Protection of Citizens' Deposits with Banks" dated April 5, 2002, which guarantees payment of 100% reimbursement on deposits, regardless of the deposit amount in case of withdrawal of a license from the bank.

As at December 31, 2021, the Bank carries out banking activities through the Head Office and has 71 branches in the Republic of Uzbekistan (December 31, 2020: 71 branches).

The legal and actual address of the Bank's Head Office: 100096, Republic of Uzbekistan, Tashkent city, Lutfiy street, house 14.

The total number of employees of the Bank as of December 31, 2021 amounted to 3 575 people (December 31, 2020: 3 015 people).

The structure of the Bank's shareholders is presented in the table below:

Shareholders	31 December 2021 Share (%)	31 December 2020 Share (%)
Fund for Reconstruction and Development of the Republic of Uzbekistan	45,5	51,2
Ministry of Finance of the Republic of Uzbekistan	52,9	46,6
Shareholders holding less than 1% of the Bank's share capital	1,6	2,2
Total shareholders	**100,0**	**100,0**

As of December 31, 2021, the Bank is under the actual control of the Government of the Republic of Uzbekistan.

2 The economic environment in which the bank operates

The economy of the Republic of Uzbekistan continues to show some features of developing market. The government develops the legislative, tax and regulatory framework necessary in a market economy, and undertakes significant economic and social changes. Further economic development of the Republic of Uzbekistan mostly depends on the effectiveness of economic measures, financial mechanisms and monetary policy adopted by the Government, as well as the development of the tax, regulatory and political system.

In March 2020, the World Health Organization declared the COVID-19 virus pandemic. Most countries have placed significant restrictions on travel and movement of people and businesses. This led to a significant decline in GDP in most, if not all of the major economies. The Uzbek authorities have also introduced numerous measures in an attempt to contain the spread and impact of COVID-19. Such measures include travel bans or restrictions, quarantine measures, a duty to stay at home, and restrictions on business activities, including the closure of businesses. These measures, among other things, seriously limited economic activity in the Republic of Uzbekistan, negatively affected and may continue to negatively affect businesses, market participants, customers of the Bank, as well as the Russian and global economy for an indefinite period of time.

As reform process has not yet been completed, operations carried out in Uzbekistan are fraught with risks, which is not typical for economically developed countries. Among them, in particular, the non-convertibility of UZS in most countries outside the Republic of Uzbekistan, low level of liquidity in the debt securities market and the capital market, as well as continuing inflation.

As of the reporting date and later, some restrictions imposed by state authorities in the Republic of Uzbekistan due to the COVID-19 pandemic have been removed, the Bank is observing the recovery of business activity in the Republic of Uzbekistan. However, the level of continuing uncertainty about the future development of the situation due to the COVID-19 pandemic and the possible impact on the Bank remain high. To provide support to clients in the current economic conditions, the Bank offered to restructure existing loans and issued new ones under government support programs, as well as under various restructuring programs for clients not covered by government support programs, expanded the list of products and services provided through digital service channels. Management is taking all necessary measures to ensure the sustainability of the Bank's operations and to provide support to customers and employees, but the future consequences of the current economic situation are difficult to predict, and current expectations and estimates of management may differ from actual results.

According to the decision of the Central Bank of the Republic of Uzbekistan, from 11 September 2020, the refinancing rate has decreased from 15 percent to 14 percent.

The state of the economy of the Republic of Uzbekistan is characterized by relatively inflation rates. During 2021, the inflation rate was 10 percent (2020: 11.1 percent).

The dynamics of GDP remains in the positive zone, and GDP growth in 2021 was 7.4 percent compared to 2020, while in 2020 GDP growth was 1.6 percent.

(in thousands UZS)

3 Principles of presentation of financial statement

3.1 Applicable standards

The accompanying financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), approved by the International Accounting Standards Committee ("IASC") based on historical cost accounting rules, adjusted for initial recognition of financial instruments at fair value and measured at fair value through profit or loss and at fair value through other comprehensive income. The accounting policies used in the preparation of these financial statements are presented below.

The Bank maintains records in accordance with the requirements of the current legislation of the Republic of Uzbekistan. These financial statements have been prepared based on these accounts with the adjustments necessary to bring it in compliance with IFRS in all material respects.

3.2 Functional and presentation currency

The national currency of the Republic of Uzbekistan is the "Uzbek soum" (hereinafter - UZS). The Uzbek soum was chosen as the functional currency, as well as the currency in which these financial statements are presented.

All financial statements have been rounded to the nearest thousand.

3.3 Currency operations

Foreign currencies, especially the US dollar (USD) and the Euro, play a significant role in determining the economic parameters of many business transactions in the Republic of Uzbekistan. The table below shows the rates of Uzbek soum against the US dollar and Euro, established by the Central Bank of Uzbekistan:

Date	USD	EURO
31 December 2021	10 837,66	12 224,88
31 December 2020	10 476,92	12 786,03

4 Important assessment and professional judgement

The preparation of financial statements in accordance with IFRS requires management to apply judgments, assumptions and estimations that affect the application of accounting policies and the recognition of assets and liabilities, income and expenses in the financial statements. To determine the carrying amount of assets and liabilities, estimated values and associated assumptions based on historical experience and other applicable factors are necessary. Despite the fact that the estimated values based on the most complete knowledge of the management of the current situation; the actual results may ultimately differ significantly from the accepted estimates.

The Bank makes estimates and assumptions that affect the amounts of assets and liabilities recorded in the financial statements in the next financial year. Estimations and assumptions continually analyzed based on management experience and other factors, including expectations regarding future events that management believes are reasonable in the light of current circumstances. Management also uses professional judgment and evaluation in the process of applying accounting policies. The professional judgment that has the most significant effect on the amounts recognized in the financial statements and the estimates that may result in significant adjustments to the carrying amount of assets and liabilities during the next financial year include:

Going concern

These financial statements reflect the current management's assessment of the Bank of impacts that affect the operations and financial position of the Bank. The future development of the economy of the Republic of Uzbekistan largely depends on the effectiveness of the measures taken by the Government of the Republic of Uzbekistan and other factors, including legislative and political events, which are not controlled by the Bank. The Bank's management is not in a position to predict the impact of these factors on the financial condition in the future. The accompanying financial statements did not include adjustments related to this risk.

Classification of financial assets

An assessment of business models that apply to assets, and an assessment of whether the contractual terms of a financial asset are solely a payment of principal and interest on principal, is disclosed in Note 6.

Measurement of estimated reserve for expected credit losses

Measurement of the estimated reserve for expected credit losses for financial assets measured at amortized cost and fair value through other comprehensive income (FVTOCI) is an area that requires complex models and significant assumptions about future economic conditions and credit behavior (for example, probability of default of counterparties and losses arising). A number of significant judgments are also required when applying accounting requirements to measure expected credit losses, such as:

- Defining criteria for a significant increase in credit risk;
- Selection of suitable models and assumptions for measuring expected credit losses;
- Determining the number and relative weights of possible future scenarios for each type of product/market and the corresponding expected credit losses;
- Creation of groups of similar financial assets for estimating expected credit losses. The number of factors is influencing to the estimation of reserves for credit losses on financial instruments. These factors are set out below;

The estimated reserve for credit losses on financial instruments is influenced by a number of factors, which are set out below:

- Remittances and the corresponding estimate of the provision for credit losses between stage 1 (12-months expected credit losses) and 2 (expected credit losses for the entire life span - unimpaired assets), or stage 3, due to the fact that the balances experienced a significant increase (or decrease) in credit risk within one Stage. Another reason is depreciation during the period with a consequent increase (or decrease) from expected credit losses for 12 months to expected credit losses for the entire life;

- Creation of additional estimated reserves for newly recognized or purchased financial instruments during the period, as well as their recovery in respect of financial instruments whose recognition has been discontinued during the period;
- The effect on the estimate of expected credit losses of changes in indicators of the probability of default, debt at the time of default and loss in case of default during the period resulting from regular updating of the initial data of the models;
- The effect on changes in claims on contractual interest on the estimate of expected credit losses, taking into account the effect of time since expected credit losses are estimated on the basis of the current present value;
- Financial assets that were de-recognized during the period and write off / restore of the estimated reserves relating to assets that were written off / restored during the period;
- Sale of subsidiaries and reclassification into assets for discontinued operations and assets held for sale;
- The impact of changes in exchange rates when recalculating assets denominated in foreign currency and other movements.

Information on input data, assumptions, valuation methods and judgments used in measuring expected credit losses is described in detail in Notes 6 and 32.

Definitions of terms related to the estimated expected credit losses are given in Note 32.

Fair value of financial instruments

The fair value of financial instruments for which there is no quotation in an active market is determined using various valuation techniques. If valuation techniques are used to determine the fair value (for example, models), they are approved and regularly reviewed by qualified staff independent of the department/unit using these techniques. All models are certified before they are used; models are also adjusted to reflect actual and comparative market prices. In the framework of the permissible model, only observable data are used, however, such areas as credit risk (both own and counterparty risk), variability and correlation require management to make estimates. Changes in the assumptions related to these factors may affect the fair value recorded in the financial statements. See note 30.

5 Transition to new or revised standards and interpretations

The following amendments to the standards became applicable to the Bank from 1 January 2021, but did not have a material impact on the Bank.

Amendment to IFRS 16 on accounting for lease concessions related to COVID-19 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides tenants with an exemption in the form of an optional exemption from assessing whether a COVID-19 lease concession is a lease modification. Lessees may choose to treat lease assignments as if such assignments were not a lease modification. This practical solution only applies to rental concessions granted directly in connection with the COVID-19 pandemic and only if all of the following conditions are met: a change in rental payments results in a revision of the rental reimbursement so that it does not exceed the reimbursement for the lease immediately prior to the change; any reduction in lease payments only affects payments due no later than 30 June 2021; and no significant changes to other terms of the lease. On 31 March 2021, due to the ongoing pandemic, the IASB published additional amendments to include assignment dates from 30 June 2021 to 30 June 2022 (effective for annual periods beginning on or after 1 April 2021). The Bank has decided not to accept the above amendment.

Base Interest Rate Reform (IBOR) - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Stage 2 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Stage 2 amendments are aimed at addressing issues arising from the results of the implementation of reforms, including those related to the replacement of one base interest rate with an alternative one. The Bank has decided not to accept the above amendment.

6 Key principles of accounting policy

6.1 Standards that have been released but not effective yet

Certain new standards became effective for the Bank's reporting periods beginning on or after 1 January 2022 and were not early adopted by the Bank.

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which allowed entities to apply existing accounting practices for insurance contracts. Consequently, it was difficult for investors to compare and contrast the financial results of otherwise similar insurance companies. IFRS 17 is a single, principles-based standard for accounting for all types of insurance contracts, including reinsurance contracts, held by an insurer. Under this Standard, groups of insurance contracts must be recognized and measured at (i) the risk-adjusted present value of future cash flows (completion cash flows), which takes into account all available information about fulfillment cash flows consistent with observable market information to which is added (if the value is a liability) or from which it is subtracted (if the value is an asset) (ii) the amount of retained earnings on a group of contracts (contract service margin). Insurers will report profit on a group of insurance contracts over the period they provide coverage and as they release risk. If a group of contracts is or becomes unprofitable, the entity will recognize the loss immediately.

Amendments to IAS 17 and Amendments to IAS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications designed to simplify the implementation of IFRS 17, simplify some of the requirements of the standard and the transition. The amendments address eight areas of IFRS 17 and are not intended to change the fundamental principles of the standard.

Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets in Transactions between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on the date to be determined by the IASB, or after that date). The amendments address the inconsistency between the requirements of IFRS 10 and IAS 28 relating to the sale or contribution of assets to an associate or joint venture by an investor. The main effect of the amendments is that a gain or loss is recognized in full when the transaction involves a business. If the assets do not represent a business, even if the assets are owned by a subsidiary, only a portion of the profit or loss is recognized.

Classification of liabilities as current and non-current – Amendments to IAS 1 (issued on 23 January 2020 and 15 July 2020, effective for annual periods beginning on or after 1 January 2023). These limited scope amendments clarify that liabilities are classified as either current or non-current, depending on the existence of rights at the end of the reporting period. Liabilities are considered long-term if, at the end of the reporting period, the entity has the effective right to delay their settlement by at least twelve months. The unconditional nature of such a right is no longer a mandatory requirement. Management's expectations as to whether the right to delay settlement will subsequently be exercised does not affect the classification of liabilities. The right to defer only exists if the entity is in compliance with the applicable conditions at the end of the reporting period. An obligation is classified as short-term if any condition was violated on or before the reporting date, even if at the end of the reporting period the creditor waived the requirement to comply with it. On the other hand, a loan is considered long-term if the obligatory condition on such a loan is violated only after the reporting date. In addition, the amendments include a clarification of the classification requirements for debt that a company can settle by converting it into equity. A "settlement" is defined as the settlement of a liability in cash, other resources representing economic benefits, or the entity's own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only for those instruments for which the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Revenue to intended use, Onerous contracts - costs of fulfilling a contract, Reference to the conceptual framework - minor amendments to IAS 16, IAS 37 and IFRS 3, Annual improvements to IFRS 2018-2020 - amendments to IFRS (IFRS) 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Amendments to IAS 1 and Practice Note 2 on the Application of IFRS Making Judgments of Materiality (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 has been amended to require entities to disclose significant information about accounting policies instead of disclosing significant accounting policies. The amendments defined the concept of material information about accounting policies. The amendments clarify that information about accounting policies is material if and only if, in its absence, a user of the financial statements would not be able to understand any other material information in the financial statements. The amendments provide illustrative examples of information about accounting policies that may be considered material to an entity's financial statements. Further, the amendments to IAS 1 clarify that immaterial accounting policies may not be disclosed. However, if such information is disclosed, it should not interfere with the perception of material information about accounting policies. To support these amendments, Practice Note 2 on Making Materiality Judgments has also been amended to provide guidance on how to apply the concept of materiality to accounting policy information.

Amendment to IAS 8 Determination of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). Amendment to IAS 8 clarifies how to distinguish changes in accounting policies from changes in accounting estimates.

Deferred taxes relating to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 12 clarifies how to report deferred taxes on transactions such as leases and decommissioning obligations. In certain circumstances, entities are exempted from the obligation to recognize deferred tax when they recognize assets or liabilities for the first time. Previously, there was some uncertainty as to whether this exemption applied to lease transactions and decommissioning obligations, while both types of transactions recognized an asset and a liability. The amendment clarifies that the exemption does not apply and entities are required to recognize deferred tax on such transactions. The amendment requires entities to recognize deferred tax on transactions that, on initial recognition, give rise to equal temporary differences that increase and decrease the taxable base.

Options for insurance companies to transition to IFRS 17 – Supplement to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). This addition to the transition requirements in IFRS 17 provides an opportunity for insurers to improve the usefulness of information to investors when initially applying IFRS 17. This addition is only relevant to the transition requirements to IFRS 17 and does not affect the other requirements of IFRS 17. IFRS 17 and IFRS 9 are applicable at different dates, resulting in the following classification differences in comparative information presented on initial application of IFRS 17: an accounting mismatch between insurance contract liabilities measured at present value and related financial assets measured at amortized cost; and, if an entity elects to restate comparative information for IFRS 9, classification differences between financial assets disposed of during the comparative period (to which IFRS 9 is not applicable) and other financial assets (to which IFRS 9 would be applicable). The addition will help insurance companies avoid these accounting mismatches and thus enhance the value of comparative information for investors. This is done because it is possible to present comparative information about financial assets. On initial application of IFRS 17, entities will be allowed, for comparative purposes, to apply a classification adjustment to financial assets for which the entity does not restate comparatives to IFRS 9. This transitional option will be provided for application at the individual instrument level; this will allow the entity to present comparative information as if the classification and measurement requirements of IFRS 9 were applied to the financial instrument, but does not prescribe the impairment requirements of IFRS 9; and requires an entity that applies a reclassification to a financial asset to use reasonable and supportable information available at the date of transition to determine the entity's expectations regarding the future classification of the financial asset in accordance with IFRS 9.

The Bank is currently reviewing the provisions of these standards, their impact on the Bank and the timing of their application.

6.2 Fair value measurement

Fair value is the price that would have been received when the asset was sold or paid when the liability was transferred in a normal transaction between market participants at the valuation date in the main market or, in the absence thereof, in the most profitable market to which the Bank has access to specified date. The fair value of a liability reflects the risk of default.

To the extent possible, the Bank estimates the fair value of the instrument using quoted prices for this instrument in an active market. The market is recognized as active if the quotes are easily accessible and reflect actual and regular transactions between independent market participants.

In the absence of current quotations in an active market, the Bank uses valuation methods that make the most of the observed baseline data and minimally use the unobservable baseline data. The selected valuation methods include all factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price, that is, the fair value of the compensation paid or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is not confirmed by current quotes in an active market for a similar asset or liability and is not based on valuation methods that use only observable inputs, the financial instrument is initially measured at fair value adjusted to postpone the recognition of the difference between the transaction price and the fair value. After initial recognition, this difference is subject to amortization in profit or loss over the life of the instrument, but no later than the moment when the assessment is fully confirmed by observable inputs or when the operation has been completed.

If the transaction price in the inactive market differs from the fair value of current market transactions in the observable market for the same instrument or is based on the valuation technique, the initial parameters of which include only information from the observed markets, the Bank immediately recognizes the difference between the transaction price and the fair value ("First day earnings") in profit or loss. In the case of using unobservable information, the difference between the transaction price and the value determined on the basis of the model is recognized in profit or loss only if the original data becomes observable or if the financial instrument is derecognized.

If the asset or liability measured at fair value has a bid price and a bid price, the assets and long positions are estimated based on the bid price, liabilities and short positions are estimated based on the bid price.

6.3 Effective interest rate (discount method)

The effective interest method is the adjustment of all future cash flows expected for a financial asset or financial liability to the fair value at the date the asset or liability is incurred at a discount rate.

The discounting method is used by the Bank to determine the amortized cost of financial instruments.

The discount rate is the effective interest rate or market interest rate at which all future cash flows of a financial instrument are reduced to fair value.

Cash flows for financial assets and liabilities are discounted on the basis of future cash flows expected at the actual contract rate and the corresponding discount rate determined on the basis of the discount rate

If cash flows on a financial instrument are expected for more than one period (interest income or expenses are charged more than once on certain dates during the entire term of the financial instrument, and / or repayment of the principal amount is carried out in parts), the calculation of future cash flows, the discount rate and discounted amounts of data flows is carried out for each such period. The current present value of a financial instrument at the date of its occurrence in this case represents the sum of the discounted future flows of the instrument for each period.

The effective interest rate applies to the gross book value of the financial instrument. The effective interest rate adjusted for credit risk is applied to the acquired or created credit impaired financial assets. This rate applies to the amortized cost of acquired or created impaired assets from the date of initial recognition.

For financial assets that subsequently become credit-impaired, the effective interest rate also applies to the amortized cost. If subsequently the credit risk on the credit impaired financial asset is reduced to such an extent that the asset ceases to be such, from the next reporting period the effective interest rate is applied to the gross book value of the financial instrument.

The calculation of the effective interest rate includes transaction costs, as well as fees and amounts paid or received, which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

6.4 Amortized cost of a financial instrument

The amortized cost of a financial instrument at the end of each reporting period is a measure calculated at the amortized cost of this instrument at the end of the previous reporting period plus / minus the depreciation, which is the difference between the cash flows for this reporting period, calculated at the effective interest rate, and in fact received or paid cash flows during this period.

When determining the amount of depreciation, cash flows for a financial instrument include:

- the movement of the issued / received amount of principal debt;
- interest income or expense;
- additional fees received / paid at the time of issuing / raising a loan (such as fees for arranging and issuing a loan, reviewing a loan application, opening and servicing a loan account, etc.) or issuing a debt obligation (for example, bonds);
- other commissions subject to a reliable estimate, the payment of which is a prerequisite for issuing a loan / issuance of an obligation or will be made on a regular basis according to the terms of the contract.

Interest income and expenses on financial instruments recorded at initial recognition at actual costs are recognized in the income statement based on the actual contract rate.

If a financial instrument determines a new fair value for its initial recognition, the calculation and recognition of interest income or expenses is based on the market interest rate used to determine the new fair value of the financial instrument, which subsequently becomes the effective interest rate for the instrument.

For floating rate financial instruments, the effective interest rate for cash flow discounting is used until the next date of the floating rate revision at market rates before the maturity date of the financial instrument.

Interest income and expenses on financial instruments, the calculation of the amortized cost of which is carried out by discounting flows at the effective interest rate, are calculated on the basis of the new initial value of the financial instrument at the effective interest rate.

6.5 Financial assets and liabilities

Classification of financial instruments

In accordance with IFRS 9 financial assets are classified as subsequently measured:

- At amortized cost;
- At fair value through other comprehensive income;
- At fair value through profit or loss - depending on:
  - the business model used to manage financial assets;
  - characteristic of a financial asset related to the cash flows provided in the contract.

The business models used by the Bank are determined by key management personnel and describe the ways in which the Bank manages its financial assets in order to generate cash flows.

Financial assets are measured at amortized cost when the following conditions are met:

- the financial asset is held within the business model, the purpose of which is to withhold to obtain the cash flows provided by the contract;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Cash flows that are exclusively payments on account of the principal amount of the debt and interest on the outstanding portion of the principal amount of the debt are characterized by the following features:

- the principal amount of the debt is the fair value of the financial asset at initial recognition;
- interest includes only reimbursement for the time value of money, for credit risk in respect of the principal amount of debt remaining outstanding for a certain period of time, and for other ordinary risks (for example, liquidity) and costs (in particular, administrative) associated with lending.

In some cases, the element of the time value of money contains compensation for other risks and costs, i.e. is modified. In this case, the Bank conducts a qualitative or, if necessary, quantitative assessment of the significance of the effect of the modified element of the time value of money.

Financial assets are measured at fair value through other comprehensive income while fulfilling the following conditions:

- the financial asset is held within the framework of a business model, the purpose of which is to keep both the cash flows stipulated in the contract and the sale of financial assets;
- the contractual terms provide for the receipt on certain dates of cash flows, which are exclusively payments to the principal amount of the debt and interest on the outstanding part of the principal amount of the debt.

Financial assets are measured at fair value through profit or loss if they are acquired as part of a business model that aims to sell, and if they do not meet the criteria for valuation at amortized cost or at fair value through other comprehensive income.

In accordance with IFRS 9 **financial liabilities are classified as subsequently measured at amortized cost**, except for:

- financial liabilities at fair value through profit or loss;

- financial liabilities that arise when the transfer of a financial asset does not meet the requirements for de-recognition or when the principle of accounting for continuing participation is applied;
- financial guarantee contracts;
- commitments to provide loans at an interest rate below the market;
- contingent consideration resulting from a business combination.

Estimation of business model

The Bank assesses the purpose of the business model in which the asset is held at the portfolio level of financial instruments, as this best reflects the way the business is managed and how the information is presented to management. Analyzed information includes:

- Policies and objectives established for portfolio management, as well as the implementation of these policies in practice. In particular, whether the management strategy is focused on obtaining interest income stipulated by the contract, maintaining a certain structure of interest rates, ensuring that the maturity of financial assets matches the maturity of financial liabilities used to finance these assets, or realizing cash flows through the sale of assets.
- How portfolio performance is assessed and how this information is communicated to the management of the Bank;
- Risks that impacts on the performance of the business model (and financial assets held under this business model), and how these risks are managed;
- How remuneration is given to managers responsible for managing the portfolio (for example, whether this remuneration depends on the fair value of the specified assets or on the cash flows from the assets provided by the contract);
- Frequency, volume and timing of sales in past periods, the reasons for such sales, as well as expectations regarding future sales. However, information on sales levels is not considered in isolation, but as part of a single holistic analysis of how the Bank's stated goal of managing financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading, or that are managed and whose performance is measured on the basis of fair value, are measured at fair value through profit or loss, since they are not held neither for the purpose of obtaining the contractual cash flows nor for the purpose of cash flow contract and sale of financial assets.

An assessment of whether contractual cash flows are solely payment of principal and interest.

For the purposes of this assessment, "principal" is defined as the fair value of a financial asset upon initial recognition. "Interest" is defined as reimbursement for the time value of money, for credit risk in respect of the principal amount outstanding for a certain period of time, and for other major risks and costs associated with lending (for example, liquidity risk and administrative costs), and include profit margins.

In assessing whether the contractual cash flows are solely payments of the principal and interest on the outstanding amount of the principal (the "SPPI criterion"), the Bank analyzes the contractual terms of the financial instrument. This includes an assessment of whether a provision on a financial asset provides for a condition that can change the time or amount of the cash flows under the contract so that the financial asset does not satisfy the requirement being analyzed.

In conducting the assessment, the Bank takes into account:

- Conditional events that may change the timing or amount of cash flows;
- Conditions that have a leverage effect;
- Terms of early repayment and prolongation of the validity period;
- Conditions that limit the Bank's claims to cash flows from certain assets (for example, non-recourse assets);
- Conditions that result in a change in compensation for the time value of money — for example, a revision of interest rates on a periodic basis.

The Bank determined that for a portfolio of long-term loans issued at a fixed interest rate, at which the Bank has the right to revise the interest rate in the event of a change in the refinancing rate set by the

Central Bank of Uzbekistan, and for which borrowers have the right to either agree to the revised rate or repay the loan at nominal value reduced by the amount of payments on account of the principal amount of the debt and increased by the amount of accrued but unpaid interest, without penalties, the contractual flows provided by the contracts funds represent solely payments of principal and interest, since this right leads to a change in interest rate in such a way that interest represents a reimbursement for the time value of money, credit risk, other main risks associated with lending, and costs associated with the principal amount remaining outstanding. Therefore, the Bank considers these loans as variable rate loans at its core.

General principles for the initial valuation of financial instruments

Financial instruments (financial assets and financial liabilities) are recognized in the accounting records of the Bank if it becomes a party to the contract for this financial instrument.

With the exception of trade receivables (not containing a significant financing component) and, a financial asset or liability measured at fair value through profit or loss, financial instruments are initially recognized at fair value increased or decreased in the case of a financial asset or liability in the amount of transaction costs that are directly related to the acquisition of a financial asset or the issuance of a financial liability. The best evidence of the fair value of a financial instrument upon initial recognition is usually the transaction price.

Trade receivables that do not contain a significant financing component are estimated at initial recognition at the transaction price.

If the actual contract rate for a financial instrument is missing or significantly deviates from the market rate for this similar instrument at the date of its occurrence, then the new fair value of the financial instrument for its initial recognition is determined. Wherein:

- in the absence of information on market rates for this financial instrument (or if they cannot be determined with a sufficient degree of certainty), the actual contract rate for this instrument can be compared with market rates for transactions with similar financial instruments;
- **the deviation of the actual contract rate from the market rate** for this or similar financial instrument at the date of its occurrence is considered significant. The decision on materiality is made based on professional judgments of the responsible persons taking into account the content and features of the relevant transaction.

The new fair value of a financial instrument for its initial recognition is determined by the method of discounting. Based on the market interest rate and represents the fair value of this instrument at the date of its occurrence, i.e. the present value of all future (expected) cash flows for this instrument at the date of its occurrence, discounted at the market interest rate for the given or similar financial instrument. The difference between the actual costs at the date of the financial instrument and its new initial value, depending on the reason for its occurrence, may be recognized in equity, the statement of profit or loss or other assets/liabilities of the Bank.

The market interest rate for this financial instrument or other similar financial instruments is determined based on the available internal and external sources of information, depending on the type and nature of the financial instrument and can be determined/calculated on the basis of:

- from well-known interest rates published or posted in information systems at **www.cbu.uz** (official website of the Central Bank of the Republic of Uzbekistan) or public authorities and authorities on the Internet;
- from the refinancing rate of the Central Bank of Uzbekistan for the relevant period.

In particular, when determining the market rate under consumer lending agreements, the Bank uses information published by the Central Bank of Uzbekistan on the total value of consumer credit, defining the range of market rates as: upper limit of the range — rate of the value of the consumer loan; and lower limit of the range — refinancing rate of the CBU for the corresponding period.

Reclassification

The classification of financial assets after initial recognition does not change, except in the period following how the Bank changes its business model for managing financial assets. The Bank should reclassify financial assets only if it has changed the business model used to manage these financial assets.

It is expected that such changes will occur extremely rarely. Such changes should be determined by the top management of the Bank as a result of external or internal changes and should be significant for the Bank's activities and obvious to external parties. Accordingly, a change in the purpose of the Bank's business model can occur if and only when the Bank starts or stops carrying out an activity significant in relation to its operations; for example, in the case of the acquisition, disposal or termination of a specific activity by the Bank.

The classification of financial liabilities after initial recognition is not subject to change.

De-recognition of financial instruments

De-recognition of a financial asset is made only when:

- the contractual rights to cash flows from this financial asset expire or
- the Bank transfers a financial asset, and such transfer satisfies de-recognition requirements.

In the event of a significant modification of a financial asset, the Bank de-recognizes the company and recognizes a new asset. Criteria for material modification the Bank determines as:

- change in the currency of a financial instrument;
- a change in the fixed interest rate to a floating interest rate and vice versa;
- replacement of the debtor.

A financial liability is de-recognized only if it is redeemed, that is, when the obligation specified in the contract has been fulfilled, canceled or expired.

Under the transfer of a financial asset means:

- the transfer of contractual rights to receive cash flows from this financial asset to another party or
- maintenance of contractual rights to receive cash flows from a financial asset while simultaneously assuming contractual obligations to pay these funds to one or more beneficiaries under the contract.

When a financial asset is transferred, the extent of the risks and rewards of ownership of the financial asset is assessed. In this case:

- if the Bank transfers substantially all the risks and rewards associated with owning a financial asset, it derecognizes the financial asset and recognizes separately as assets or liabilities those rights and obligations that are created or retained during the transfer;
- if the Bank retains substantially all the risks and rewards of ownership of a financial asset, it continues to recognize the financial asset;
- if the Bank does not transfer and substantially retain all the risks and rewards associated with owning a financial asset, it should determine whether control over the financial asset remains. In this case:
  - if the Bank does not retain control, it derecognizes the financial asset and recognizes separately as an asset or liability those rights and obligations that are created or retained during the transfer;
  - if the Bank maintains control, it continues to recognize the financial asset to the extent that it continues to participate in this financial asset.

Upon de-recognition, the difference between the carrying amount of a financial asset transferred to the other party (estimated at the date of de-recognition) and the amount of funds received or receivable in exchange for the specified asset minus any liabilities incurred is recorded in the income statement and losses for the reporting period.

Significant change in the terms of a financial liability (regardless of the reasons for this change), including the exchange of liabilities with substantially different conditions is taken into account as the redemption of the old obligation and the recognition of a new one, reflecting the difference between them in the statement of income. A significant change is recognized in which the current discounted value of cash flows in accordance with the new conditions differs from the current discounted value of the remaining cash flows of the initial financial liability by 10% or more.

Upon de-recognition, the difference between the carrying amount of a financial liability extinguished or transferred to another party, including the corresponding underestimated part of the actual costs, and the amount of compensation paid for it shall be reflected in the statement of profit or loss for the reporting period.

Impairment

The Bank recognizes a provision for expected credit losses on the following financial instruments not at fair value through profit or loss:

- loans to customers;
- debt investment securities;
- net investment in finance lease;
- issued financial guarantee contracts; and
- issued loan commitments.

The Bank recognizes provisions for expected credit losses in an amount equal to the expected credit losses for the entire term, except for the following instruments for which the amount of the provision will be equal to 12-month expected credit losses:

- debt investment securities with low credit risk at the reporting date; and
- other financial instruments (other than net investments in financial leases) for which credit risk has not increased significantly since their initial recognition.

The Bank believes that a debt security has a low credit risk if its credit rating corresponds to the generally accepted definition of investment grade in the world.

The 12-month expected credit losses are part of the expected credit losses due to events of default on a financial instrument, possible within 12 months after the reporting date.

Estimation of expected credit losses

Expected credit losses are estimates of credit losses, weighted by the degree of probability of a default occurring. They are assessed as follows:

- **in respect of financial assets that are not credit impaired as of the reporting date**: as the present value of all expected cash shortfalls (that is, the difference between the cash flows owed by the Bank in accordance with the contract and the cash flows that the Bank expects to receive);
- **in respect of financial assets that are credit-impaired at the balance sheet date**: as the difference between the gross book value of the assets and the present value of estimated future cash flows;
- **in respect of the unused part of the loan commitments**: as the present value of the difference between the contractual cash flows that are due to the Bank under the contract if the borrower uses his right to receive the loan and the cash flows that the Bank expects to receive, issued; and
- **In respect of financial guarantee contracts**: as the present value of the expected payments to the contract holder to compensate for the credit loss incurred by him minus the amounts that the Bank expects to reimburse.

Restructured financial assets

In case of revising or modifying, by agreement of the parties, the terms of a financial asset, or replacing an existing financial asset with a new one due to the financial difficulties of the borrower, an assessment is made to determine whether this financial asset is de-recognized, and the expected credit losses are estimated as follows:

- If the expected restructuring does not result in de-recognition of an existing asset, then the expected cash flows for the modified financial asset are included in the calculation of the amounts of cash shortfall in the existing asset.

- If the expected restructuring will lead to de-recognition of an existing asset, then the expected fair value of the new asset is considered as the final cash flow of the existing asset at the time of its de-recognition. This amount is included in the calculation of the cash shortfall on an existing financial asset, which is discounted for the period from the expected date of de-recognition to the reporting date using the original effective interest rate on the existing financial asset.

Credit impaired financial assets

At each reporting date, the Bank evaluates financial assets at amortized cost and debt financial assets and at fair value through other comprehensive income for their credit impairment. A financial asset is "credit impaired" when it is defaulted.

Submission of a provision for expected credit losses

The provisions for credit losses are presented in the statement of financial position as follows:

- financial assets measured at amortized cost: as a decrease in the gross book value of these assets;
- loan commitments and financial guarantee agreements: generally, as a reserve;
- if the financial instrument contains both a claimed and unclaimed component, and the Bank cannot determine expected credit losses on the loan commitment made separately from the expected credit losses on the already claimed part (loan issued): the Bank represents the aggregate loss allowance for both components. The cumulative amount is presented as a decrease in the gross book value of the claimed part (loan disbursed). Any excess of the loss allowance over the gross book value of the loan issued is presented as a reserve; and
- debt instruments measured at fair value through other comprehensive income: an allowance for losses is not recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the amount of the allowance for losses is disclosed and recognized in the composition of the reserve of changes in fair value.

Write-offs

Loans and debt securities are written off (partially or in full) when there are no reasonable expectations of their recovery. As a rule, this is the case when the Bank determines that the borrower has no assets or sources of income that can generate cash flows in an amount sufficient to repay the amounts of debt to be written off. However, with regard to written-off financial assets, the Bank may continue to carry out debt collection activities in accordance with the policy on reimbursement of receivables.

Cash and cash equivalents

Cash and cash equivalents are items that are easily converted into a certain amount of cash and are subject to minor changes in value. Cash and cash equivalents include all interbank deposits, overnight deposits and reverse repurchase agreements with other banks with an initial maturity of up to one business day. Funds for which there are restrictions on use for a period of more than three months at the time of submission are excluded from cash and cash equivalents in both the statement of financial position and the statement of cash flows. Cash and cash equivalents are carried at amortized cost, since (i) they are held to receive contractual cash flows and these cash flows are solely payments on the principal amount of the debt and interest and (ii) they are not classified as fair value. value through profit or loss. The conditions established solely by law (for example, provisions on the conversion of debt into equity in some countries) do not affect the results of the SPPI test, unless they are included in the terms of the contract and would apply even if the legislation later changed.

Cash payments or receipts presented in the statement of cash flows represent a transfer of cash and cash equivalents by the Bank, including those accrued or credited to the Bank's current accounts of the Bank's counterparties, such as interest income on a loan or principal amount, collected by debiting funds from the client's current account, interest payments or loans issued to the client's current account, representing cash or cash equivalent from the client perspective.

Mandatory reserves in the Central Bank of Uzbekistan

Mandatory reserves in the Central Bank of Uzbekistan are carried at amortized cost and represent funds deposited in the Central Bank of Uzbekistan at which no interest is calculated and which are not intended to finance the daily operations of the Bank. Consequently, they are excluded from the composition of cash and cash equivalents for the purposes of drawing up statement of cash flows.

Bank Card Payments

The initial recognition of incomplete settlements with bank cards occurs when a legal right to receive or a legal obligation to pay money in accordance with the terms of the contract arises. Pending bank card payments are stated at amortized cost.

Due from other banks

Due from other banks are accounted for when the Bank provides cash to counterparty banks in the form of advance payments. Due from other banks are carried at amortized cost if (i) they are held to receive the contractual cash flows and these cash flows are exclusively payments to the principal and interest, and (ii) they are not categorized at fair value through profit or loss.

Loans and advances to customers

Loans and advances to customers presented in the statement of financial position include:

- loans and advances to customers, measured at amortized cost; they are initially measured at fair value, taking into account the additional direct costs of the transaction, and then at amortized cost using the effective interest rate method;
- loans and advances to customers, assessed by the SSIA on a mandatory basis; such loans are measured at fair value with immediate recognition of changes in their value in profit or loss;
- finance lease receivables.

When the Bank acquires a financial asset and simultaneously concludes an agreement to resell the asset (or substantially the same asset) at a fixed price on a future date, the agreement is treated as a loan or advance payment, and the underlying asset is not recognized in the financial statements of the Bank.

Property received for non-payment

Property received for non-payment represents financial and non-financial assets received by the Bank in settling overdue loans. These assets are initially recognized at fair value upon receipt and included in fixed assets, other financial assets, investment property or stocks in other assets, depending on their nature and the Bank's intentions to recover these assets, and are subsequently revalued and accounted for in accordance with accounting policies for these asset categories.

If property received for non-payment results in the acquisition of control over the business, the business combination is accounted for using the acquisition method, with the fair value of the settled loan being the acquisition cost. For shares acquired as property for default, accounting policies for associates apply when the Bank acquires significant influence, but does not acquire control. The cost of the associate is equal to the fair value of the loan settled through the acquisition of the pledged shares.

Investment in debt securities

Based on the business model and cash flow characteristics, the Bank classifies investments in debt securities as valuation at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. Debt securities are carried at amortized cost, if they are held to receive contractual cash flows, these cash flows are solely payments on the principal amount of the debt and interest and are not defined as being measured at fair value through profit or loss on a voluntary basis so that reduce the accounting discrepancy.

Debt securities are recorded under the FVTOCI, if they are held to receive contractual cash flows and for sale, they are solely payments on the principal amount of the debt and interest, and they are not defined as at fair value through profit or loss. Interest income on these assets is calculated using the effective interest method and is recognized in profit or loss. Estimated allowance for impairment losses determined on the basis of the expected credit loss model is recognized in profit or loss for the year. All other changes in the carrying amount are recorded in other comprehensive income. Upon derecognition of a debt security, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

If debt investment investments do not qualify for recognition at amortized cost or at fair value through other comprehensive income, they are recorded at fair value through profit or loss. The Bank may also unconditionally attribute investments in debt securities to the category estimated at fair value through profit or loss upon initial recognition, if using this opportunity significantly reduces the accounting mismatch between financial assets and liabilities recognized or measured using different accounting methods.

Equity Investments

Financial assets that meet the definition of capital from the issuer's point of view, that is, instruments that do not contain a contractual obligation to pay cash and indicate the presence of a residual share in the issuer's net assets, are considered by the Bank as investments in equity securities. Investments in equity securities are measured at fair value through profit or loss, unless the Bank unconditionally chooses to classify equity investments as those measured at fair value through other comprehensive income upon initial recognition. The Bank 's policy is to classify equity investments as being measured at fair value through other comprehensive income, when these investments are held for purposes other than receiving investment income. If the fair value through other comprehensive income is selected, the gains and losses from the fair value revaluation are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on retirement. Impairment losses and their recovery, if any, are not estimated separately from other changes in fair value. Dividends are still recognized in profit and loss when the Bank's right to receive payments is established, unless they are a return on investment, and not income on such investments.

Derivative financial instruments

Derivative financial instruments, including forward and futures contracts, option contracts and swaps, are carried at their fair value. All derivatives are recorded as assets if the fair value of these instruments is positive and as liabilities if their fair value is negative. Changes in the fair value of foreign exchange derivative financial instruments are included in the statement of income on "Income less expenses / (expenses less income) on operations with foreign currency, currency derivatives and foreign currency revaluation". Changes in the fair value of derivatives with precious metals are attributed to "Income less expenses / (expenses less income) from operations with precious metals, derivative financial instruments with precious metals and from revaluation of accounts in precious metals"; changes in the fair value of derivative instruments with securities, interest rate derivatives and other derivative financial instruments - by "Income less expenses / (expenses less income) on transactions with other derivative financial instruments".

Property, plant and equipment

Property, plant and equipment are stated at cost or at revalued amounts, as described below, less accumulated depreciation and provision for impairment (if any).

Gains and losses arising from the disposal of fixed assets are determined on the basis of their residual value and recorded under operating expenses of the statement of comprehensive income.

Repairs and maintenance costs are recognized in the statement of comprehensive income when incurred.

Construction in progress is carried at cost less impairment allowance.

Upon completion, assets are transferred to property, plant and equipment and are stated at book value at the time of transfer. Construction in progress is not subject to depreciation until the asset is put into operation.

Intangible assets

Intangible assets of the Bank, other than goodwill, have a certain useful life and mainly include capitalized software, as well as intangible assets acquired as a result of business combinations (for example, customer base and trademark). Acquired and recognized intangible assets are capitalized based on the costs incurred to acquire and implement these assets. Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment loss. Intangible assets are amortized based on the straight-line method and are assessed for impairment if there are signs of impairment of these assets.

Depreciation

Depreciation of an item of property, plant and equipment begins when it is commissioned. Depreciation is charged on a straight-line basis over the following useful lives:

- Buildings - 20 years;
- Office and computer equipment - from 5 to 10 years;
- Vehicles - 5 years;
- Intangible assets - 5 years.

Land has unlimited useful life and is not subject to depreciation.

At the end of the useful life of the asset, the residual value of the asset is the estimated amount that the Bank would have received at the moment if the asset was sold, less the estimated costs of disposal, if the condition and age of the asset were consistent with the age and condition that the asset would have end of useful life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at the end of the reporting period.

Operating lease.

When the Bank acts as a tenant and all the risks and income from ownership of the leased property are not transferred to the Bank by the lessor, the total amount of payments under operating lease agreements is reflected in the profit and loss accounts evenly throughout the lease term. When assets are transferred to operating leases, lease payments receivable are recognized as rental income in operating leases in the income statement using the straight-line method over the lease term.

Financial leases

In a financial lease, all the risks and rewards of ownership of the asset are transferred. If the Bank is a lessor, the Bank recognizes lease receivables in an amount equal to the net investment in the lease, starting from the date of commencement of the lease term. Financial income is calculated according to a scheme reflecting a constant periodic rate of return on the present value of the net investment. Initial direct costs are included in the cost upon initial recognition of lease payments. Net investments in financial leases are recorded as loans and advances to customers.

Financial lease liabilities

When the Bank acts as a tenant and all risks and benefits associated with ownership are transferred to the Bank, assets leased are recorded in property, plant and equipment from the date the leases arise at the lowest fair value of the assets leased and the present value. Minimum rental payments. Each rental payment relates in part to the repayment of the obligation and partly to financial expenses in order to ensure a constant interest rate on the amount of the balance of the lease finance debt. The corresponding rental obligations, net of future finance charges, are included in other borrowed funds. Interest expense is recognized in profit or loss for the year over the term of the lease using the effective interest method. Assets acquired under a finance lease are depreciated over their useful lives or, if the Bank is not sufficiently confident, that it will acquire ownership by the end of the lease term, over a shorter lease term.

Terminated activity

Discontinued operations are a component of the Bank that has been sold or classified as held for sale, and: a) is a separate significant line of business or geographical area of business; (b) is part of a single, coordinated plan for the disposal of a separate significant line of business or geographic region of business; or (c) is a subsidiary acquired solely for the purpose of resale. Revenues from discontinued operations are recorded separately from continuing operations, with corresponding repeated disclosures of comparative information.

Financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Termination of financial liabilities

The recognition of financial liabilities is terminated in the event of their redemption (i.e., when the obligation specified in the contract is fulfilled or terminated, or the term of its fulfillment expires).

Financial liabilities classified as at fair value through profit or loss

The Bank may identify certain liabilities as being measured at fair value through profit or loss upon initial recognition. The gains and losses on such liabilities are presented in profit or loss, except for the amount of changes in fair value associated with changes in the credit risk of this liability (defined as the amount that does not relate to changes in market conditions resulting in market risk). Which is reflected in other comprehensive income and is not subsequently reclassified to profit or loss. This is possible if such a representation does not create or exacerbate the accounting discrepancy. In this case, the profits and losses related to changes in the credit risk of the liability are also recognized in profit or loss.

Due to banks

Due to banks are recorded from the time the Bank issues cash or other assets by counterparty banks. Amounts due to banks are non-derivative financial liabilities and are carried at amortized cost or at the FVTPL.

Customers deposits

Deposits of individuals and corporate customers include non-derivative financial liabilities to individuals and corporate customers (including government agencies and companies controlled by the state) and are carried at amortized cost or according to the FVTPL.

Debt securities issued

Debt securities issued include promissory notes, deposit and savings certificates, and other debt instruments issued by the Bank. Debt securities in issue, with the exception of equity participation notes and debt participation notes described below, are carried at amortized cost. If the Bank buys back its own debt securities issued, they are excluded from the statement of financial position, and the difference between the present value of the liability and the amount paid is included in Other net operating income as part of the statement of income.

Other borrowings

Other borrowings are represented by syndicated loans attracted by the Bank in the financial markets, as well as trade finance transactions. Other borrowed funds are carried out at amortized cost or at FVTPL.

Loan commitments

The Bank issues loan commitments. Such liabilities represent irrevocable obligations or liabilities whose recall is possible only in response to significant adverse changes. Such liabilities are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the life of the obligation, with the exception of the loan commitment, in case there is a likelihood that the Bank will enter into a specific loan agreement and will not plan the implementation of the loan within a short period after it is granted. Such fees and commission received associated with the loan commitment is recorded as deferred income and is included in the carrying amount of the loan upon initial recognition. At the end of each reporting period, liabilities are estimated as: (i) the unamortized balance of the amount at the time of initial recognition plus; (ii) the amount of the provisional reserve determined based on the model of expected credit loss, if the obligation is not to provide a loan at an interest rate lower than the market, then the amount of the liability equal to the greatest of these two sums. The carrying value of loan commitments is an obligation. For contracts that include a loan and unused liability, if the Bank is unable to separately identify expected credit losses for the unused loan component and for the credit component, expected credit losses for the unused liability are recognized together with the provision for expected credit losses. Expected credit losses in excess of total expected credit losses over the gross carrying amount of the loan are recognized as a liability.

Financial guarantees

Financial guarantees require the Bank to make certain payments to reimburse the guarantee holder for losses incurred if the specified debtor did not make a timely payment on the original or modified terms of the debt instrument.

Financial guarantees are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the life of the guarantee. At the end of each reporting period, liabilities are estimated at the largest of (i) the amount of the estimated provision for losses under the guarantee, determined using the model of expected credit losses, and (ii) the remaining unamortized balance of the amount recorded at initial recognition. In addition, in respect of receivables for interest, which is recorded as an asset in the statement of financial position, an estimated reserve for expected credit losses is recognized.

Performance guarantees

Performance guarantees are contracts providing for the receipt of compensation if the other party to the contract does not fulfill the obligation specified in the contract. Such agreements, in addition to credit risk, transfer the non-financial risk of non-fulfillment of the contractual obligation. Performance guarantees are initially recorded at fair value, confirmed, as a rule, by the amount of the consideration received. This amount is amortized on a straight-line basis over the term of the agreement. At the end of each reporting period, performance guarantee contracts are valued at the largest of the amounts of (i) the unamortized balance of the initial recognition amount; and (ii) the amount of damages for the liability determined on the basis of the model of expected losses. If the Bank has the contractual right to apply to the client for reimbursement of the sums paid to settle the contracts of guarantee of fulfillment of obligations, these amounts should be recognized as an asset after the transfer of compensation to the beneficiary under the guarantee. These payments are recognized as fees and commission received in profit or loss.

Settlements with suppliers and other payables

Trade and other payables are accrued if the counterparty has fulfilled its contractual obligations and are carried at amortized cost.

Equity

Ordinary and non-redeemable shares are recognized as an equity. Expenses for payment of services to third parties directly related to the issue of new shares, except for cases of a business combination, are recorded in equity as a decrease in the amount received as a result of this issue. The excess of the fair value of the funds received over the nominal value of the shares issued is recorded as additional capital.

Dividends

Dividends are recognized as liabilities and are deducted from the amount of capital at the end of the reporting period only if they were declared before the end of the reporting period inclusive. Information about dividends is disclosed in a note about events that occurred after the end of the reporting period, if they were announced after the end of the reporting period. Payment of dividends and other distribution of profits is carried out on the basis of the net profit of the current year according to the accounting statements prepared in accordance with the legislation of the Republic of Uzbekistan.

After approval at the general meeting of shareholders, dividends are recorded in the financial statements as a distribution of profits.

Earnings per share

Earnings per share are determined by dividing the profit or loss attributable to the owners of the shares of the Bank by the weighted average number of shares outstanding during the reporting period.

Interest income and expenses calculated using the effective interest method

Interest income and expense for all debt instruments measured at amortized cost and measured at fair value through other comprehensive income are recorded on an accrual basis using the effective interest method. Such a calculation includes in interest income and expenses all commissions and payments paid and received by the parties to the contract and constituting an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Commissions related to the effective interest rate include commissions received or paid by an organization in connection with the formation or acquisition of a financial asset or the issuance of a financial liability (for example, fees for credit rating, valuation or accounting of guarantees, or collateral, for setting the terms of the instrument and for processing of transaction documents).

Commissions for a liability received by the Bank for providing a loan at market rates are an integral part of the effective interest rate if there is a likelihood that the Bank will enter into a specific loan agreement and does not plan to sell the loan within a short period after it is granted. The Bank does not classify a loan commitment as a financial liability at fair value through profit or loss.

With respect to credit assets impaired or financial assets created or acquired, the effective interest rate is the rate that discounts the expected cash flows (including initial expected credit losses) to a fair value upon initial recognition (usually corresponding to the purchase price). As a result, the effective interest rate is adjusted for credit risk.

Interest income is calculated using the effective interest rate on the gross book value of financial assets, except:

- financial assets that have become impaired (Stage 3) and for which interest income is calculated using the effective interest rate to their amortized cost (minus the allowance for expected credit losses);
- created or acquired credit-impaired financial assets for which the initial effective interest rate adjusted for credit risk is applied to the amortized cost.

Fees and commission received and paid

Commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate.

An agreement with a client that results in the recognition of a financial instrument in the financial statements of the Bank may be partially in the scope of IFRS 9 and partly in the scope of IFRS 15. In this case, the Bank first applies the requirements of IFRS 9, to highlight and take into account the part of the contract that relates to the scope of IFRS 9, and then apply IFRS 15 to the remaining part.

The Bank recognizes other fees and commission received at the time or as it fulfills its obligation to perform under the contract through the provision of a service to the client.

Other interest income and expenses

Other interest income and expenses are interest income and expenses related to debt instruments estimated at the FVTPL and are recorded on an accrual basis using the nominal interest rate.

Taxation

The income tax expense / reimbursement includes current and deferred taxes and is recorded in the statement of comprehensive income. Tax expenses are recorded in the financial statements in accordance with the requirements of the current legislation of the Republic of Uzbekistan. Current tax payments are calculated on the basis of taxable profit for the year using income tax rates in effect during the reporting period.

Current tax amounts are funds payable to the budget or returned from the budget due to current or previous taxable profits or losses. In the case of permission to issue financial statements prior to the filing of the relevant tax returns, the tax amounts reflected in it are based on estimates.

Deferred income tax is calculated using the balance sheet assets and liabilities method for all taxable losses and temporary differences between the taxable base of assets and liabilities and their carrying amount for financial statements.

Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies. Deferred tax amounts are assessed at tax rates that actually entered into force at the end of the reporting period or that are expected to be applied during the period of recovery of temporary differences or use transferred from previous periods of tax losses. Deferred tax assets and liabilities are set off against each other if there is a legally enforceable right to set off current tax assets and liabilities. Deferred tax assets in respect of deductible temporary differences and tax losses are recorded to the extent that it is probable that sufficient taxable profit will be earned against which the indicated deductions may be used. Management judgment is required to determine the amount of deferred tax assets that can be recognized in the financial statements based on the likely timing and amount of future taxable profits, as well as future tax planning strategies.

In addition, in the Republic of Uzbekistan there are various operating taxes applicable to the Bank. These taxes are recorded in the statement of comprehensive income as part of operating expenses.

Netting

Financial assets and liabilities are mutually offset, and the statement of financial position reflects the net present value only when there is a statutory right to offset the recorded amounts, as well as the intention to either offset or realize the asset and settle the liability simultaneously. The right to set-off (a) should not be conditional on a future event and (b) should be legally binding in all of the following circumstances: (i) in the ordinary course of business, (ii) in the event of default and (iii) in case of insolvency or bankruptcy.

Employee remuneration and social security contributions

On the territory of the Republic of Uzbekistan, the Bank makes deductions on the unified social tax. These deductions are also recorded on an accrual basis. The unified social tax includes contributions to the Pension Fund. The Bank does not have its own pension scheme. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued as the Bank provides relevant services.

Segment information

Operating segments are allocated on the basis of internal reports on the components of the Bank that are regularly reviewed by the chief executive officer who is responsible for making decisions on operational activities in order to allocate resources to the segments and evaluate the results of their operations.

The Bank estimates information about reportable segments in accordance with IFRS. The reporting operating segment is distinguished when one of the following quantitative requirements is met:

- its revenue from sales to external customers and from operations with other segments is at least 10 percent of the total revenue - external and internal - of all operating segments; or
- the absolute figure of profit or loss is at least 10 percent of the largest of (i) the cumulative profit of all operating segments that did not show a loss, and (ii) the cumulative loss of all operating segments that showed a loss; or
- its assets comprise at least 10 percent of the total assets of all operating segments.
- its assets and liabilities represent at least 10 percent of total capital.

In case the total revenue from external sales shown by the operating segments is less than 75 percent of the organization's revenue, additional operating segments are highlighted as reporting ones (even if they do not meet the quantitative criteria above) until the reported segments will include at least 75 percent of the Bank's revenue.

Foreign currency

Transactions in foreign currencies are initially translated into the functional currency at the exchange rate of the Central Bank of Uzbekistan as at the date of the transaction. Gains and losses arising from the translation of transactions in foreign currencies are recorded in the statement of comprehensive income in the income row, less costs from revaluation of foreign currency. Non-monetary items recorded at actual value in a foreign currency are translated using the exchange rate of the Central Bank of Uzbekistan as at the date of the transaction. Non-monetary items recorded at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined.

At the date of the financial statements, the assets and liabilities of the Bank, the functional currency of which differs from the presentation currency of the Bank, are translated into UZS at the exchange rate at the reporting date, and their income statements are translated at the weighted average annual rate. The exchange differences arising from this translation are reflected in other comprehensive income. Upon the disposal of a subsidiary or associate whose functional currency differs from the presentation currency of the Bank, the total amount recognized in other comprehensive income attributable to this entity is reclassified from other comprehensive income to profit or loss of the reporting period.

Gold, silver and other precious metals are recorded in accordance with the purchase rates officially established by the Central Bank of Uzbekistan. Changes in the purchase prices of the Central Bank of Uzbekistan are recorded as exchange differences in income less expenses from revaluation of foreign currency in the statement of comprehensive income.

(in thousands UZS)

7 Cash and cash equivalents

	31 December 2021	31 December 2020
Cash and cash equivalents measured at amortized cost	1 172 161 642	1 019 211 478
Cash and cash equivalents at fair value through profit and loss	-	-
Total cash and cash equivalents	**1 172 161 642**	**1 019 211 478**

Cash and cash equivalents measured at amortized cost

	31 December 2021	31 December 2020
Cash	296 970 169	220 813 885
Current account balances in CBU	553 211 060	359 385 307
Current account balances in other banks	283 547 790	440 905 281
Term deposits in other banks placed up to 90 days	40 000 000	-
Provision for credit losses	(1 567 377)	(1 892 995)
Total cash and cash equivalents measured at amortized cost	**1 172 161 642**	**1 019 211 478**

As at 31 December, 2021, the Bank does not have cash balances exceeding 10% of the Bank's capital.

As of December 31, 2020, the Bank has balances on accounts and deposits in one bank, in which the cash balance exceeds 10% of the Bank's capital. The total amount of these funds amounted to 372 662 969 thousand UZS.

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at December 31, 2021. A description of the Bank's credit risk classification system is provided in Note 32. The carrying value of cash balances and cash equivalents as at 31 December, 2021 in the table below also represents the Bank's maximum exposure to credit risk for these assets:

	Minimum credit risk	Low credit risk	Average credit risk	High credit risk	Total
Current account balances in CBU	-	553 211 060	-	-	553 211 060
Current account balances in other banks	554 825	153 649 633	129 343 332	-	283 547 790
Term deposits in other banks placed up to 90 days	-	40 000 000	-	-	40 000 000
Provision for credit losses	(158)	(1 207 236)	(359 983)	-	(1 567 377)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**554 667**	**745 653 457**	**128 983 349**	**-**	**875 191 473**

(in thousands UZS)

The table below provides an analysis of the credit quality of cash and cash equivalents measured at amortized cost based on credit ratings as at December 31, 2020.

	Minimum credit risk	Low credit risk	Average credit risk	High credit risk	**Total**
Current account balances in CBU	-	359 385 307	-	-	359 385 307
Current account balances in other banks	2 631 627	393 856 575	38 746 427	5 670 652	440 905 281
Provision for credit losses	(4 984)	(1 728 223)	(104 428)	(55 360)	(1 892 995)
Total cash and cash equivalents measured at amortized cost, excluding cash on hand	**2 626 643**	**751 513 659**	**38 641 999**	**5 615 292**	**798 397 593**

The values of credit ratings in the table above are determined based on the rating scale of international rating agencies.

The table below provides a reconciliation of the incoming reserve balances for losses on current accounts with other banks carried at amortized cost, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 32.

	ECL for 12 months	**Total**
Balance as at 1 January, 2020	**400 149**	**400 149**
Creation of provision for credit losses	1 492 846	1 492 846
Balance as at 31 December, 2020	**1 892 995**	**1 892 995**
Recovery of provision for credit losses	(325 618)	(325 618)
Balance as at 31 December, 2021	**1 567 377**	**1 567 377**

8 Mandatory reserves in CBU

As of 31 December 2021 and 2020, the balance of mandatory reserves on accounts with the Central Bank of the Republic of Uzbekistan is 27 336 514 thousand UZS and 21 398 086 thousand UZS, respectively.

Mandatory reserves with the Central Bank of the Republic of Uzbekistan include interest-free reserves for impairment of assets and customer deposits. According to the legislation of the Republic of Uzbekistan, the Bank is obliged to deposit mandatory reserves with the Central Bank of the Republic of Uzbekistan on an ongoing basis, for which interest is not accrued and which are part of the Bank's obligations with a limited possibility of their use.

9 Due from other banks

	31 December 2021	**31 December 2020**
Due from other banks at amortized cost	113 453 258	113 453 258
Due from other banks at fair value through profit or loss	2 987 342	3 634 575
Total due from other banks	**116 440 600**	**137 134 087**

(in thousands UZS)

Due from other banks at amortized cost

	31 December 2021	31 December 2020
Term deposits in other banks placed for a period exceeding 90 days	116 426 198	134 364 724
Provision for credit losses	(2 972 940)	(865 212)
Total due from other banks estimated at amortized cost	**113 453 258**	**133 499 512**

The balance value of due from other banks as at 31 December 2021 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Medium credit risk	Total
Term deposits in other banks placed for a period exceeding 90 days	16 212 477	100 213 721	116 426 198
Provision for credit losses	(267 233)	(2 705 707)	(2 972 940)
Total due from other banks estimated at amortized cost	**15 945 244**	**97 508 014**	**113 453 258**

The balance value of due from other banks as at 31 December 2020 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Medium credit risk	Total
Term deposits in other banks placed for a period exceeding 90 days	129 310 550	5 054 174	134 364 724
Provision for credit losses	(691 080)	(174 132)	(865 212)
Total due from other banks estimated at amortized cost	**128 619 470**	**4 880 042**	**133 499 512**

The values of credit ratings in the table above are determined based on the rating scale of international rating agencies.

The table below provides a reconciliation of incoming reserve balances for losses on funds with other banks carried at amortized cost, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 32.

	ECL for 12 months	Total
Balance as at 1 January, 2020	**272 848**	**272 848**
Provision for credit losses	592 364	592 364
Balance as at 31 December, 2020	**865 212**	**865 212**
Provision for credit losses	2 107 728	2 107 728
Balance as at 31 December, 2021	**2 972 940**	**2 972 940**

(in thousands UZS)

As at 31 December 2021 and 2020, there are no overdue balances with other banks measured at amortised cost, and there are no signs of impairment on them.

Due from other banks at fair value through profit or loss

	31 December 2021	31 December 2020
Term deposits in banks	2 987 342	3 634 575
Total due from other banks at fair value through profit or loss	**2 987 342**	**3 634 575**

The book value of balances with other banks as of December 31, 2021 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Medium credit risk	Total
Term deposits in other banks	2 987 342	-	2 987 342
Total due from other banks estimated at amortized cost	**2 987 342**	**-**	**2 987 342**

The book value of balances with other banks as of December 31, 2020 also reflects the Bank's maximum exposure to credit risk for these assets:

	Low credit risk	Medium credit risk	Total
Term deposits in other banks	2 705 786	928 789	3 634 575
Total due from other banks estimated at amortized cost	**2 705 786**	**928 789**	**3 634 575**

The values of credit ratings in the table above are determined based on the rating scale of international rating agencies.

As of December 31, 2021 and 2020, there are no overdue balances with other banks measured at fair value through profit or loss.

(in thousands UZS)

10 Loans to customers

	31 December 2021	31 December 2020
Loans and advances to customers, measured at amortized cost	7 604 623 503	6 792 139 067
Loans and advances to customers at fair value through profit or loss	2 729 625 390	1 351 681 061
Total loans and advances to customers	**10 334 248 893**	**8 143 820 128**

Loans and advances to customers, measured at amortized cost

Below is the risk concentration structure of the client loan portfolio by industry as at 31 December 2021:

	Gross book value	Provision for credit losses	Book value
Individuals	1 547 322 710	(139 888 844)	1 407 433 866
Industry	2 983 356 676	(97 740 346)	2 885 616 330
Construction	475 575 212	(38 196 612)	437 378 600
Agriculture and food industry	1 444 498 466	(206 149 765)	1 238 348 701
Trade	810 461 612	(63 152 703)	747 308 909
Services	573 959 292	(39 240 388)	534 718 904
Transport and communications	384 146 650	(30 328 457)	353 818 193
Total loans and advances to customers measured at amortized cost	**8 219 320 618**	**(614 697 115)**	**7 604 623 503**

Below is the risk concentration structure of the client loan portfolio by industry as at 31 December 2020:

	Gross book value	Provision for credit losses	Book value
Individuals	1 815 969 178	(57 586 206)	1 758 382 972
Industry	1 674 502 510	(46 549 849)	1 627 952 661
Construction	1 480 617 838	(90 010 662)	1 390 607 176
Agriculture and food industry	821 915 502	(66 077 161)	755 838 341
Trade	619 460 505	(52 281 327)	567 179 178
Services	568 196 560	(68 070 568)	500 125 992
Transport and communications	196 189 733	(4 136 986)	192 052 747
Total loans and advances to customers measured at amortized cost	**7 176 851 826**	**(384 712 759)**	**6 792 139 067**

As of December 31, 2021, the Bank has customer loan balances for three borrowers (2020: one borrower) in which loan balances exceed 10% of the Bank's capital. The amount of this loan is 1 026 948 723 US dollars (2020: 460 153 397 thousand UZS).

(in thousands UZS)

The tables below provide an analysis of the credit quality of loans to customers, measured at amortized cost, provided by the Bank as of December 31, 2021. Description of terms 12-month expected credit losses, expected credit losses for the whole life in Note 32. The analysis of credit quality of loans presented in the tables below is based on the credit quality scale of borrowers developed by the Bank.

Summary	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 635 272 847	441 355 171	43 640 879	2 120 268 897
Low credit risk	2 053 784 031	1 123 322 092	178 103 939	3 355 210 062
Average credit risk	615 883 138	328 281 724	232 601 371	1 176 766 233
High credit risk	288 111 130	299 857 166	531 049 405	1 119 017 701
Default assets	-	-	448 057 725	448 057 725
Total gross book value loans and advances to customers	**4 593 051 146**	**2 192 816 153**	**1 433 453 319**	**8 219 320 618**
Provision for credit losses	(103 897 182)	(299 065 870)	(211 734 063)	(614 697 115)
Total loans and advances to customers	**4 489 153 964**	**1 893 750 283**	**1 221 719 256**	**7 604 623 503**

Legal entities	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 374 778 147	376 958 991	17 727 282	1 769 464 420
Low credit risk	1 498 248 508	1 019 728 090	140 351 182	2 658 327 780
Average credit risk	519 412 858	291 229 621	191 205 698	1 001 848 177
High credit risk	247 995 597	267 888 368	319 653 835	835 537 800
Default assets	-	-	406 819 731	406 819 731
Total gross book value loans to legal entities	**3 640 435 110**	**1 955 805 070**	**1 075 757 728**	**6 671 997 908**
Provision for credit losses	(83 100 278)	(248 548 525)	(143 159 468)	(474 808 271)
Total loans to legal entities	**3 557 334 832**	**1 707 256 545**	**932 598 260**	**6 197 189 637**

Individuals	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	260 494 700	64 396 180	25 913 597	350 804 477
Low credit risk	555 535 523	103 594 002	37 752 757	696 882 282
Average credit risk	96 470 280	37 052 103	41 395 673	174 918 056
High credit risk	40 115 533	31 968 798	211 395 570	283 479 901
Default assets	-	-	41 237 994	41 237 994
Total gross book value loans to individuals	**952 616 036**	**237 011 083**	**357 695 591**	**1 547 322 710**
Provision for credit losses	(20 796 904)	(50 517 345)	(68 574 595)	(139 888 844)
Total loans to individuals	**931 819 132**	**186 493 738**	**289 120 996**	**1 407 433 866**

(in thousands UZS)

The tables below provide an analysis of the credit quality of loans to customers, measured at amortized cost, provided by the Bank as of December 31, 2020.

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	2 343 564 414	30 644 044	4 622 334	2 378 830 792
Low credit risk	2 920 070 091	64 871 710	4 433 830	2 989 375 631
Average credit risk	648 422 903	91 650 218	16 509 299	756 582 420
High credit risk	721 391 194	180 791 719	44 687 969	946 870 882
Default assets	-	-	105 192 101	105 192 101
Total gross book value loans and advances to customers	**6 633 448 602**	**367 957 691**	**175 445 533**	**7 176 851 826**
Provision for credit losses	(266 286 422)	(54 227 925)	(64 198 412)	(384 712 759)
Total loans and advances to customers	**6 367 162 180**	**313 729 766**	**111 247 121**	**6 792 139 067**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	1 864 648 998	12 645 845	2 677 601	1 879 972 444
Low credit risk	1 921 902 978	32 184 800	354 779	1 954 442 557
Average credit risk	471 500 190	75 558 766	13 785 323	560 844 279
High credit risk	658 545 102	169 272 870	40 399 567	868 217 539
Default assets	-	-	97 405 829	97 405 829
Total gross book value loans to legal entities	**4 916 597 268**	**289 662 281**	**154 623 099**	**5 360 882 648**
Provision for credit losses	(225 808 485)	(47 201 132)	(54 116 936)	(327 126 553)
Total loans to legal entities	**4 690 788 783**	**242 461 149**	**100 506 163**	**5 033 756 095**

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Minimum credit risk	478 915 416	17 998 199	1 944 733	498 858 348
Low credit risk	998 167 113	32 686 910	4 079 051	1 034 933 074
Average credit risk	176 922 713	16 091 452	2 723 976	195 738 141
High credit risk	62 846 092	11 518 849	4 288 402	78 653 343
Default assets	-	-	7 786 272	7 786 272
Total gross book value loans to individuals	**1 716 851 334**	**78 295 410**	**20 822 434**	**1 815 969 178**
Provision for credit losses	(40 477 937)	(7 026 793)	(10 081 476)	(57 586 206)
Total loans to individuals	**1 676 373 397**	**71 268 617**	**10 740 958**	**1 758 382 972**

(in thousands UZS)

Analysis of the movement of the reserve for credit losses for 2021 for loans to customers, measured at amortized cost:

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2020	**266 286 422**	**54 227 925**	**64 198 412**	**384 712 759**
Transfer to stage 1	8 952 501	(5 530 452)	(3 422 049)	-
Transfer to stage 2	(44 090 128)	44 708 182	(618 054)	-
Transfer to stage 3	(67 021 083)	(16 595 515)	83 616 598	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	(60 230 530)	222 255 730	67 959 156	229 984 356
- including new loans issued	*33 932 864*	*170 823 228*	*11 158 542*	*215 914 634*
Balance as at 31 December, 2021	**103 897 182**	**299 065 870**	**211 734 063**	**614 697 115**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2020	**41 913 942**	**14 951 563**	**16 092 509**	**72 958 014**
Transfer to stage 1	5 473 989	(3 418 617)	(2 055 372)	-
Transfer to stage 2	(38 475 924)	38 522 095	(46 171)	-
Transfer to stage 3	(58 717 856)	(13 312 049)	72 029 905	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	(50 988 416)	179 555 964	19 114 170	147 681 718
- including new loans issued	*25 820 838*	*142 321 178*	*4 374 200*	*172 516 216*
Balance as at 31 December, 2021	**83 100 278**	**248 548 525**	**143 159 468**	**474 808 271**

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 31 December, 2020	**40 477 937**	**7 026 793**	**10 081 476**	**57 586 206**
Transfer to stage 1	3 478 512	(2 111 835)	(1 366 677)	-
Transfer to stage 2	(5 614 204)	6 186 087	(571 883)	-
Transfer to stage 3	(8 303 227)	(3 283 466)	11 586 693	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	(9 242 114)	42 699 766	48 844 986	82 302 638
- including new loans issued	*8 112 026*	*28 502 050*	*6 784 342*	*43 398 418*
Balance as at 31 December, 2021	**20 796 904**	**50 517 345**	**68 574 595**	**139 888 844**

(in thousands UZS)

Analysis of the movement of the reserve for credit losses for 2020 for loans to customers, measured at amortized cost:

Summary

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2020	**61 315 321**	**44 974 248**	**69 538 765**	**175 828 334**
Transfer to stage 1	44 349 610	(35 317 153)	(9 032 457)	-
Transfer to stage 2	(3 005 202)	16 375 153	(13 369 951)	-
Transfer to stage 3	(1 112 274)	(3 729 549)	4 841 823	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	164 738 967	31 925 226	12 220 232	208 884 425
- including new loans issued	*164 541 707*	*15 825 850*	*13 985 368*	*194 352 925*
Balance as at 31 December, 2020	**266 286 422**	**54 227 925**	**64 198 412**	**384 712 759**

Legal entities

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2020	**41 042 143**	**22 377 759**	**58 683 197**	**122 103 099**
Transfer to stage 1	22 148 197	(15 536 708)	(6 611 489)	-
Transfer to stage 2	(2 267 057)	15 099 043	(12 831 986)	-
Transfer to stage 3	(910 453)	(3 489 173)	4 399 626	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	165 795 655	28 750 211	10 477 588	205 023 454
- including new loans issued	*130 146 207*	*10 205 086*	*5 821 733*	*146 173 026*
Balance as at 31 December, 2020	**225 808 485**	**47 201 132**	**54 116 936**	**327 126 553**

Individuals

	12-month expected credit losses	The expected credit losses for the entire life-time of non-impaired assets	The expected credit losses for the entire life-time of impaired assets	Total
Balance as at 1 January, 2020	**20 273 178**	**22 596 489**	**10 855 56**	**53 725 235**
Transfer to stage 1	620 229	(604 610)	(15 619)	-
Transfer to stage 2	(125 558)	125 558	-	-
Transfer to stage 3	(503 553)	(662 946)	1 166 499	-
Net expense from the creation / (restoration) of the provision for credit losses within one stage	(1 056 688)	3 175 015	1 742 644	3 860 971
- including new loans issued	*34 395 500*	*5 620 764*	*8 163 635*	*48 179 899*
Balance as at 31 December, 2020	**40 477 937**	**7 026 793**	**10 081 476**	**57 586 206**

All loans were provided to companies operating in the Republic of Uzbekistan.

(in thousands UZS)

Information on the credit quality of loans as of December 31, 2021 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	5 095 479 260	1 033 209 171	6 128 688 431
Overdue			
- with a payment delay of less than 30 days	612 774 719	80 858 403	693 633 122
- with a delay in payment for a period of 30 to 90 days	694 553 247	126 497 165	821 050 412
- with a delay in payment for a period of 90 to 180 days	90 877 542	99 795 085	190 672 627
- with a payment delay of more than 180 days	178 313 141	206 962 886	385 276 027
Total gross book value loans and advances to customers	**6 671 997 908**	**1 547 322 710**	**8 219 320 618**
Provision for credit losses	(474 808 271)	(139 888 844)	(614 697 115)
Total loans and advances to customers	**6 197 189 637**	**1 407 433 866**	**7 604 623 503**

Information on the credit quality of loans as of December 31, 2020 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	4 963 547 043	1 726 661 118	6 690 208 161
Overdue			
- with a payment delay of less than 30 days	129 821 128	34 268 602	164 089 730
- with a delay in payment for a period of 30 to 90 days	225 607 895	41 830 906	267 438 801
- with a delay in payment for a period of 90 to 180 days	22 979 774	12 132 081	35 111 855
- with a payment delay of more than 180 days	18 926 808	1 076 471	20 003 279
Total gross book value loans and advances to customers	**5 360 882 648**	**1 815 969 178**	**7 176 851 826**
Provision for credit losses	(327 126 553)	(57 586 206)	(384 712 759)
Total loans and advances to customers	**5 033 756 095**	**1 758 382 972**	**6 792 139 067**

The following are payments receivable on a finance lease and their present value:

	31 December 2021	31 December 2020
Gross investment in finance leases	6 295 705	14 203 284
Unearned deferred finance income on finance leases	(771 258)	(2 807 463)
Net investment in finance leases	**5 524 447**	**11 395 821**

	Less than 1 year	From 1 to 5 years	Total
Finance lease payments receivable as at 31 December, 2021	**2 666 919**	**3 628 786**	**6 295 705**
Unearned finance income	(595 953)	(175 305)	(771 258)
The carried value of lease payments receivable as at 31 December, 2021	**2 070 966**	**3 453 481**	**5 524 447**

(in thousands UZS)

	Less than 1 year	From 1 to 5 years	Total
Finance lease payments receivable as at 31 December, 2020	**3 457 159**	**10 746 125**	**14 203 284**
Unearned finance income	(1 713 791)	(1 093 672)	(2 807 463)
The carried value of lease payments receivable as at 31 December, 2020	**1 743 368**	**9 652 453**	**11 395 821**

Loans and advances to customers at fair value through profit or loss

The table below provides an analysis of the credit quality of loans and advances to customers, measured at fair value through profit or loss, provided by the Bank as of December 31, 2021 using the borrowers' credit quality scale developed by the Bank for loans and advances to customers, measured at amortized cost:

	Commercial loans to legal entities	Consumer and other loans to individuals	Total
Minimum credit risk	158 406 284	322 791 906	481 198 190
Low credit risk	474 057 021	838 038 733	1 312 095 754
Average credit risk	203 344 655	311 929 290	515 273 945
High credit risk	130 410 917	235 302 027	365 712 944
Default assets	29 920 595	25 423 962	55 344 557
Total loans to customers at fair value through profit or loss	**996 139 472**	**1 733 485 918**	**2 729 625 390**

The table below provides an analysis of the credit quality of loans and advances to customers, measured at fair value through profit or loss, provided by the Bank as of December 31, 2020 using the borrowers' credit quality scale developed by the Bank for loans and advances to customers, measured at amortized cost:

	Commercial loans to legal entities	Consumer and other loans to individuals	Total
Minimum credit risk	122 395 589	202 397 853	324 793 442
Low credit risk	183 856 550	480 211 754	664 068 304
Average credit risk	75 527 666	143 979 017	219 506 683
High credit risk	85 252 281	47 438 295	132 690 576
Default assets	6 361 667	4 260 389	10 622 056
Total loans to customers at fair value through profit or loss	**473 393 753**	**878 287 308**	**1 351 681 061**

(in thousands UZS)

Below is the concentration of loans by economy:

	31 December 2021	31 December 2020
Individuals	1 733 485 918	878 287 308
Industry	318 863 691	133 545 436
Services	195 331 852	153 116 311
Housing and communal services	313 759 415	76 777 683
Trade	126 674 764	56 748 252
Contruction	27 882 716	48 569 512
Transport and communications	13 627 034	4 636 559
Total loans and advances to customers at fair value through profit or loss	**2 729 625 390**	**1 351 681 061**

Information on the credit quality of loans as at 31 December, 2021 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	780 944 898	1 195 994 673	1 976 939 571
Overdue			
- with a payment delay of less than 30 days	90 234 158	170 680 317	260 914 475
- with a delay in payment for a period of 30 to 90 days	102 873 109	278 660 860	381 533 969
- with a delay in payment for a period of 90 to 180 days	12 108 534	37 633 576	49 742 110
- with a payment delay of more than 180 days	9 978 773	50 516 492	60 495 265
Total loans to customers at fair value through profit or loss	**996 139 472**	**1 733 485 918**	**2 729 625 390**

Information on the credit quality of loans as of December 31, 2020 is as follows:

	Loans to legal entities	Loans to individuals	Total
Undue	436 434 200	751 028 211	1 187 462 411
Overdue			
- with a payment delay of less than 30 days	15 982 147	41 421 174	57 403 321
- with a delay in payment for a period of 30 to 90 days	16 594 723	76 660 136	93 254 859
- with a delay in payment for a period of 90 to 180 days	4 382 683	9 177 787	13 560 470
Total loans to customers at fair value through profit or loss	**473 393 753**	**878 287 308**	**1 351 681 061**

11 Investment financial assets

	31 December 2021	31 December 2020
Securities measured at amortized cost	-	206 710 331
Securities measured at fair value through profit or loss on mandatory basis	507 092 319	-
Securities classified as measured at fair value through other comprehensive income - equity instruments	107 220	107 220
Total investment financial assets	**507 199 539**	**206 817 551**

(in thousands UZS)

Securities measured at amortized cost

	31 December 2021	31 December 2020
Government bonds	-	141 814 185
Bonds of CBU	-	65 000 000
Provision for credit losses	-	(103 854)
Total securities measured at amortized cost	**-**	**206 710 331**

The table below provides an analysis of the credit risk of debt securities measured at amortized cost as at December 31, 2020, for which the estimated allowance for expected credit losses is recognized based on credit risk levels.

	Low credit risk	Total
Government bonds	141 814 185	141 814 185
Bonds of CBU	65 000 000	65 000 000
Provision for credit losses	(103 854)	(103 854)
Total securities measured at amortized cost	**206 710 331**	**206 710 331**

Securities measured at fair value through profit or loss

	31 December 2021	31 December 2020
Bonds of CBU	469 567 157	-
Government bonds	37 525 162	-
Total securities measured at fair value through profit or loss on mandatory basis	507 092 319	**-**

The table below presents an analysis of credit risk for debt securities measured at fair value through profit or loss as of December 31, 2021.

	Low credit risk	Total
Bonds of CBU	469 567 157	469 567 157
Government bonds	37 525 162	37 525 162
Total securities measured at fair value through profit or loss on mandatory basis	**507 092 319**	**507 092 319**

Securities classified as measured at fair value through other comprehensive income - equity instruments

	31 December 2021	31 December 2020
LLC "Market, Money and Credit"	77 000	77 000
Credit Bureau "KATM"	30 220	30 220
Securities classified as measured at fair value through other comprehensive income - equity instruments	**107 220**	**107 220**

(in thousands UZS)

12 Investment property

According to the Decree of the President of the Republic of Uzbekistan "On the action plan for the development of the production network of light industry goods, logistics and trade in the Uchkuprik district of the Fergana region" No. 5127 dated May 27, 2021, together with the Ministry of Economic Development and Poverty Reduction of the Republic of Uzbekistan, the Bank will finance the construction of a complex for the production of light industry goods, logistics and trade in 15 hectares Uchkuprik district of the Fergana region. The project cost of the 1st stage of construction is 159 246 303 thousand UZS, of which 61 959 438 thousand UZS have been mastered as of December 31, 2021.

13 Fixed and intangible assets

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2021:

	Buildings and constructions	Office and computer equipment	Assets in the form of user rights	Construction in progress	Total fixed assets	Intangible assets	Total
Residual value as at 31 December, 2020	**170 754 459**	**106 548 117**	**18 851 116**	**10 030 554**	**306 184 246**	**437 399**	**306 621 645**
Initial cost							
Balance as at 31 December, 2020	**203 802 540**	**170 822 638**	**22 735 828**	**10 030 554**	**407 391 560**	**2 398 601**	**409 790 161**
Income	26 426 268	44 829 320	19 500 611	68 700 956	159 457 155	3 295 080	162 752 235
Disposal and write-off	(4 633 516)	(17 945 670)	(6 230)	(4 895 497)	(27 480 913)	(2 375 229)	(29 856 142)
Revaluation	118 125 972	-	-	-	118 125 972	-	118 125 972
Internal displacement	32 471 430	6 689 638	-	(39 161 068)	-	-	-
Balance as at 31 December, 2021	**376 192 694**	**204 395 926**	**42 230 209**	**34 674 945**	**657 493 774**	**3 318 452**	**660 812 226**
Accumulated depreciation							
Balance as at 31 December, 2020	**33 048 081**	**64 274 521**	**3 884 712**	**-**	**101 207 314**	**1 961 202**	**103 168 516**
Depreciation deductions	6 904 804	31 267 157	2 213 011	-	40 384 972	1 949 187	42 334 159
Revaluation	73 518 026	-	-	-	73 518 026	-	73 518 026
Disposal and write-off	(2 283 905)	(16 491 749)	(6 230)	-	(18 781 884)	(2 288 845)	(21 070 729)
Balance as at 31 December, 2021	**111 187 006**	**79 049 929**	**6 091 493**	**-**	**196 328 428**	**1 621 544**	**197 949 972**
Residual value as at 31 December, 2021	**265 005 688**	**125 345 997**	**36 138 716**	**34 674 945**	**461 165 346**	**1 696 908**	**462 862 254**

The Bank used the services of an independent appraiser to determine the fair value of buildings owned by the Bank. The fair value is determined based on the value of similar objects offered on the market. The revaluation date is December 31, 2021.

(in thousands UZS)

Below is the information on the movement of fixed assets and intangible assets as at 31 December 2020:

	Buildings and constructions	Office and computer equipment	Assets in the form of user rights	Construction in progress	Total fixed assets	Intangible assets	Total
Residual value as at 1 January, 2020	**168 242 689**	**71 137 484**	**7 106 083**	**9 994 732**	**256 480 988**	**1 731 239**	**258 212 227**
Initial cost							
Balance as at 1 January, 2020	**195 455 268**	**113 474 524**	**7 716 563**	**9 994 732**	**256 480 988**	**1 731 239**	**258 212 227**
Income	3 489 247	60 076 011	15 019 265	6 149 881	84 734 404	793 094	85 527 498
Disposal and write-off	(712 523)	(3 154 539)	-	(116 869)	(3 983 931)	(3 828 997)	(7 812 928)
Internal displacement	5 570 548	426 642	-	(5 997 190)	-	-	-
Balance as at 31 December, 2020	**203 802 540**	**170 822 638**	22 735 828	**10 030 554**	**407 391 560**	**2 398 601**	**409 790 161**
Accumulated depreciation							
Balance as at 1 January, 2020	**27 212 579**	**42 337 040**	**610 480**	-	**70 160 099**	**3 703 265**	**73 863 364**
Depreciation deductions	6 548 025	25 092 020	3 274 232	-	34 914 277	2 086 934	37 001 211
Disposal and write-off	(712 523)	(3 154 539)	-	-	(3 867 062)	(3 828 997)	(7 696 059)
Balance as at 31 December, 2020	**33 048 081**	**64 274 521**	**3 884 712**	-	**101 207 314**	**1 961 202**	**103 168 516**
Residual value as at 31 December, 2020	**170 754 459**	**106 548 117**	**18 851 116**	**10 030 554**	**306 184 246**	**437 399**	**306 621 645**

14 Non-current assets held for sale

	31 December 2021	31 December 2020
Mortgaged property recovered from loans and leasing	60 193 814	416 109
Provision for impairment	(8 235 000)	(416 109)
Total non-current assets held for sale	**51 958 814**	-

(in thousands UZS)

15 Other assets

	31 December 2021	31 December 2020
Other financial assets		
Accounts receivable from money transfers	22 781 721	10 740 336
Assets for settlements through the Munis system	7 896 649	-
Incomplete transactions with bank cards	4 917 823	7 195 711
Commission income receivable	1 112 226	86 942
Less provision for credit losses	(701 256)	(256 860)
Total other financial assets	**36 007 163**	**17 766 129**
Other non-financial assets		
Prepayment for services	5 050 183	2 739 921
Prepayment for construction work	4 527 823	13 218 304
Prepayment for equipment and goods	3 012 518	1 785 974
Accounts receivable from employees	-	39 854
Other non-financial assets	977 285	695 175
Less provision for impairment of other non-financial assets	(114 401)	(313 497)
Total other non-financial assets	**13 453 408**	**18 165 731**
Total other assets	**49 460 571**	**35 931 860**

The table below provides a reconciliation of incoming reserve balances for losses on other financial assets, disaggregated by category. An approach to estimating expected credit losses is disclosed in Note 32.

	12-month Expected credit losses	Expected credit losses for the entire lifetime of non-impaired assets	Expected credit losses for the entire lifetime - impaired assets	Total
Provision for expected credit losses as at 31 December, 2020	**256 860**	-	-	**256 860**
Net creation / (recovery) of provision for expected credit losses	45 277	348 008	51 111	444 396
Provision for expected credit losses as at 31 December, 2021	**302 137**	**348 008**	**51 111**	**701 256**

	12-month Expected credit losses	Expected credit losses for the entire lifetime of non-impaired assets	Expected credit losses for the entire lifetime - impaired assets	Total
Provision for expected credit losses as at 1 January, 2020	**80 934**	-	-	**80 934**
Net creation / (recovery) of provision for expected credit losses	175 926	-	-	175 926
Provision for expected credit losses as at 31 December, 2020	**256 860**	-	-	**256 860**

(in thousands UZS)

16 Due to other banks

	31 December 2021	31 December 2020
Due to other banks measured at amortized cost	1 068 854 512	1 585 713 773
Due to other banks at fair value through profit or loss	-	-
Total due to other banks	**1 068 854 512**	**1 585 713 773**

Amounts due to other banks measured at amortized cost

	31 December 2021	31 December 2020
Term deposits of banks	1 068 854 512	1 585 713 773
Total due to other banks measured at amortized cost	**1 068 854 512**	**1 585 713 773**

As of December 31, 2021, the Bank has funds from other banks for two banks (2020: four banks) that exceed 10 percent of the bank's capital. The balance of funds of these banks is 891 613 195 thousand UZS (2020:1 497 155 901 thousand UZS).

17 Customer deposits

	31 December 2021	31 December 2020
State and public organizations		
Demand deposits	157 161 752	106 458 190
Term deposits	1 256 448 645	1 094 153 570
Other legal entities		
Demand deposits	298 855 262	348 708 838
Term deposits	173 928 677	202 417 232
Individuals		
Demand deposits	229 075 264	188 220 485
Term deposits	572 657 341	435 197 057
Total customer deposits	**2 688 126 941**	**2 375 155 372**

As of December 31, 2021 and December 31, 2020, deposits in the amount of 39 430 828 thousand UZS and 42 793 985 thousand UZS, respectively, which are collateral for letters of credit and other similar services provided by the Bank, are reflected in customer funds.

As of December 31, 2021, the Bank has no customers (2020: none) with balances exceeding 10% of the Bank's capital. (2020: zero).

In accordance with the legislation of the Republic of Uzbekistan, the Bank is obliged to repay the deposit amount of an individual at the first request of the depositor. In cases where a fixed-term deposit is returned to the depositor at his request before the expiration of the term, interest on the deposit is paid in an amount corresponding to the amount of interest paid by the Bank on demand deposits, unless otherwise specified by the agreement.

(in thousands UZS)

18 Debt Securities Issued

	31 December 2021	31 December 2020
Certificates of deposit	19 600 153	35 146 203
Total issued debt securities	**19 600 153**	**35 146 203**

Issued certificates of deposit at an interest rate 16% per annum.

19 Other borrowings

	31 December 2021	31 December 2020
Other borrowed funds measured at amortized cost	3 565 237 673	2 713 469 959
Other borrowed funds at fair value through profit or loss	1 680 007 226	1 384 206 390
Total other borrowings	**5 245 244 899**	**4 097 676 349**

Other borrowings measured at amortized cost

	31 December 2021	31 December 2020
Borrowings from other banks	1 899 405 896	1 589 146 407
Borrowings from other lenders	1 558 027 310	802 152 511
Borrowings from CBU	215 525	135 000 000
Borrowings from non-bank financial institutions	58 971 764	90 817 307
Borrowings from extra-budgetary funds	30 399 950	86 474 749
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	18 217 228	9 878 985
Total other borrowings measured at amortized cost	**3 565 237 673**	**2 713 469 959**

Other borrowings at fair value through profit or loss

	31 December 2021	31 December 2020
Borrowings from non-banking financial institutions	832 985 264	1 151 211 027
Borrowings from other lenders	165 697 075	-
Borrowings from other banks	165 697 075	-
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	448 036 310	51 942 072
Borrowings from CBU	30 573 710	36 242 056
Total other borrowed assets at fair value through profit or loss	**1 680 007 226**	**1 384 206 390**

(in thousands UZS)

20 Other liabilities

	31 December 2021	31 December 2020
Other financial liabilities		
Deposits by subscription to shares	1 350 190 918	-
Accounts payable	49 653 830	2 175 277
Finance lease obligations	32 332 258	16 755 868
Settlements on money transfer systems	569 499	5 782 908
Dividends payable	30 551	31 153
Accrued expenses for the payment of remuneration to staff	2 893	10 000 000
Other financial liabilities	255 313	208 491
Total other financial liabilities	**1 433 035 262**	**34 953 697**
Other non-financial liabilities		
Provision for credit losses on credit related commitments and provision for other liabilities	32 599 946	28 978 143
Taxes payable, excluding income tax	14 167 480	13 432 218
Profit tax payable	7 814 603	20 505 580
Deferred commission income	1 238 789	20 924
Other non-financial liabilities	3 286	-
Total other non-financial liabilities	**55 824 104**	**62 936 865**
Total other liabilities	**1 488 859 366**	**97 890 562**

The movement of the allowance for credit losses on credit related commitments and other contingent liabilities for the year ended December 31, 2021 is presented below:

	Guarantees issued	Credit commitments and unused credit lines	Total
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2020	**6 832 674**	**22 145 469**	**28 978 143**
Net creation / (recovery) of provision for expected credit losses	(6 170 082)	9 791 885	3 621 803
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2021	**662 592**	**31 937 354**	**32 599 946**

The movement of the reserve for credit losses on credit related commitments and other contingent liabilities for the year ended December 31, 2020 is presented below:

	Guarantees issued	Credit commitments and unused credit lines	Total
Provisions for credit losses on credit commitments and other contingent liabilities as at 1 January 2020	**4 054 312**	**14 547 700**	**18 602 012**
Net creation / (recovery) of provision for expected credit losses	2 778 362	7 597 769	10 376 131
Provisions for credit losses on credit commitments and other contingent liabilities as at 31 December 2020	**6 832 674**	**22 145 469**	**28 978 143**

(in thousands UZS)

21 Share capital

The announced, issued and fully paid-up share capital includes the following components:

	The number of shares, pieces	Ordinary shares, thousand UZS	The effect of hyperinflation	Total
1 January 2020	**1 537 198 929**	**1 641 584 276**	**280 545**	**1 642 009 001**
Issue of new shares	-	-	-	0
31 December 2020	**1 537 198 929**	**1 641 584 276**	**280 545**	**1 642 009 001**
Issue of new shares	520 050 530	555 413 966	-	555 269 786
31 December 2021	**2 057 249 459**	**2 196 998 242**	**2 197 278 787**	**2 057 249 459**

As of December 31, 2021, the total number of declared ordinary and preferred shares is 2,057,114 thousand shares and 135 thousand shares, respectively (December 31, 2020: 1,537,064 thousand shares and 135 thousand shares), with a par value of 1,068 UZS per share. Each share grants the right to one vote.

Preferred shares are non-redeemable and take precedence over ordinary shares in the event of liquidation of the Bank. Preferred shares give holders the right to participate in the general meeting of shareholders, but do not provide voting rights, except when decisions are made regarding the reorganization and liquidation of the Bank, and when changes to the Charter of the Bank are proposed that restrict the rights of holders of preferred shares.

22 Interest income and expense

	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest income calculated at the effective interest rate		
Loans and advances to customers	1 033 522 561	785 368 609
Due from other banks	28 825 922	41 798 940
Investment financial assets	41 450 213	16 530 061
Cash and cash equivalents	11 920 566	1 066 228
Total interest income calculated at the effective interest rate	**1 115 719 262**	**844 763 838**
Other interest income		
Loans and advances to customers	454 619 347	284 524 641
Due from other banks	452 525	3 683 956
Other assets	3 244 907	-
Total other interest income	**458 316 779**	**288 208 597**
Interest expense calculated at the effective interest rate		
Customer deposits	272 955 150	185 083 679
Due to other banks	142 422 933	112 169 907
Other borrowings	264 948 700	120 308 572
Debt Securities Issued	3 173 783	7 876 471
Total interest expense calculated at the effective interest rate	**683 500 566**	**425 438 629**
Other interest expenses		
Other borrowings	225 283 445	152 762 256
Debt Securities Issued	-	2 222 268
Lease obligations	4 746 897	1 748 766
Other liabilities	8 550	-
Total other interest expense	**230 038 892**	**156 733 290**
Net interest income	**660 496 583**	**550 800 516**

(in thousands UZS)

23 Commission income and expenses

	For the year ended 31 December 2021	For the year ended 31 December 2020
Commission income		
Settlement operations	65 600 272	47 706 632
Foreign currency customer transactions	10 128 291	11 838 432
Bank Card Operations	11 069 257	10 311 106
Account Management (Interactive Services)	3 972 860	9 812 539
Cash operations	23 319 610	6 736 589
Commissions for documentary operations and other credit related commitments	174 388	1 514 091
Other	706 945	2 592 801
Total commission income	**114 971 623**	**90 512 190**
Commission expense		
Bank Card Operations	14 574 124	15 519 541
Cash collection services	1 922 819	3 439 995
Settlement operations	7 095 231	1 903 844
Commissions for documentary operations and other credit related commitments	7 858 046	1 632 966
Cash operations	-	453 073
Customer transactions with foreign currency	741 198	391 626
Commissions on securities transactions	426 558	91 059
Other	8 428 264	907 618
Total commission expenses	**41 046 240**	**24 339 722**
Net commission income	**73 925 383**	**66 172 468**

24 Other operating income

	For the year ended 31 December 2021	For the year ended 31 December 2020
Income from rental of fixed assets	3 684 639	3 936 689
Income from the sale of collateral	2 524 400	5 071 883
Fines and penalties	338 974	1 633 620
Dividends	167 042	124 150
Other	702 426	403 754
Total other operating income	**7 417 481**	**11 170 096**

(in thousands UZS)

25 Administrative and other operating expenses

	For the year ended 31 December 2020	For the year ended 31 December 2020
Salaries and bonuses	249 507 937	210 494 967
Single social payment	31 260 406	26 183 466
Other employee benefits	26 336 448	22 968 280
Staff costs	**307 104 791**	**259 646 713**
Security	41 510 079	28 224 821
Depreciation	42 334 159	37 001 211
Insurance	15 006 383	12 164 535
Charity and sponsorship expenses	11 295 195	1 032 234
Stationery	10 932 406	5 401 021
Other taxes, except income tax	9 726 478	6 875 762
Membership fee	6 977 897	3 508 386
Repairs	6 584 255	5 123 254
Professional services	5 549 280	3 810 176
Travel expenses	4 776 492	2 701 821
Maintenance software	4 143 085	9 226 715
Loss on sale of fixed assets	4 117 664	2 432 634
Utilities	3 321 786	2 560 043
Rent	3 284 488	-
Communication	2 772 907	2 377 181
Hospitality expenses	2 367 337	1 985 724
Advertising	936 065	4 278 528
Fine and penalties	226 454	124 251
Lease	-	180 266
Other	10 790 941	3 613 330
Total other operating expenses	**186 653 351**	**132 621 893**
Total staff and other operating expenses	**493 758 142**	**392 268 606**

26 Income tax

Income tax expense components

Income tax expense includes the following components:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax expense	13 234 054	23 491 557
Deferred taxation	(10 663 475)	(16 657 098)
Income tax expense for the year	**2 570 579**	**6 834 459**

Reconciliation of tax expense and profit or loss multiplied by applicable tax rate

For 2021 and 2020, the income tax rate applicable to most of the Bank's profit, corporate income tax is 20 percent, respectively.

In accordance with Presidential Decree No. PP-3694 "On measures to improve the financial condition and further improve the activities of the Joint-Stock Commercial People's Bank of the Republic of Uzbekistan and the Joint-Stock Commercial Bank" Mikrokreditbank "dated May 04, 2018, The Bank is exempted from paying all types of taxes with the purposeful allocation of funds released as a result of this benefit to increase the state share of the Ministry of Finance of the Republic of Uzbekistan in the authorized capital of Halyk Bank and Microcredit Bank and from paying customs duties (excluding customs clearance fees) for imported banking equipment and machinery not manufactured in the Republic of Uzbekistan, according to lists approved in the established manner. In cases where any part of the money from the amount saved by reducing tax payments is not used within the agreed time, this amount is payable to the tax authorities.

(in thousands UZS)

The following is a comparison of theoretical tax costs with actual tax costs:

	For the year ended 31 December 2021	For the year ended 31 December 2020
Income before tax	**7 665 154**	**34 172 296**
Theoretical tax deductions at the established rate - 20%	1 533 031	6 834 459
Tax effects of income or expenses that are not deductible for tax purposes:		
- expenses that do not reduce the tax base	1 037 548	-
Income tax expense for the year	**2 570 579**	**6 834 459**

Deferred tax analysis by types of temporary differences

Differences between IFRS and tax legislation of the Republic of Uzbekistan give rise to temporary differences between the book value of assets and liabilities for the purpose of preparing financial statements and for calculating income tax.

The tax consequences of the movement of these temporary differences for 2021, which are recorded at a rate of 20 percent, are presented in detail below.

	31 December 2021	Restored / (allocated) to profit and loss account	31 December 2020
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	17 215	(220 624)	237 839
Due from other banks	610 246	361 237	249 009
Loans and advances to customers	151 897 349	73 779 781	78 117 568
Investment financial assets	15 260	(21 982)	37 242
Fixed and intangible assets	(14 208 501)	3 669 240	(17 877 741)
Customer deposits	-	150 570	(150 570)
Other borrowings	(128 055 354)	(69 224 143)	(58 831 211)
Other assets	1 177 450	870 286	307 164
Other liabilities	7 209 747	1 299 111	5 910 636
Net deferred tax assets	**18 663 411**	**10 663 475**	**7 999 936**
Recognized deferred tax assets	160 927 266	(76 067 808)	84 859 458
Recognized deferred tax liabilities	(142 263 855)	65 404 333	(76 859 522)
Net deferred tax (liability) / assets	**18 663 411**	**10 663 475**	**7 999 936**

(in thousands UZS)

The tax consequences of the movement of these temporary differences for 2020, which are reflected at a rate of 20 percent, are presented in detail below.

	31 December 2020	Restored / (allocated) to profit and loss account	1 January 2020
Tax effects of temporary differences that reduce / (increase) the tax base			
Cash and cash equivalents	237 839	158 591	79 248
Due from other banks	249 009	(594 873)	843 882
Loans and advances to customers	78 117 568	11 168 494	66 949 074
Investment financial assets	37 242	(615 235)	652 477
Fixed and intangible assets	(17 877 741)	2 637 126	(20 514 867)
Customer deposits	(150 570)	(307 040)	156 470
Other borrowings	(58 831 211)	1 947 151	(60 778 362)
Other assets	307 164	260 919	46 245
Other liabilities	5 910 636	2 001 965	3 908 671
Net deferred tax assets	**7 999 936**	**16 657 098**	**(8 657 162)**
Recognized deferred tax assets	84 859 458	(12 223 391)	72 636 067
Recognized deferred tax liabilities	(76 859 522)	(4 433 707)	(81 293 229)
Net deferred tax (liability) / assets	**7 999 936**	**(16 657 098)**	**(8 657 162)**

27 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shares by the weighted average number of ordinary shares outstanding during the year minus the average number of ordinary shares repurchased by the Bank from shareholders.

The Bank does not have ordinary shares potentially diluting earnings per share. Thus, diluted earnings per share equal basic earnings per share.

	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit / (loss) for the year attributable to ordinary shareholders	5 094 575	27 337 837
Net profit for the period attributable to shareholders (thousand UZS)	**5 094 575**	**27 337 837**
Weighted average number of ordinary shares outstanding during the period (pcs)	1 785 404 090	1 537 198 929
Basic and diluted earnings / (loss) per ordinary share (pcs / UZS)	**2,85**	**17,78**

28 Contingent financial liabilities

28.1 Insurance

The Bank did not carry out full insurance of fixed assets, insurance against the termination of activities, or in respect of third-party liability in terms of property or environmental damage resulting from equipment malfunctions or in connection with the Bank's core business. Until the Bank is in a position to receive adequate insurance coverage, there is a risk that the loss or damage to its assets could have a material adverse effect on the Bank's operations and financial condition.

28.2 Legal issue

In the ordinary course of business, the Bank is subject to legal actions and claims. According to the management, the probable obligations (if any) arising as a result of such claims or claims will not have a material adverse effect on the Bank's financial position or results of operations in the future.

28.3 Tax law

Tax and customs legislation, as well as legislation in the field of currency regulation of the Republic of Uzbekistan, allow for different interpretations and are subject to frequent changes. Moreover, normative legal acts issued by various state bodies may contradict each other. Management's interpretation of the law as applied to the operations and activities of the Bank may be challenged by the relevant authorities. Uzbek tax authorities may take a tougher stance when interpreting legislation and assessing charges, and it is likely that transactions and activities that have not been disputed in the past will be challenged. As a result, significant amounts of additional taxes, penalties and interest may be charged. Tax periods remain open for review by the relevant tax authorities for tax payments for five calendar years. previous year for which verification is carried out. In some cases, inspections may cover longer periods.

The Bank's management believes that its interpretation of the relevant legislation is correct and that the Bank will confirm its tax, currency and customs positions. Accordingly, at 31 December 2020, management did not form a provision for potential tax liabilities. According to the Bank, there are no potential tax liabilities, with the exception of the unlikely.

28.4 Credit related commitments

The main purpose of these tools is to ensure that funds are provided to customers as needed. Guarantees and guarantee letters of credit, which represent irrevocable obligations of the Bank to make payments in case of non-fulfillment by the client of its obligations to third parties, have the same level of credit risk as loans. Documentary and commodity letters of credit, which are written obligations of the Bank to make payments on behalf of customers within the agreed amount under certain conditions, are secured by appropriate supplies of goods or cash deposits and, accordingly, have a lower level of risk than direct lending.

In addition to credit obligations, the Bank issues guarantees for the proper performance of obligations. Guarantees of proper performance of obligations are insurance contracts that provide compensation in the event of the inability of the other party to fulfill the contractual obligation. Such contracts, in addition to credit risk, transfer non-financial risk of default. The risk under contracts to ensure proper performance of obligations lies in the probability of an insured event (that is, non-fulfillment of contractual obligations by the other party). The main risks of the Bank are significant changes in the frequency and amount of payments arising under such contracts, compared with the forecast. The Bank uses historical data and statistical methods to predict the volume of such payments. Claims must be submitted before the expiration of the contract, and most claims are subject to settlement in the short term. This enables the Bank to provide a high degree of confidence in the planned payments and, consequently, future cash flows. The Bank manages such risks by constantly monitoring the level of payments for such products and is able to adjust commission fees in the future based on the experience of changing insurance indemnity payments for claims. The Bank has a process for processing applications for payment of insurance claims, which provides for the right to review claims and reject falsified or non-compliant applications.

(in thousands UZS)

The table below shows credit obligations and guarantees of proper performance of obligations:

	31 December 2021	31 December 2020
Guarantees issued	124 389 184	120 707 713
Credit commitment	642 410 864	753 703 922
Letters of credit	39 430 828	5 891 080
Total credit commitments before deducting provision for credit losses	**806 230 876**	**880 302 715**
Less provision for credit losses	(32 599 946)	(28 978 143)
Total credit related commitments	**773 630 930**	**851 324 572**

Obligations under letters of credit are secured by deposits with customer funds in the amount of 39 430 828 thousand UZS (2020: 42 793 985 thousand UZS).

The change in the provision for credit losses on credit-related liabilities is presented in Note 20.

29 Related party transactions

For the purposes of preparing these financial statements, parties are considered related if one of them has the ability to control the other or have a significant influence when the other party makes financial and operational decisions, as set out in IAS 24 "Disclosure of information about related Parties". When considering all possible relationships with related parties, the economic content of such relationships, and not only their legal form, is taken into account.

In the normal course of business, the Bank conducts transactions with its main shareholders, managers, and other parties. These operations include settlements, loans, deposit taking, guarantees, financing of trade operations and foreign currency transactions. According to the Bank's policy, all transactions with related parties are carried out under the same conditions as transactions with independent parties.

The following are balances with related parties:

	31 December 2021		31 December 2020	
	Shareholders	**Other related parties**	**Shareholders**	**Other related parties**
Assets				
Cash and cash equivalents	-	193 649 633	-	393 856 575
Due from other banks	-	103 671 294	-	221 379 750
Loans and advances to customers	-	733 710	-	69 582 900
Investment financial assets	37 525 162	-	141 814 185	-
Liabilities				
Due to other banks	-	1 136 130 800	-	92 510 873
Customer deposits	411 077 812	-	124 820 489	13 055 359
Other borrowings	165 697 075	1 279 096 436	1 525 370 789	986 791 301

(in thousands UZS)

The rates of income and expenses from related parties for 2021 and 2020 are presented below:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Shareholders	Other related parties	Shareholders	Other related parties
Income and expenses				
Interest income calculated at the effective interest rate	1 035 211	21 770 630	-	42 198 320
Interest expense calculated at the effective interest rate	(30 750 657)	(126 691 929)	(12 621 117)	(77 774 857)
Other interest expenses	(67 067 473)	-	(117 869 050)	-
Administrative and other operating expenses	-	(10 218 186)	-	(6 648 574)
- Remuneration of key management personnel	-	(10 218 186)	-	(6 648 574)

30 Fair value

Fair value is defined as the price at which an instrument can be exchanged as part of a current transaction between interested parties wishing to close a transaction on market terms, with the exception of a forced sale or liquidation. The best confirmation of the fair value is the quotation of a financial instrument in an active market. Since for the majority of financial instruments the Bank does not have a liquid market, their fair value should be determined based on the existing market conditions and specific risks associated with a specific instrument. The estimates presented below may not correspond to the amounts that the Bank is able to receive upon the market sale of the entire available package of a specific instrument.

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments depending on the valuation methodologies:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: methodologies in which all inputs that significantly affect fair value are directly or indirectly observed on the open market; and
- Level 3: methodologies that use inputs that significantly affect fair value, not based on data observed on the open market.

The table below summarizes the analysis of assets recorded at fair value in the context of assessment hierarchy levels as at December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial assets at fair value or revalued value				
Due from other banks	-	2 987 342	-	2 987 342
Term deposits in banks	-	2 987 342	-	2 987 342
Loans and advances to customers	-	-	**2 729 625 390**	**2 729 625 390**
Commercial loans to legal entities	-	-	996 139 472	996 139 472
Consumer and other loans to individuals	-	-	1 733 485 918	1 733 485 918
Investment financial assets	-	**507 092 319**	**107 220**	**507 199 539**
Securities that are measured at fair value through profit or loss on a mandatory basis	-	**507 092 319**	-	**507 199 539**
Securities classified as measured at fair value through other comprehensive income – equity instruments	-	-	107 220	107 220

(in thousands UZS)

The table below summarizes the analysis of assets recorded at fair value in the context of assessment hierarchy levels as at December 31, 2020:

	Level 1	Level 2	Level 3	Book value
Financial assets at fair value or revalued value				
Due from other banks	**-**	**3 634 575**	**-**	**3 634 575**
Term deposits in banks	-	3 634 575	-	3 634 575
Loans and advances to customers	**-**	**-**	**1 351 681 061**	**1 351 681 061**
Commercial loans to legal entities	-	-	473 393 753	473 393 753
Consumer and other loans to individuals	-	-	878 287 308	878 287 308
Investment financial assets	**-**	**-**	**107 220**	**107 220**
Securities classified as measured at fair value through other comprehensive income - equity instruments	-	-	107 220	107 220

The table below summarizes the analysis of assets carried at amortized cost, carried at fair value, by hierarchy of valuation as at December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**296 970 169**	**876 758 850**	**-**	**1 173 729 019**
Cash on hand	**296 970 169**	-	-	296 970 169
Current account balances in CBU	-	553 211 060	-	553 211 060
Current account balances in other banks	-	283 547 790	-	283 547 790
Term deposits in other banks placed up to 90 days	-	40 000 000	-	40 000 000
Mandatory reserves in CBU	**-**	**27 336 514**	**-**	**27 336 514**
Due from other banks	**-**	**116 426 198**	**-**	**116 426 198**
Term deposits in other banks placed for a period of more than 90 days	-	116 426 198	-	116 426 198
Loans and advances to customers	**-**	**-**	**8 219 320 618**	**8 219 320 618**
Commercial loans to corporate clients	-	-	6 671 997 908	6 671 997 908
Consumer and other loans to individuals	-	-	1 547 322 710	1 547 322 710
Other financial assets	**-**	**-**	**36 007 163**	**36 007 163**

(in thousands UZS)

The table below presents an analysis of assets carried at amortized cost, carried at fair value, broken down by hierarchy of valuation as at 31 December 2020:

	Level 1	Level 2	Level 3	Book value
Financial assets carried at amortized cost				
Cash and cash equivalents	**220 813 885**	**800 290 588**	**-**	**257 831 974**
Cash on hand	**220 813 885**	-	-	129 368 348
Current account balances in CBU	-	359 385 307	-	56 172 957
Current account balances in other banks	-	440 905 281	-	72 290 669
Mandatory reserves in CBU	-	**21 398 086**	-	**21 398 086**
Due from other banks	-	**134 364 724**	-	**134 364 724**
Term deposits in other banks placed for a period of more than 90 days	-	**134 364 724**	-	**134 364 724**
Loans and advances to customers	-	-	**7 176 851 826**	**7 176 851 826**
Commercial loans to corporate clients	-	-	5 360 882 648	5 360 882 648
Consumer and other loans to individuals	-	-	1 815 969 178	1 815 969 178
Investment financial assets	-	-	**206 710 331**	**206 710 331**
Securities measured at amortized cost	-	-	**206 710 331**	**206 710 331**
Other financial assets	-	-	**17 766 129**	**17 766 129**

The following is an estimate of the fair value of the classes of financial liabilities of the Bank by the level of the hierarchy of fair value sources as at December 31, 2021:

	Level 1	Level 2	Level 3	Book value
Financial liabilities at fair or revalued value				
Other borrowings	-	-	**1 680 007 226**	**1 680 007 226**
Borrowings from CBU	-	-	91 166 667	91 166 667
Borrowings from extra-budgetary funds	-	-	111 548 200	111 548 200
Borrowings from other banks	-	-	165 697 075	165 697 075
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	30 573 710	30 573 710
Borrowings from non-banking financial institutions	-	-	832 985 264	832 985 264
Borrowings from other lenders	-	-	448 036 310	448 036 310

(in thousands UZS)

The following is an estimate of the fair value of the classes of financial liabilities of the Bank by the level of the hierarchy of fair value sources as of December 31, 2020:

	Level 1	Level 2	Level 3	Book value
Financial liabilities at fair or revalued amounts				
Other borrowings	**-**	**-**	**1 384 206 390**	**1 384 206 390**
Borrowings from CBU	-	-	21 484 730	21 484 730
Borrowings from extra-budgetary funds	-	-	123 326 505	123 326 505
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	36 242 056	36 242 056
Borrowings from non-banking financial institutions	-	-	1 151 211 027	1 151 211 027
Borrowings from other lenders	-	-	51 942 072	51 942 072

The table below provides an analysis of liabilities carried at amortized cost, carried at fair value, by level of assessment hierarchy as at 31 December 2021:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortized cost				
Due to other banks	**1 068 854 512**	**-**	**-**	**1 068 854 512**
Term deposits of banks	**1 068 854 512**	-	-	**1 068 854 512**
Customer deposits	**-**	**685 092 278**	**2 003 034 663**	**2 688 126 941**
Demand deposits	-	**685 092 278**	-	685 092 278
Term deposits	-	-	**2 003 034 663**	2 003 034 663
Debt Securities Issued	**-**	**-**	**19 600 153**	**19 600 153**
Certificates of deposit	-	-	**19 600 153**	**19 600 153**
Other borrowings	**-**	**-**	**3 565 237 673**	**3 565 237 673**
Borrowings from other lenders	-	-	1 558 027 310	1 558 027 310
Borrowings from other banks	-	-	1 899 405 896	1 899 405 896
Borrowings from CBU	-	-	215 525	215 525
Borrowings from extra-budgetary funds	-	-	30 399 950	30 399 950
Borrowings from the Ministry of Finance of the Republic of Uzbekistan	-	-	18 217 228	18 217 228
Borrowings from non-banking financial institutions			58 971 764	58 971 764
Other financial liabilities	**-**	**-**	**1 433 035 262**	**1 433 035 262**

(in thousands UZS)

The table below provides an analysis of liabilities carried at amortized cost, carried at fair value, by level of assessment hierarchy as at 31 December 2020:

	Level 1	Level 2	Level 3	Book value
Financial liabilities carried at amortized cost				
Due to other banks	**1 585 713 773**	**-**	**-**	**1 585 713 773**
Term deposits of banks	1 585 713 773	-	-	1 585 713 773
Customer deposits	**-**	**643 387 513**	**1 731 767 859**	**2 375 155 372**
Demand deposits	-	**643 387 513**	-	643 387 513
Term deposits	-	-	**1 731 767 859**	1 731 767 859
Debt Securities Issued	**-**	**-**	**35 146 203**	**35 146 203**
Bonds	-	-	-	-
Certificates of deposit	-	-	**35 146 203**	**35 146 203**
Other borrowings	**-**	**-**	**2 713 469 959**	**2 713 469 959**
Borrowings from CBU	-	-	135 000 000	135 000 000
Borrowings from extra-budgetary funds	-	-	86 474 749	86 474 749
Borrowings from other banks			1 589 146 407	1 589 146 407
Borrowings from other lenders	-	-	9 878 985	9 878 985
Borrowings from the Ministry of Finance			802 152 511	802 152 511
Borrowings from non-banking financial institutions	-		90 817 307	90 817 307
Other financial liabilities	**-**	**-**	**34 953 697**	**34 953 697**

The fair value measurements at Level 2 and Level 3 of the fair value hierarchy were performed using the discounted cash flow model. The fair value of floating rate derivatives with no quoted prices in an active market was assumed to be equal to the carrying amount. The fair value of fixed interest rate instruments not quoted in an active market was estimated based on estimated future cash flows discounted using current interest rates in the borrowing market for new instruments with a similar credit risk and a similar repayment term.

For assets, the Bank used assumptions about the incremental rate on borrowed capital and the prepayment rates of the counterparty. Liabilities are discounted at the rate of raising additional borrowed funds of the Bank. Obligations payable on demand were discounted starting from the first day of the potential presentation of a request for repayment of the Bank's obligations. The Bank's liabilities to customers are covered by the state deposit insurance program, as described in Note 1. The fair value of these liabilities reflects these credit enhancement mechanisms.

(in thousands UZS)

31 Capital management

In managing the capital, the Bank has the following objectives: compliance with the capital requirements established by the CBU and, in particular, the requirements of the deposit insurance system; ensuring the Bank's ability to function as a continuously operating organization and maintaining the capital base at the level required to ensure the capital adequacy ratio with the requirements of the CBU. Monitoring of compliance with the capital adequacy ratio set by the CBU is carried out monthly based on forecast and actual data containing relevant calculations, which are checked and approved by the Bank's Management.

The Bank manages its capital in order to comply with the regulatory capital requirements established by the CBU and ensure the continuation of activities as a continuously operating enterprise, maximizing the shareholder's profit by optimizing the ratio of borrowed funds and equity.

Control over compliance with the capital adequacy ratio established by the CBU is carried out using monthly reports containing relevant calculations that are checked and vised by the Chairman of the Board of the Bank.

The table presents an analysis of the regulatory capital of the Bank, calculated based on IFRS balances. All calculations are based on the understanding of the Bank:

	31 December 2021	31 December 2020
Fully paid shares	2 197 278 787	1 642 009 001
Retained earnings / (loss)	45 343 510	18 005 673
Intangible assets	(1 696 908)	(437 399)
Investments in capital of non-consolidated economic entities	(107 220)	(107 220)
Adjusted Tier 1 capital	**2 240 818 169**	**1 659 470 055**
Net income for the period	48 983 507	27 337 837
Adjusted total Risk-based capital	**2 289 801 676**	**1 686 807 892**
Risk weighted assets and off-balance assets	15 406 474 407	10 198 151 211
Operational risk	255 627 055	227 217 442
Market risk	116 896 815	145 034 547
Adjusted total Risk-weighted assets	**15 778 998 277**	**10 570 403 200**
Capital adequacy ratios		
Tier 1 capital	14,2%	15,7%
Total capital	14,5%	16,0%

32 Risk management

The Bank manages its risks in respect of financial risks (credit, market, currency risks, liquidity and interest rate risks), as well as operational and legal risks. The assessment of accepted risk also serves as the basis for the optimal allocation of capital, taking into account risks, pricing operations and evaluation of performance. Bank management should ensure proper compliance with internal regulations and procedures in order to minimize operational and legal risks.

32.1 Credit risk

The Bank assumes credit risk, namely the risk that the counterparty will not be able to fully repay the debt in due time. The Bank controls credit risk by setting limits on one borrower or group of related borrowers, as well as by industry segment. The Bank regularly monitors such risks; limits are reviewed annually.

Policy to reduce and limit risk. The Bank manages, sets limits and controls the concentration of credit risk wherever it is established - in particular, in relation to individual counterparties and groups, and in relation to industries. The Bank controls credit risk by setting limits on one borrower or a group of related borrowers, as well as setting limits on geographical and industry segments. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to fulfill obligations to repay interest and principal and, if necessary, by changing credit limits.

The following are other specific controls and credit risk mitigation measurements.

(a) Limits. The Bank has established a credit committee that approves credit limits for individual borrowers:

- The Bank Council considers and approves credit limits in the amount of more than 10% and up to 25% of tier 1 capital;
- Bank board's review and approve credit limits in the amount of more than 2% and up to 10% of tier 1 capital;
- The Credit Committee of the Head Office reviews and approves credit limits in the amount of more than 5 billion UZS up to 2% of Tier 1 capital;
- Credit committees regional regional branch reviews and approves credit limits in the amount of up to 5 billion UZS.
- Credit committees of branches and operational regional branches of the Bank consider and approve credit limits of up to 2 billion UZS.

Loan applications, together with a financial analysis of a potential borrower, which includes analysis of liquidity, profitability, interest coverage ratio and debt service ratio prepared by the respective customer service managers, are submitted to the Credit Committee, the Board of the Bank or the Council of the Bank for approval of the credit limit.

(b) Security. The Bank uses a number of methods and practices to reduce credit risk. The most traditional of these is obtaining collateral for loans issued, which is a common practice. The Bank applies guidelines for acceptability of special collateral groups or credit risk mitigation.

The following are the main types of collateral for loans and advances:

- letters of guarantee;
- the property;
- insurance policy;
- equipment vehicles used by the borrower;
- working capital;
- deposits.

The type of instrument determines the security available as a guarantee for financial assets other than loans and advances.

(c) Concentration of financial assets subject to credit risk. The management of the Bank pays attention to the concentration of risk:

- The maximum concentration per borrower, or group of borrowers, should not exceed 25% of Bank Tier 1 capital;
- The maximum concentration on unsecured loans should not exceed 5% of the capital of the Bank of the 1st level and;
- The total amount of all large loans should not exceed 8 times the capital of the Bank of the 1st level;
- Total amount of loans to a related party - not exceeding the capital of the Bank of the 1st level.

Application of IFRS 9: Credit Risk. Expected credit loss model and basic principles of provisioning. The Bank applies the expected credit loss model for reserving financial debt instruments, the key principle of which is the timely reflection of the deterioration or improvement in the credit quality of debt financial instruments, taking into account current and forecast information. The amount of expected credit losses recognized as an allowance for credit losses depends on the degree of deterioration in credit quality since the initial recognition of a debt financial instrument.

Depending on the change in credit quality since the initial recognition, the Bank classifies financial instruments at one of the following stages:

- Stage 1 - "12-month expected credit losses" - Debt financial instruments for which there was no significant increase in credit risk, and for which 12-month expected credit losses are calculated.
- Stage 2 - "Life-time expected credit losses — impaired assets" - Debt financial instruments with a significant increase in credit risk, but not impaired, for which expected credit losses are calculated over the life of the financial instrument.
- Stage 3 - "Expected life-time credit losses - impaired assets" - impaired debt financial instruments.

For acquired or issued impaired financial assets, the estimated allowance for credit losses is formed in the amount of accumulated changes in the amount of expected credit losses for the entire life of the instrument from the date of acquisition or provision.

Factors that indicate a significant increase in credit risk before the asset is recognized as impaired. The main factors indicating a significant increase in credit risk before the asset is recognized impaired are:

- The presence of arrears to the Bank for a period of 31 to 90 days (inclusive);
- Significant changes in external and internal credit ratings resulting from changes in credit risk compared to the time of initial recognition;
- Deterioration of the internal rating to the level at which the Bank decides to refuse to grant a loan;
- Identification of events that could affect solvency (license revocation, lawsuits, violation of the conditions of credit documentation, etc.).

The main signs that a debt financial instrument is classified as impaired (stage 3):

- The borrower has delayed the repayment of any debt to the Bank by more than 90 days;
- Default restructuring of debt and / or financial liabilities for operations in financial markets and expected insolvency;
- Other signs of insolvency, the identification of which leads to a default by the borrower (bankruptcy of the borrower, expected adoption by the borrower of a decision on liquidation or termination of activity, probable non-repayment of debt by the borrower, etc.).

Credit quality recovery. An improvement in the credit quality of the borrower, according to which a significant increase in credit risk was revealed at the previous reporting dates, to the level of risk related to the first stage, is determined based on the assessment of changes in credit risk at the reporting date compared to the time of initial recognition.

The restoration of credit quality from an impaired level to the risk level related to the first stage occurs when indicators of impairment are removed at the reporting date, and also when there are no factors at the reporting date that indicate a significant increase in credit risk.

Reservation approach for acquired or issued impaired assets. To calculate the estimated provision for credit losses in respect of acquired or issued impaired assets, the Bank estimates the accumulated changes in the amount of expected credit losses for the entire life of the instrument from the date of acquisition or issue.

A financial asset is considered to be acquired or issued an impaired asset when one or more events have occurred that have a negative impact on the estimated future cash flows of such a financial asset, in particular, the observable data on the following events at the time of acquisition or issue:

- significant financial difficulties of the counterparty / issuer;
- breaches of the terms of the contract, such as late payment;
- the lender granting concessions to his counterparty / issuer due to economic reasons or contractual conditions related to the financial difficulties of such a counterparty / issuer and which the creditor would not have provided otherwise;
- the occurrence of the probability of bankruptcy or other financial reorganization;
- disappearance of an active market for a given financial asset as a result of financial difficulties of the issuer;
- purchase or creation of a financial asset at a large discount that reflects the credit losses incurred.

Valuation methods and the method of forming an estimated reserve for credit losses. In order to assess expected credit losses, two methods are distinguished: at the transaction level or at the counterparty level. Transactional valuation is used for all debt financial instruments, except for individuals.

Counterparty valuation is used for all debt financial instruments within the Individuals segment.

The main way to form credit loss provisions, which is applied at the group level, is to reserve on a collective basis. It is mandatory for financial instruments for which debt is not material or for which no significant increase in credit risk or impairment was identified in the reporting period.

Reservation of financial assets on an individual basis. The amount of the estimated allowance for credit losses for each debt financial asset is based on the assessment of the weighted average expected credit losses in the framework of the considered scenarios.

- The number of scenarios considered and their weight are determined on the basis of the methodology developed by the Bank, taking into account the current and reasonable forecast information, however, the number of scenarios considered cannot be less than two (including the scenario of 100% loss) and the probability of their implementation must be above zero.
- Estimation of expected losses with an individual approach to reservation takes into account the time value of money, as well as reasonable information about past, current and forecast future economic conditions. The amount of the estimated allowance for credit losses is determined as the difference between the gross carrying amount of the debt financial asset before deducting the estimated allowance for credit losses at the measurement date and its recoverable amount.

To estimate the recoverable amount, the discounted cash flow method is used based on the expected future payments of a debt financial asset (or other cash flows) using the effective interest rate as the discount rate. This assessment should take into account the following sources of cash:

- free cash flows from operating activities;
- future amounts recoverable from the sale of collateral;
- cash receipts from other sources - for example, as a result of litigation (other than selling collateral) or bankruptcy proceedings.

Reservation of financial assets on a collective basis. A collective assessment of the estimated reserves for credit losses of debt financial assets is carried out on the basis of individual risk metrics (PD, LGD, EAD), which are assigned to each specific counterparty / issuer based on an analysis of financial and other information, and for which regular monitoring is carried out.

PD is the probability of default determined on the basis of the risk segment and the internal rating (or group of delay) for the relevant period (12 months or the entire life of the tool (Lifetime PD)). Values are determined based on internal models, as well as using migration matrices (Markov chains). Calculations of the probability of default are adjusted for forecast information. Indicators of probability of default (PD) used by the Bank, based on the example of Moody's rating agency for financial institutions. For corporate by main sectors of the economy and individuals, data are used published in the official websites of government agencies, the Central Bank of Uzbekistan (www.cbu.uz) and other sources. As a forecast, data are used on the quality of the loan portfolio of past periods, as well as current and expected changes in macroeconomic variables (for example, real GDP growth, inflation, growth in real disposable money incomes of the population, etc.). The impact of these economic variables on the probability of default is determined using statistical regression analysis, and is calculated as the effect that these variables have on the level of defaults in past periods. The Bank estimates expected credit losses for a period of 12 months (Stage 1) or the entire life of the instrument, weighted by the likelihood of scenarios. These expected credit losses, weighted by probability, are determined by calculating each scenario using the appropriate model of expected credit losses and multiplying them by the respective scenario weights.

The basic segmentation principle for determining the probability of default (PD) for reservation purposes assumes that debt financial instruments with a similar risk profile should be assigned to the same portfolio with a similar level of risk. The risk segment is determined based on the specifics of the counterparty / issuer, the country of residence, size and business model.

LGD is the level of losses in case of default, the estimated value of losses as a result of the onset of default, based on the difference in the amounts of contractual cash flows receivable and cash flows that the lender expects to receive, including as a result of the pledged property. As a rule, this value is expressed as a percentage of EAD. Values are determined using models developed based on internal statistics.

EAD is the value of the credit claim at risk of default. Debt at the time of default is determined based on the expected payment schedule, which varies depending on the type of product. For products that are recorded at amortized cost and loans with a one-time repayment of debt at the time of default, it is determined on the basis of amounts due to repayment by the borrower under the contract for a 12-month period or for the entire life of the financial instrument. This debt is also adjusted for the expected overpayment by the borrower. The calculation also includes early repayment or refinancing assumptions. For renewable products, the debt at the time of default is projected by adding to the current balance of the funds used the "credit conversion ratio", which takes into account the expected use of the remaining limit by the time of default. These assumptions vary depending on the type of product, current use of the limit and other behavioral characteristics of a particular borrower. Values are determined using models developed based on internal statistics.

Determination of the estimated provision for credit losses for credit commitments. If the counterparty has current balance sheet debt, the assessment of credit loss reserves for credit commitments is carried out in accordance with the approaches applied to reserving balance sheet debt of this counterparty taking into account the credit conversion factor (CCF), determined both on the basis of statistical data and Basel values. If the counterparty has only credit-related obligations, the assessment of estimated reserves for credit losses is carried out depending on the amount of the obligation, taking into account the CCF, on an individual or collective basis.

Credit quality of financial instruments. The classification of financial assets into five categories of credit risk is a summary of the credit quality of financial assets covered by IFRS 9.

- "Minimal credit risk" - assets, counterparties for which demonstrate a stable ability to meet financial obligations in a timely manner with an insignificant probability of default.
- "Low credit risk" - assets, counterparties for which have a low probability of default and a high ability to meet financial obligations in a timely manner.
- "Medium credit risk" - assets whose counterparties have a moderate probability of default, demonstrate an average ability to meet financial obligations in a timely manner and require more careful attention at the monitoring stage.
- "High credit risk" - assets whose counterparties have a high probability of default require special attention at the monitoring stage.
- "Default" - assets that, according to the available evidence of impairment, meet the definition of default.

(in thousands UZS)

32.2 Market risk

The Bank assumes the market risk associated with open positions in interest rate, currency and equity instruments that are exposed to general and specific market movements. The Board sets limits on the level of accepted risk and monitors their compliance on a daily basis. However, the use of this approach does not prevent the formation of losses that exceed the established limits in the event of more significant changes in the market.

The task of managing market risk is to ensure that market risk exposure does not go beyond the acceptable parameters, while ensuring the optimization of the return received for the accepted risk.

32.3 Other price risk

Due to the lack of an active market for equity instruments in the Republic of Uzbekistan, it is difficult to assess the Bank's exposure to the risk of stock prices. Most of the equity investments held by the Bank are recorded at acquisition cost and are periodically assessed for impairment, accordingly, it is not expected that the Bank's exposure to equity risk will be significant.

32.4 Geographical risk

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2021:

	Uzbekistan	OECD and FATF member countries	Other countries	Total
Financial assets				
Cash and cash equivalents	1 156 133 728	-	16 027 914	1 172 161 642
Mandatory reserve in CBU	27 336 514	-	-	27 336 514
Due from other banks	116 440 600	-	-	116 440 600
Loans and advances to customers	10 334 248 893	-		10 334 248 893
Investment financial assets	507 199 539	-	-	507 199 539
Other financial assets	36 007 163	-	-	36 007 163
Total financial assets	**12 177 366 437**	**-**	**16 027 914**	**12 193 394 351**
Financial liabilities				
Due to other banks	1 068 854 5	-	-	1 068 854 5
Customer deposits	2 688 126 941	-		2 688 126 941
Debt Securities Issued	19 600 153	-	-	19 600 153
Other borrowings	1 922 894 902	1 076 220 631	2 246 129 366	5 245 244 899
Other financial liabilities	1 432 465 763	-	569 499	1 433 035 262
Total financial liabilities	**7 131 942 271**	**1 076 220 631**	**2 246 698 865**	**10 454 861 767**
Net financial assets / (liabilities)	**5 045 424 166**	**(1 076 220 631)**	**(2 230 670 951)**	**1 738 532 584**
Credit commitments	**649 241 746**	**-**	**124 389 184**	**773 630 930**

(in thousands UZS)

The following is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2020:

	Uzbekistan	OECD and FATF member countries	Other Countries	Total
Financial assets				
Cash and cash equivalents	1 010 863 601	-	8 347 877	1 019 211 478
Mandatory reserve in CBU	21 398 086	-	-	21 398 086
Due from other banks	137 134 087	-	-	137 134 087
Loans and advances to customers	8 141 706 655	-	2 113 473	8 143 820 128
Investment financial assets	206 817 551	-	-	206 817 551
Other financial assets	17 766 129	-	-	17 766 129
Total financial assets	**9 535 686 109**	**-**	**10 461 350**	**9 546 147 459**
Financial liabilities				
Due to other banks	1 585 713 773	-	-	1 585 713 773
Customer deposits	2 372 922 416	-	2 232 956	2 375 155 372
Debt Securities Issued	35 146 203	-	-	35 146 203
Other borrowings	2 446 988 176	217 362 510	1 433 325 663	4 097 676 349
Other financial liabilities	34 953 484	-	213	34 953 697
Total financial liabilities	**6 475 724 052**	**217 362 510**	**1 435 558 832**	**8 128 645 394**
Net financial assets / (liabilities)	**3 059 962 057**	**(217 362 510)**	**(1 425 097 482)**	**1 417 502 065**
Credit commitments	**730 616 859**	**-**	**120 707 713**	**851 324 572**

Assets, liabilities and credit commitments are generally classified according to the country in which the counterparty is located. Cash and cash equivalents, due from other banks are classified according to the country of their physical location.

32.5 Currency risk

The table below presents a general analysis of the Bank's currency risk at the end of the reporting period:

	Monetary financial assets	Monetary financial liabilities	Net balance position
2021			
UZS	7 771 843 333	6 185 276 609	1 586 566 724
USD	1 601 820 025	1 602 394 375	(574 350)
EURO	2 816 539 424	2 666 732 107	149 807 317
Other	3 191 569	458 676	2 732 893
Total	**12 193 394 351**	**10 454 861 767**	**1 738 532 584**
2020			
UZS	5 974 365 216	4 747 970 677	1 226 394 539
USD	2 211 299 516	2 062 044 299	149 255 217
EURO	1 348 558 508	1 317 142 737	31 415 771
Other	11 924 219	1 487 681	10 436 538
Total	**9 546 147 459**	**8 128 645 394**	**1 417 502 065**

The Bank assumes the risk associated with the effect of fluctuations in foreign exchange rates on its financial position and cash flows. The Bank's Council sets limits on the level of accepted risk in the context of currencies and as a whole both at the end of each day and within one day and monitors their compliance on a daily basis. The Bank's Treasury measures its currency risk by analyzing its net foreign currency position denominated in the same currency, and also analyzes the effect of strengthening/ weakening of the same currency in relation to the Uzbek Soum on the Bank's profit and loss.

(in thousands UZS)

The table below summarizes the changes in financial result and comprehensive income as a result of possible changes in exchange rates used at the end of the reporting period, while all other conditions remain unchanged. Reasonably possible change in the rate for each currency is determined based on the marginal limits of fluctuations of rates, changed by 10% compared with the current ones.

	31 December 2021	31 December 2020
Strengthening of the USD by 10%	(57 435)	14 925 522
Weakening of the USD by 10%	57 435	(14 925 522)
Strengthening of the Euro by 10%	14 980 732	3 141 577
Weakening of the Euro by 10%	(14 980 732)	(3 141 577)

The risk was calculated only for cash balances in currencies other than the Bank's functional currency.

32.6 Liquidity risk

Liquidity risk is the risk that an organization will face difficulties in meeting its financial obligations. The Bank is exposed to the risk of the daily need to use the available funds for settlement of overnight deposits, customer deposits, repayment of deposits, issuance of loans and borrowings, payments on guarantees and derivative financial instruments that are settled in cash. The Bank does not accumulate cash in case it is necessary to fulfill all of the above obligations at one time, since, based on the accumulated experience, it is possible to predict with sufficient accuracy the level of funds necessary to fulfill these obligations. The Bank's Treasure department manages liquidity risk.

The Bank tries to maintain a stable funding base, consisting mainly of funds from other banks, deposits of legal entities / deposits of individuals. The Bank invests in diversified portfolios of liquid assets in order to be able to quickly and easily meet unforeseen liquidity requirements.

The Bank's liquidity management requires analysis of the level of liquid assets necessary to settle liabilities upon maturity; providing access to various sources of financing; plans in case of problems with financing and monitoring compliance of liquidity ratios with legislative requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirements of the Central Bank of the Republic of Uzbekistan.

Information on financial assets and liabilities is received by the Treasury ensures an adequate portfolio of short-term liquid assets, mainly consisting of short-term liquid trading securities, deposits with banks and other interbank instruments, to maintain an adequate level of liquidity for the Bank as a whole.

The Treasury controls the daily liquidity position and regularly performs liquidity stress testing under various scenarios covering standard and more adverse market conditions.

The tables below show the distribution of obligations by contractual time remaining until maturity. The liabilities amount in the table represent the contractual cash flows, including the gross amount of the finance lease liabilities, as well as financial guarantees. These non-discounted cash flows differ from the amounts recorded in the statement of financial position as the amounts in the statement of financial position are based on discounted cash flows.

The tables below show the maturity analysis of non-derivative financial assets recorded at book value based on the contractual maturity dates, with the exception of assets that can be easily realized if there is a need for cash outflows related to financial liabilities. Such financial assets are included in the maturity analysis based on the expected disposal date. Impaired loans and borrowings are included in the table at book value less provision for impairment and based on expected cash inflow periods.

In cases where the amount to be paid is not fixed, the amount in the table is determined based on the conditions existing at the end of the reporting period. Currency payments are translated using the current exchange rate at the end of the reporting period.

Liquidity requirements in respect of guarantees and letters of credit are significantly lower than the sum of the corresponding liabilities presented in the maturity analysis above, as the Bank usually does not expect funds from these liabilities to be claimed by third parties. The total amount of loan commitments included in the table above does not necessarily represent the amount of cash that will be required to be repaid in the future, since many of these commitments may be unclaimed or terminated before they expire.

Analysis of liquidity risk and interest rate risk as of 31 December, 2021 is presented in the following table:

(in thousands UZS)

Analysis of liquidity risk and interest rate risk as of 31 December, 2021 is presented in the following table:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Cash and cash equivalents	-	40 000 000	-	-	-	40 000 000
Due from other banks	49 306	-	40 000 000	40 990 744	35 400 550	116 440 600
Loans and advances to customers	1 123 803 244	999 375 859	2 809 272 506	3 236 887 814	2 164 909 470	10 334 248 893
Total interest accrued financial assets	**218 381 422**	**309 417 162**	**1 346 571 903**	**1 391 846 512**	**1 574 900 757**	**4 841 117 756**
Cash and cash equivalents	1 132 161 642	-	-	-	-	1 132 161 642
Mandatory reserve in CBU	27 336 514	-	-	-	-	27 336 514
Investment financial assets	507 199 539	-	-	-	-	507 199 539
Other financial assets	36 007 163	-	-	-	-	36 007 163
Total financial assets	**2 826 557 408**	**1 039 375 859**	**2 849 272 506**	**3 277 878 558**	**2 200 310 020**	**12 193 394 351**
Financial liabilities						
Due to other banks	1 896 026	32 512 980	325 129 800	606 893 250	102 422 456	1 068 854 512
Customer deposits	209 437 590	469 893 418	729 977 231	77 425 555	516 300 869	2 003 034 663
Debt Securities Issued	-	19 600 153	-	-	-	19 600 153
Other borrowings	241 302 879	1 443 989 640	924 600 268	1 418 638 836	1 216 713 276	5 245 244 899
Total interest-bearing financial liabilities	**452 636 495**	**1 965 996 191**	**1 979 707 299**	**2 102 957 641**	**1 835 436 601**	**8 336 734 227**
Customer deposits	685 092 278	-	-	-	-	685 092 278
Other financial liabilities	1 433 035 262	-	-	-	-	1 433 035 262
Total financial liabilities	**2 570 764 035**	**1 965 996 191**	**1 979 707 299**	**2 102 957 641**	**1 835 436 601**	**10 454 861 767**
The difference between financial assets and liabilities	255 793 373	(926 620 332)	869 565 207	1 174 920 917	364 873 419	1 738 532 584
The difference between interest accrued financial assets and interest-bearing financial liabilities	671 216 055	(926 620 332)	869 565 207	1 174 920 917	364 873 419	2 153 955 266
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**671 216 055**	**(255 404 277)**	**614 160 930**	**1 789 081 847**	**2 153 955 266**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	5,50%	-2,09%	5,04%	14,67%	17,66%	

(in thousands UZS)

The table below presents an analysis of financial liabilities by maturity, excluding discounting, as at December 31, 2020:

	On demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Due from other banks	-	40 000 000	59 803 537	3 000 000	34 330 550	137 134 087
Loans and advances to customers	104 491 318	640 161 029	2 702 394 719	2 239 130 671	2 457 642 391	8 143 820 128
Investment financial assets	54 710 331	-	152 000 000	-	-	206 710 331
Total interest accrued financial assets	**159 201 649**	**680 161 029**	**2 914 198 256**	**2 242 130 671**	**2 491 972 941**	**8 487 664 546**
Cash and cash equivalents	1 019 211 478	-	-	-	-	1 019 211 478
Mandatory reserve in CBU	21 398 086	-	-	-	-	21 398 086
Investment financial assets	107 220	-	-	-	-	107 220
Other financial assets	17 766 129	-	-	-	-	17 766 129
Total financial assets	**1 217 684 562**	**680 161 029**	**2 914 198 256**	**2 242 130 671**	**2 491 972 941**	**9 546 147 459**
Financial liabilities						
Due to other banks	12 866 988	66 895 134	514 076 800	104 769 200	887 105 651	1 585 713 773
Customer deposits	387 961 680	260 330 858	765 676 806	63 458 569	254 339 946	1 731 767 859
Debt Securities Issued	26 046 203	9 100 000	-	-	-	35 146 203
Other borrowings	115 876 722	313 584 181	426 819 334	1 142 328 694	2 099 067 418	4 097 676 349
Total interest-bearing financial liabilities	**542 751 593**	**649 910 173**	**1 706 572 940**	**1 310 556 463**	**3 240 513 015**	**7 450 304 184**
Customer deposits	643 387 513	-	-	-	-	643 387 513
Other financial liabilities	34 953 697	-	-	-	-	34 953 697
Total financial liabilities	**1 221 092 803**	**649 910 173**	**1 706 572 940**	**1 310 556 463**	**3 240 513 015**	**8 128 645 394**
The difference between financial assets and liabilities	(3 408 241)	30 250 856	1 207 625 316	931 574 208	(748 540 074)	1 417 502 065
The difference between interest accrued financial assets and interest-bearing financial liabilities	(383 549 944)	30 250 856	1 207 625 316	931 574 208	(748 540 074)	1 037 360 362
The difference between interest accrued financial assets and interest-bearing financial liabilities, cumulative	**(383 549 944)**	**(353 299 088)**	**854 326 228**	**1 785 900 436**	**1 037 360 362**	
The difference between interest accrued financial assets and interest-bearing financial liabilities, as a percentage of total assets, cumulative	-4,02%	-3,70%	8,95%	18,71%	10,87%	

According to the management of the Bank, the mismatch of the terms of placement and repayment and interest rates on assets and liabilities is a temporary factor. In banks, as a rule, there is no complete coincidence on the indicated positions, since operations often have indefinite maturities and various nature.

Liquidity requirements for payments on guarantees and letters of credit are significantly lower than the amount of the respective obligations, as the Bank usually does not expect that funds for these obligations will be claimed by third parties. The total amount of contractual loan commitments does not necessarily represent the amount of cash that will be required to be paid in the future, since many of these obligations may be unclaimed or terminated before their expiration.

(in thousands UZS)

32.7 Interest rate risk

The Bank assumes the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the interest margin level, however, in case of unexpected changes in interest rates, the interest margin may also decrease or cause losses.

The Bank is exposed to interest rate risk, first of all, as a result of its activity on granting loans at fixed interest rates in amounts and for periods different from the amounts and terms of raising funds at fixed interest rates. In practice, interest rates are usually set for a short time. In addition, interest rates fixed in terms of contracts for both assets and liabilities are often reviewed on the basis of mutual agreement in accordance with the current market situation.

The Bank monitors interest rates on financial instruments. The table below shows the interest rates on financial instruments at the reporting date:

	2021		2020	
	UZS	USD	UZS	USD
Financial assets				
Cash and cash equivalents	12%-14%	-	-	-
Due from other banks	0%-21%	-	0%-18%	-
Loans and advances to customers	0%-36%	4%-14%	0%-36%	4%-14%
Investment financial assets	11,3%-15%	-	15%-16%	-
Financial liabilities				
Due to other banks	0%-20%	1%-7,3%	3%-16%	1%-7,3%
Customer deposits	0%-23,2%	0%-7%	0%-23%	0%-7%
Debt Securities Issued	16%	-	16%	-
Other borrowings	0%-16%	0%-6,8%	0%-16%	0%-6,8%

33 Segment information

The main format for providing information on segments of the Bank's activities is to provide information on operating segments, auxiliary information - on geographical segments.

All operations and services are related to customers of the Republic of Uzbekistan. All customers of the Bank are residents of the Republic of Uzbekistan.

33.1 Operation segments

The Bank operates in two main operating segments:

- Individuals - providing banking services to private clients and private entrepreneurs, maintaining current accounts of private clients, accepting savings deposits and deposits, servicing debit cards, providing consumer loans and loans secured by real estate.
- Legal entities - maintaining settlement accounts, attracting deposits, providing loans and other lending services, without acceptance of funds, transactions with foreign currency and derivative financial instruments.

Transactions between operating segments are carried out on ordinary commercial terms. The funds are redistributed between the segments, which leads to the redistribution of financing costs, taken into account when calculating the operating income. The interest accrued on these funds is calculated based on the cost of raising the Bank's capital. There are no other significant income or expenses on transactions between operating segments. Segment assets and liabilities are assets and liabilities, which constitute a large part of the balance sheet, but exclude items such as taxation of borrowed funds. Domestic costs and transfer pricing adjustments are accounted for in the results of the respective segments. For the reliable distribution of income received from external customers, between the segments are used agreements on the distribution of income.

(in thousands UZS)

The table below provides information on the segment concentration of assets and liabilities as at 31 December 2021:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	281 980 413	890 181 229	1 172 161 642
Mandatory reserve in CBU	-	-	27 336 514	27 336 514
Due from other banks	-	116 440 600	-	116 440 600
Loans and advances to customers	3 140 919 784	7 193 329 109	-	10 334 248 893
Investment financial assets	-	507 199 539	-	507 199 539
Other financial assets	4 216 567	31 790 596	-	36 007 163
Total financial assets	**3 145 136 351**	**8 130 740 257**	**917 517 743**	**12 193 394 351**
Financial liabilities				
Due to other banks	-	1 068 854 512	-	1 068 854 512
Customer deposits	801 732 605	1 886 394 336	-	2 688 126 941
Debt securities issued	-	19 600 153	-	19 600 153
Other borrowings	-	5 245 244 899	-	5 245 244 899
Other financial liabilities	572 392	1 432 462 870	-	1 433 035 262
Total financial liabilities	**802 304 997**	**9 652 556 770**	**-**	**10 454 861 767**
Net financial assets / (liabilities)	**2 342 831 354**	**(1 521 816 513)**	**917 517 743**	**1 738 532 584**
Credit commitments	**-**	**-**	**773 630 930**	**773 630 930**

(in thousands UZS)

The table below provides information about the segment concentration of income and expenses as at 31 December, 2021:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	549 984 466	565 734 796	-	1 115 719 262
Other interest income	184 607 468	273 709 311	-	458 316 779
Interest expense calculated at effective interest rate	(87 096 353)	(596 404 213)	-	(683 500 566)
Other interest expenses	-	(230 038 892)	-	(230 038 892)
Net interest income	**647 495 581**	**13 001 002**	**-**	**660 496 583**
Provisions for credit losses on debt financial assets	(82 302 638)	(353 650 879)	-	(435 953 517)
Net income / (expense) from initial recognition of financial instruments and loan modifications	(206 838 250)	386 477 342	-	179 639 092
Net interest income after provision for credit losses	**358 354 693**	**45 827 465**	**-**	**404 182 158**
Commission income	11 069 257	103 902 366	-	114 971 623
Commission expense	-	(41 046 240)	-	(41 046 240)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	28 153 830	28 153 830
Recovery / (creation) of a provision for credit losses on credit commitments	(1 126 585)	(2 495 218)	-	(3 621 803)
Provisions for other assets	-	(8 633 753)	-	(8 633 753)
Other operating income	-	-	7 291 870	7 291 870
Administrative and other operating expenses	(307 104 791)	-	(186 653 351)	(493 758 142)
Income before tax	**61 192 574**	**97 554 620**	**(151 082 040)**	**7 665 154**

(in thousands UZS)

The table below provides information on the segment concentration of assets and liabilities as at 31 December, 2020:

	Individuals	Legal entities	Unsplittable	Total
Financial assets				
Cash and cash equivalents	-	439 012 286	580 199 192	1 019 211 478
Mandatory reserve in CBU	-	-	21 398 086	21 398 086
Due from other banks	-	137 134 087	-	137 134 087
Loand and advances to customers	2 636 670 280	5 507 149 848	-	8 143 820 128
Investment financial assets	-	206 817 551	-	206 817 551
Other financial assets	6 938 851	10 827 278	-	17 766 129
Total financial assets	**2 643 609 131**	**6 300 941 050**	**601 597 278**	**9 546 147 459**
Financial liabilities				
Due to other banks	-	1 585 713 773	-	1 585 713 773
Customer deposits	623 417 542	1 751 737 830	-	2 375 155 372
Debt securities issued	-	35 146 203	-	35 146 203
Other borrowings	-	4 097 676 349	-	4 097 676 349
Other financial liabilities	15 782 908	19 170 789	-	34 953 697
Total financial liabilities	**639 200 450**	**7 489 444 944**	**-**	**8 128 645 394**
Net financial assets / (liabilities)	**2 004 408 681**	**(1 188 503 894)**	**601 597 278**	**1 417 502 065**
Credit commitments	**10 975 479**	**738 133 590**	**102 215 503**	**851 324 572**

The table below provides information on the segment concentration of income and expenses as at 31 December, 2020:

	Individuals	Legal entities	Unsplittable	Total
Interest income calculated at the effective interest rate	254 188 323	590 575 515	-	844 763 838
Other interest income	161 776 228	126 432 369	-	288 208 597
Interest expense calculated at effective interest rate	(26 971 857)	(398 466 772)	-	(425 438 629)
Other interest expenses	-	(156 733 290)	-	(156 733 290)
Net interest income	**388 992 694**	**161 807 822**	**-**	**550 800 516**
Provisions for credit losses on debt financial assets	(3 860 971)	(219 169 834)	-	(223 030 805)
Net income / (expense) from initial recognition of financial instruments and loan modifications	(13 021 382)	37 032 941	-	24 011 559
Net interest income after provision for credit losses	**372 110 341**	**(20 329 071)**	**-**	**351 781 270**
Commission income	10 311 106	80 201 084	-	90 512 190
Commission expense	-	(24 339 722)	-	(24 339 722)
Net income / (expenses) from operations in foreign currency and from revaluation of foreign currency	-	-	11 466 594	11 466 594
Recovery / (creation) of a provision for credit losses on credit commitments	217 397)	(10 158 734)	-	(10 376 131)
Provisions for other assets	-	(3 773 395)	-	(3 773 395)
Other operating income	-	-	11 170 096	11 170 096
Administrative and other operating expenses	(259 646 713)	-	(132 621 893)	(392 268 606)
Income before tax	**122 557 337**	**21 600 162**	**(109 985 203)**	**34 172 296**

34 Events after the reporting date

According to the resolution of the general meeting of shareholders of the Bank dated February 2, 2022, it was decided to increase the share capital with the condition of an additional issue of ordinary shares in the amount of 1 264 223,706 units, with a nominal value of 1 068 UZS per ordinary share, in the amount of 1 350 190 918 thousand UZS.